

# ***CALC***

China Aircraft Leasing Group Holdings Limited

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

Stock code: 01848

## 2024 INTERIM REPORT

# *Vision Without Borders*



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive Directors**

Mr. ZHANG Mingao (*Chairman of the Board*)  
Mr. POON Ho Man (*Chief Executive Officer*)  
Mr. LI Guohui (*Chief Financial Officer*  
and *Chief Strategy Officer*)

#### **Non-executive Director**

Ms. WANG Yun

#### **Independent Non-executive Directors**

Mr. CHEOK Albert Saychuan  
Dr. TSE Hiu Tung, Sheldon, *M.H.*  
Mr. FAN Chun Wah, Andrew, *J.P.*

### COMPOSITION OF COMMITTEES

#### **Audit Committee**

Mr. FAN Chun Wah, Andrew, *J.P.* (*Chairman*)  
Mr. CHEOK Albert Saychuan  
Dr. TSE Hiu Tung, Sheldon, *M.H.*

#### **Remuneration Committee**

Dr. TSE Hiu Tung, Sheldon, *M.H.* (*Chairman*)  
Ms. WANG Yun  
Mr. POON Ho Man  
Mr. CHEOK Albert Saychuan  
Mr. FAN Chun Wah, Andrew, *J.P.*

#### **Nomination Committee**

Mr. CHEOK Albert Saychuan (*Chairman*)  
Dr. TSE Hiu Tung, Sheldon, *M.H.*  
Mr. FAN Chun Wah, Andrew, *J.P.*

### COMPANY SECRETARY

Ms. NGAN Chi Mui

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F., Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### COMPANY'S WEBSITE

[www.calc.com.hk](http://www.calc.com.hk)

### INVESTOR RELATIONS CONTACT

[ir@calc.com.hk](mailto:ir@calc.com.hk)

### SHARE REGISTRAR AND TRANSFER OFFICE

#### **Principal Share Registrar and Transfer Office**

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

#### **Branch Share Registrar and Transfer Office**

Tricor Investor Services Limited  
17/F., Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### STOCK CODE

01848

## CORPORATE INFORMATION

### PRINCIPAL BANKERS AND FINANCIAL INSTITUTIONS *(In alphabetical order)*

Agricultural Bank of China Limited  
Bank of Beijing Co., Ltd.  
Bank of China Limited  
Bank of Communications Co., Ltd.  
The Bank of East Asia, Limited  
Bank of Jiangsu Co., Ltd.  
Bank of Ningbo  
Bank of Tianjin Co., Ltd.  
BNP Paribas  
China Bohai Bank Co., Ltd  
China CITIC Bank  
China CITIC Bank International Limited  
China Construction Bank Corporation  
China Development Bank  
China Everbright Bank Co., Ltd.  
China Merchants Bank Co., Ltd.  
China Zheshang Bank Co., Ltd  
Chong Hing Bank Limited  
Credit Agricole Corporate and Investment Bank  
Deutsche Bank AG  
The Export-Import Bank of China  
Huaxia Bank  
Industrial and Commercial Bank of China Limited  
Industrial Bank Co., Ltd.  
Korea Development Bank  
MUFG Bank, Ltd.  
Postal Savings Bank of China Co., Ltd.  
Shanghai Pudong Development Bank Co., Ltd.  
Société Générale  
Standard Chartered Bank



# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM BUSINESS REVIEW

The global aviation market followed steady upward trend in the first half of 2024. The latest data from the International Air Transport Association (IATA) suggested a 9.1% year-on-year growth in total global air traffic (measured in revenue passenger kilometers or RPKs) in June 2024, with passenger load factor rising to 85%, driven by strong international demand. The China aviation market has also continued to improve, with domestic traffic restoring to normal growth and the international traffic rebounding to over 80% the level of the same period in 2019. However, headwinds such as rising aircraft safety incidents, continued supply chain disruptions, and the delayed Federal Reserve (Fed) rate cuts also posed certain challenges to the aviation industry.

The Group has adhered to prudent strategies, clutching opportunities arose, and achieved an overall steady operation and financial performance in the first half of the year. For the six months ended 30 June 2024 (the "Review Period"), the Group's total revenue was HK\$2,528.1 million, representing an increase of 8.7% from the same period of last year (1H 2023: HK\$2,326.3 million). Profit attributable to shareholders of the Company for the Review Period amounted to HK\$131.7 million (1H 2023: HK\$201.2 million), representing a decrease from the same period of last year. Earnings per share was HK\$0.177 (1H 2023: HK\$0.270).

The Board has resolved to declare an interim dividend of HK\$0.12 per ordinary share (1H 2023: HK\$0.15), totaling HK\$89.4 million.

## QUALITY ORDER BOOK ASSETS

As one of the few lessors worldwide that is capable of direct aircraft procurement from aircraft original equipment manufacturers (OEMs), the Group has continuously facilitated the development of China-made aircraft in terms of its global reach and commercialization on top of its orders of new-generation fuel-efficient aircraft placed long ago. During the Review Period, the Group delivered the third ARJ21 aircraft to Indonesia's Transnusa Airlines by leasing export. It is also worth mentioning that this is the Group's first RMB denominated export leasing transaction as well as China's first cross-border leasing of a China-made aircraft settled in offshore Chinese yuan. As at 30 June 2024, the Group had a total of 129 aircraft on backlog, including 102 Airbus and 27 COMAC aircraft. According to the data of Cirium, a consulting firm focused on the aviation market, as at 30 June 2024, the Group was ranked seventh among global lessors by number of aircraft in its order book.

## HIGHLY LIQUID FLEET PORTFOLIO

During the Review Period, the Group continued to optimize its fleet portfolio through its quality order book, delivering a total of 12 new aircraft to airline customers, most of which were new-generation, fuel-efficient Airbus models. Meanwhile, in response to the recovery of the aircraft trading market, the Group signed a total of 17 aircraft sales and purchase agreements (SPAs) during the Review Period, and successfully completed the disposal of five of these aircraft, catering for the needs of investors with various preferences. As at 30 June 2024, the Group's fleet size reached 199 aircraft, including 172 owned aircraft and 27 managed aircraft.

During the Review Period, the Group has maintained a highly liquid and modern fleet portfolio. As at 30 June 2024, by number of aircraft, over 90% of the Group's owned fleet were narrow-body models, a highly liquid and in-demand asset class in the market where its overall asset value continues to rise. With its quality fleet assets, as at 30 June 2024, except for one aircraft involving a Russian airline and two repossessed aircraft under negotiation, all the Group's owned fleet have been mandated for lease. As at 30 June 2024, the average age of the Group's owned fleet was 8.1 years, and the average remaining lease term was 5.9 years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### GLOBAL AIRLINES CUSTOMERS

The Group has always maintained a leading position in the PRC market. As at 30 June 2024, by number of aircraft, 68% of the Group's owned fleet were leased to Chinese airlines customers (including Hong Kong, Macau and Taiwan), most of which were state-owned airlines with strong financial strength. At the same time, the Group continued to actively expand its quality clientele worldwide. During the Review Period, the Group has successfully achieved its first cooperation with global top-tier airlines such as Lufthansa Group, South African Airways, and Cebu Pacific Air, by repossession and redelivery as well as re-marketing upon first lease expiry. This has further optimized and diversified the geographical mix of its customer base. Benefiting from the continuous improvement in the overall client profiles and their business performance, the overall rent collection ratio of the Group for the Review Period amounted to 101.3%.

As at 30 June 2024, the Group's entire customer base, including both owned and managed aircraft, had been enlarged to 42 airlines widely spread over 22 countries and regions. In terms of order book placement, all aircraft scheduled for delivery before December 2025 have been mandated for lease, more than half of which will be leased to overseas airline customers. The proportion of the Group's overseas customers is expected to further increase.

### DIVERSIFIED FINANCING CHANNELS

The Group has established its onshore and offshore dual-market platforms with diversified financing channels, and continuously expands and optimizes its sources of funds to ensure sufficient liquidity while persistently optimizing its debt structure.

During the Review Period, total new facilities obtained and renewed facilities exceeded HK\$17 billion, including aircraft loans, Pre-Delivery Payments (PDP) financing and RMB bonds, etc., providing strong support for the Group's business development. As at 30 June 2024, the Group had cash and cash equivalents of HK\$6,114.5 million and undrawn borrowing facilities of HK\$2,299.4 million. The total balance of cash and cash equivalents as well as undrawn borrowing facilities amounted to HK\$8,413.9 million.

In terms of bond issuance, during the Review Period, in view of the relatively low and stable interest rate environment and the abundant supply of liquidity in the PRC market, the Group successfully issued RMB0.3 billion 3-year and RMB1.2 billion 5-year medium-term notes with a coupon rate of 2.75% and 3.3% respectively, reflecting the recognition of the Group's operational strength and development prospects by the PRC bond investors. As of 30 June 2024, the proportion of the Group's RMB debts to the total interest-bearing debts has increased to nearly 27%. In terms of settlement, the Group has repaid the US\$148.9 million USD bonds in March 2024 and RMB1.49 billion RMB notes in April 2024.

In the future, the Group will continue to closely monitor both onshore and offshore markets, flexibly selecting the optimal markets and financing channels, increase unsecured financing, optimize debt structure, and continuously improve its financial flexibility and fund utilization efficiency to reduce overall interest cost. At the same time, the Group will also actively explore equity financing and other innovative financial instruments in the capital market, striving to further expand its financing channels, enhance its capital strength, and improve its international credit rating by various measures.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

Overall, the global aviation industry has continued to improve, and the impacts of past external adverse factors have been eliminated or significantly reduced. In June, IATA again raised the profit forecast for the airline industry in 2024. The total revenue of the industry is expected to reach US\$996.0 billion, representing a year-on-year increase of 9.7% and reaching a historical high, and the net profit forecast of the airline industry in 2024 was raised from previous US\$27.4 billion to US\$30.5 billion. At the same time, issues such as the supply chain disruption, delay in delivery, engine shortage have not been mitigated. The OEMs' production capacity expansion plans have been delayed repeatedly. It is generally expected that the supply of aircraft will remain tight, which is expected to continue to drive the demand in the aircraft leasing market and support aircraft values and lease rates at high levels or even further. In view of this, the Group will actively seize the business opportunities brought by a new round of growth cycle in the global airline industry, fully leverage its full-value-chain strengths, accelerate its global expansion with top-tier clientele, enhance its core business competence, and continue to support the overseas development of China-made jet along with its commitment of serving the nation's Civil Aviation Strategy.

On the other hand, although the first rate cut of the Fed was delayed from earlier expectations, the market still generally anticipates that the Fed will start a cycle of rate cuts within 2024, with at least one rate cut, thereby reducing market funding cost as well as the Group's interest expenses while boosting the aircraft trading market. The Group will closely monitor the changes in interest rates and grasp the opportunities emerging from the trading market in response to the various preferences of different aircraft investors, optimize its owned fleet portfolio, and enhance asset management capability. Meanwhile, the Group will further optimize financial structure, enhance financial stability, strive to achieve investment-grade international ratings, and pursue high-quality sustainable development in the long run.

## MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM CONSOLIDATED STATEMENT OF INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
<b>Total revenue</b>		
<b>Lease income</b>		
Finance lease income	300,224	296,555
Operating lease income	1,922,237	1,759,898
	<b>2,222,461</b>	2,056,453
<b>Other operating income</b>		
Net income from aircraft transactions and aircraft components trading	25,427	44,695
Other income	280,208	225,109
	<b>2,528,096</b>	2,326,257
<b>Expenses</b>		
Interest expenses	(1,340,118)	(1,075,871)
Depreciation	(839,726)	(748,034)
Reversal of expected credit losses/(expected credit losses)	28,331	(51,782)
Other operating expenses	(236,601)	(147,825)
	<b>(2,388,114)</b>	(2,023,512)
<b>Share of results from associates and joint ventures</b>	(564)	(1,267)
<b>Other gains, net</b>	162,001	159,257
<b>Profit before income tax</b>	301,419	460,735
Income tax expenses	(115,770)	(153,833)
<b>Profit for the period</b>	<b>185,649</b>	306,902
<b>Profit attributable to</b>		
Shareholders of the Company	131,749	201,171
Holders of perpetual capital securities and other non-controlling interests	53,900	105,731
	<b>185,649</b>	306,902
<b>Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)</b>		
– Basic earnings per share	0.177	0.270
– Diluted earnings per share	0.177	0.270



## MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
<b>ASSETS</b>		
Property, plant and equipment and right-of-use assets	36,744,608	33,493,826
Investments in and loans to associates and joint ventures	642,524	1,529,629
Finance lease receivables – net	8,643,662	8,577,339
Financial assets at fair value through profit or loss	1,471,869	621,749
Derivative financial assets	15,685	61,157
Pre-Delivery Payments (“PDP”) and other prepayments and receivables relating to aircraft acquisition	7,047,519	7,626,274
Prepayments and other assets	728,337	647,166
Assets classified as held for sale	2,321,441	1,425,254
Aircraft components trading assets	3,431	1,934
Restricted cash	263,333	544,524
Cash and cash equivalents	6,114,507	5,295,875
<b>Total assets</b>	<b>63,996,916</b>	<b>59,824,727</b>
<b>EQUITY</b>		
Share capital	74,436	74,436
Reserves	2,095,595	2,173,544
Retained earnings	2,101,656	2,081,560
<b>Equity attributable to shareholders of the Company</b>	<b>4,271,687</b>	<b>4,329,540</b>
Perpetual capital securities and other non-controlling interests	779,398	810,422
<b>Total equity</b>	<b>5,051,085</b>	<b>5,139,962</b>
<b>LIABILITIES</b>		
Deferred income tax liabilities	1,188,112	1,191,479
Borrowings	48,458,581	42,911,870
Medium-term notes	1,621,634	1,656,173
Bonds and debentures	4,690,883	5,943,499
Derivative financial liabilities	188,030	147,735
Income tax payables	83,876	66,056
Interest payables	227,557	392,690
Other liabilities and accruals	2,487,158	2,375,263
<b>Total liabilities</b>	<b>58,945,831</b>	<b>54,684,765</b>
<b>Total equity and liabilities</b>	<b>63,996,916</b>	<b>59,824,727</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. RESULTS

Total revenue of the Group for the period ended 30 June 2024 was HK\$2,528.1 million, representing an increase of HK\$201.8 million or 8.7% from the HK\$2,326.3 million in corresponding period last year. Profit for the period ended 30 June 2024 amounted to HK\$185.6 million (For the six months ended 30 June 2023: HK\$306.9 million). Profit attributable to shareholders of the Company for the six months ended 30 June 2024 amounted to HK\$131.7 million (For the six months ended 30 June 2023: HK\$201.2 million). Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period ended 30 June 2024 amounted to HK\$2,481.3 million (For the six months ended 30 June 2023: HK\$2,284.6 million).

Total assets amounted to HK\$63,996.9 million as at 30 June 2024, compared with HK\$59,824.7 million as at 31 December 2023, representing an increase of HK\$4,172.2 million or 7.0%. The increase in assets was mainly due to the increase in the total fleet size of the Group from 165 aircraft as at 31 December 2023 to 172 aircraft as at 30 June 2024.

Total liabilities amounted to HK\$58,945.8 million as at 30 June 2024, representing an increase of HK\$4,261.1 million or 7.8% compared with HK\$54,684.7 million as at 31 December 2023. The increase in liabilities was mainly due to the increase in borrowings by HK\$5,546.8 million, which mainly due to the increase in total fleet size of the Group. As at 30 June 2024, the borrowings of the Group amounted to HK\$48,458.6 million (31 December 2023: HK\$42,911.8 million).

#### 1.1 Total Revenue

For the six months ended 30 June 2024, the total revenue amounted to HK\$2,528.1 million, compared with HK\$2,326.3 million for the corresponding period last year, representing an increase of HK\$201.8 million or 8.7%.

Total lease income from finance leases and operating leases for the six months ended 30 June 2024 amounted to HK\$2,222.5 million, compared with HK\$2,056.5 million for the six months ended 30 June 2023, representing an increase of HK\$166.0 million or 8.1%. The increase in total lease income was mainly due to the increase in the fleet size of the Group from 165 aircraft as at 31 December 2023 to 172 aircraft as at 30 June 2024.

For the six months ended 30 June 2024, the Group's average lease rental yield of the finance leases and operating leases was 9.5% (For the six months ended 30 June 2023: 14.1%) and 10.2% (For the six months ended 30 June 2023: 11.1%), 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 10.1% (For the six months ended 30 June 2023: 11.3%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1.2 Other Operating Income

#### 1.2.1 Net Income from Aircraft Transactions and Aircraft Components Trading

For the six months ended 30 June 2024, the Group recognised net gain from disposal of five aircraft and aircraft components trading amounted to HK\$25.4 million (For the six months ended 30 June 2023: net gain from disposal of one aircraft and aircraft components trading amounted to HK\$44.7 million). The aggregate net book value of the aircraft disposed amounted to HK\$507.4 million (For the six months ended 30 June 2023: HK\$438.2 million).

#### 1.2.2 Other Income

During the six months ended 30 June 2024, the Group had the following other income:

	Unaudited		Change
	Six months ended 30 June		
	2024	2023	
	HK\$'Million	HK\$'Million	
Government grants	<b>113.1</b>	100.1	+13.0%
Interest income from loans to associates and joint ventures	<b>55.0</b>	56.8	-3.2%
Bank interest income	<b>65.3</b>	32.4	+101.5%
Asset management service fees income from CAG Bermuda 1 Limited ("CAG") and its subsidiaries (collectively, "CAG Group")	<b>9.2</b>	9.3	-1.1%
Others	<b>37.6</b>	26.5	+41.9%
<b>Total</b>	<b>280.2</b>	225.1	+24.5%

Government grants for the six months ended 30 June 2024 amounted to HK\$113.1 million, compared with HK\$100.1 million for the six months ended 30 June 2023, representing an increase of HK\$13.0 million or 13.0%.

Others mainly related to interest on deferred operating lease receivables and amounts received from suppliers.

## MANAGEMENT DISCUSSION AND ANALYSIS

**1.3 Expenses****1.3.1 Interest Expenses**

For the six months ended 30 June 2024, interest expenses incurred by the Group amounted to HK\$1,340.1 million, compared with HK\$1,075.9 million for the corresponding period last year, representing an increase of HK\$264.2 million or 24.6%. The increase in interest expenses was mainly due to the increase in total interest-bearing debts (including borrowings, medium-term notes and bonds and debentures) from HK\$52,453.1 million as at 30 June 2023 to HK\$54,771.1 million as at 30 June 2024 and the increase in US\$ SOFR from 5.09% as at 30 June 2023 to 5.33% as at 30 June 2024. The average effective interest rate of total interest-bearing debts during the period was 5.92% (For the six months ended 30 June 2023: 5.72%).

Certain 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 as at 30 June 2024:

US\$ interest rate	Impact on Cash outflow HK\$'Million	Profit attributable to shareholders of the Company HK\$'Million
Increased by 100 basis points	245	(184)
Decreased by 100 basis points	(245)	184

**1.3.2 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 2024 was HK\$839.7 million compared with HK\$748.0 million for the corresponding period last year, representing an increase of HK\$91.7 million or 12.3%. This was mainly attributable to an increase in the number of aircraft under operating leases subject to depreciation from 113 aircraft as at 31 December 2023 to 119 aircraft as at 30 June 2024.

**1.3.3 Reversal of Expected Credit Losses/(Expected Credit Losses)**

Expected credit losses are mainly provided on finance lease receivables, operating lease receivables and loans to associates and joint ventures when the counterparty is expected as not being able to pay the amounts due to the Group. During the six months ended 30 June 2024, the reversal of expected credit losses is mainly related to a reversal of expected credit losses made in view of repayment of certain outstanding loans and improved operating performance of one of the Group's joint ventures.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3.4 Other Operating Expenses

Other operating expenses mainly represented salaries and commission, professional fees related to the aircraft leasing business, value-added tax surcharge and other taxes, rentals and office administration expenses. The increase in the other operating expenses was mainly due to increased professional fees related to aircraft leasing business, aircraft transactions and financing and increased staff related cost.

### 1.4 Other Gains, Net

	Unaudited Six months ended 30 June		Change
	2024 HK\$'Million	2023 HK\$'Million	
Currency exchange gains in RMB	256.2	242.2	+5.8%
Fair value losses on currency forward contracts in RMB	(78.2)	(123.3)	-36.6%
Net exchange gains in RMB	178.0	118.9	+49.7%
Currency exchange losses in US\$	(2.7)	(15.6)	-82.7%
Fair value gains on financial assets at fair value through profit or loss	0.4	21.4	-98.1%
Changes in fair value attributable to interest rate (Realised losses)/unrealised gains on a currency swap	0.2	28.1	-99.3%
	(13.9)	6.5	N/A
Total	162.0	159.3	+1.7%

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 approximately 7.1 as at 31 December 2023 to approximately 7.3 as at 30 June 2024.

#### **Sensitivity test**

As at 30 June 2024, the net RMB financial liabilities of the Group exposed to currency exchange risk amounted to RMB9.9 billion. Hedging arrangement amounted to RMB2.0 billion was made to reduce the exchange rate risk exposure. The net RMB exchange rate risk exposure as at 30 June 2024 was RMB7.9 billion. A 5% appreciation/depreciation of RMB against US\$ would result in a decrease/increase in profit attributable to shareholders of the Company for the six months ended 30 June 2024 by HK\$422.3 million.

### 1.5 Income Tax Expenses

Income tax for the six months ended 30 June 2024 was HK\$115.8 million, compared to HK\$153.8 million in the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

## 2. INTERIM CONSOLIDATED BALANCE SHEET

## 2.1 Assets

As at 30 June 2024, the Group's total assets amounted to HK\$63,996.9 million, compared with HK\$59,824.7 million as at 31 December 2023, representing an increase of HK\$4,172.2 million or 7.0%.

	<b>Unaudited As at 30 June 2024 HK\$'Million</b>	Audited As at 31 December 2023 HK\$'Million	Change
Property, plant and equipment and right-of-use assets (mainly "Aircraft under operating leases")	<b>36,744.6</b>	33,493.8	+9.7%
Finance lease receivables – net ("Aircraft under finance leases")	<b>8,643.7</b>	8,577.3	+0.8%
Assets classified as held for sale ("Aircraft under operating leases for trading")	<b>2,321.4</b>	1,425.3	+62.9%
Pre-Delivery Payments ("PDP") and other prepayments and receivables relating to aircraft acquisition	<b>7,047.5</b>	7,626.3	-7.6%
Prepayments and other assets	<b>731.8</b>	649.1	+12.7%
Investments in and loans to associates and joint ventures	<b>642.5</b>	1,529.6	-58.0%
Financial assets at fair value through profit or loss	<b>1,471.9</b>	621.7	+136.8%
Derivative financial assets	<b>15.7</b>	61.2	-74.3%
Restricted cash	<b>263.3</b>	544.5	-51.6%
Cash and cash equivalents	<b>6,114.5</b>	5,295.9	+15.5%
<b>Total assets</b>	<b>63,996.9</b>	59,824.7	+7.0%

**2.1.1 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 113 aircraft as at 31 December 2023 to 119 aircraft as at 30 June 2024, netted-off by the depreciation provided during the current period.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 reclassification of one aircraft under finance lease to operating lease during the period. The fleet size of the Group under finance lease decreased from 48 aircraft as at 31 December 2023 to 47 aircraft as at 30 June 2024.

Assets classified as held for sale represented cost of assets expected to be disposed in the next twelve months. During the six months ended 30 June 2024, two aircraft was reclassified as held for sale. The number of aircraft classified as held for sale increased from four aircraft as at 31 December 2023 to six aircraft as at 30 June 2024.

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:

	<b>As at 30 June 2024 Owned Aircraft</b>	As at 31 December 2023 Owned Aircraft
Property, plant and equipment and right-of-use assets (Operating leases)	<b>119</b>	113
Finance lease receivables – net (Finance leases)	<b>47</b>	48
Assets classified as held for sale (Operating leases)	<b>6</b>	4
<b>Total <i>(note)</i></b>	<b>172</b>	165

Note: Including one aircraft remained in Russia as at 30 June 2024 (31 December 2023: one).

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 165 aircraft as at 31 December 2023 to 172 aircraft as at 30 June 2024.

As at 30 June 2024, the aggregate net book value of the aircraft was HK\$46,905.5 million (31 December 2023: HK\$42,826.9 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

**2.1.2 Aircraft Portfolio**

Aircraft portfolio by number of aircraft is as follows:

	<b>As at 30 June 2024 Owned Aircraft</b>	As at 31 December 2023 Owned Aircraft	As at 30 June 2023 Owned Aircraft
<b>Aircraft Type</b>			
Airbus A320 CEO family	<b>80</b>	82	85
Airbus A320 NEO family	<b>54</b>	43	37
Airbus A330 CEO family	<b>13</b>	13	13
Boeing B737 NG family	<b>19</b>	22	23
Boeing B737 MAX family	<b>2</b>	2	1
Boeing B787	<b>1</b>	1	1
COMAC ARJ21 series	<b>3</b>	2	2
Total <i>(note)</i>	<b>172</b>	165	162

Note: Including one aircraft remained in Russia as at 30 June 2024 (31 December 2023: one).

**2.1.3 PDP and other Prepayments and Receivables Relating to Aircraft Acquisition**

PDP and other prepayments and receivables relating to aircraft acquisition mainly represented PDP made to aircraft manufacturers for aircraft acquisition from order book. The balance remains stable.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.1.4 Prepayments and other Assets

Prepayments and other assets mainly include operating lease receivables.

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

	Unaudited As at 30 June 2024		Audited As at 31 December 2023	
	HK\$'Million	%	HK\$'Million	%
Current/deferral	98.4	23%	135.6	30%
Less than 30 days past due	1.4	1%	4.2	1%
30 to 90 days past due	2.9	1%	19.3	4%
More than 90 days past due	315.5	75%	289.5	65%
	<b>418.2</b>	<b>100%</b>	448.6	100%
<i>Less: Accumulated expected credit losses allowance</i>	<b>(201.2)</b>		(203.6)	
<b>Total</b>	<b>217.0</b>		245.0	

With the recovery of aviation industry, there is an improvement in the rent collection. The operating lease receivables as at 30 June 2024 amounted to HK\$418.2 million, representing a decrease of HK\$30.4 million or 6.8%, compared with HK\$448.6 million as at 31 December 2023.

The rent collection ratio, represented by the cash received over the amount of invoice billing, for the six months ended 30 June 2024 was 101.3% (For the six months ended 30 June 2023: 100.6%). 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

**2.2 Liabilities**

As at 30 June 2024, the Group's total liabilities amounted to HK\$58,945.8 million, compared with HK\$54,684.7 million as at 31 December 2023, representing an increase of HK\$4,261.1 million or 7.8%.

An analysis is given as follows:

	<b>Unaudited As at 30 June 2024 HK\$'Million</b>	Audited As at 31 December 2023 HK\$'Million	Change
Borrowings	<b>48,458.6</b>	42,911.8	+12.9%
Bonds and debentures	<b>4,690.9</b>	5,943.5	-21.1%
Medium-term notes	<b>1,621.6</b>	1,656.2	-2.1%
Total interest-bearing debts	<b>54,771.1</b>	50,511.5	+8.4%
Deferred income tax liabilities	<b>1,188.1</b>	1,191.5	-0.3%
Interest payables	<b>227.6</b>	392.7	-42.0%
Income tax payables	<b>83.9</b>	66.1	+26.9%
Derivative financial liabilities	<b>188.0</b>	147.7	+27.3%
Other liabilities and accruals	<b>2,487.1</b>	2,375.2	+4.7%
Total liabilities	<b>58,945.8</b>	54,684.7	+7.8%

## MANAGEMENT DISCUSSION AND ANALYSIS

**2.2.1 Borrowings**

The analysis of borrowings is as follows:

	<b>Unaudited As at 30 June 2024 HK\$'Million</b>	Audited As at 31 December 2023 HK\$'Million	Change
<b>Bank and other borrowings</b>			
Bank and other borrowings for aircraft acquisition financing	<b>26,504.8</b>	23,309.6	+13.7%
PDP financing	<b>6,112.6</b>	6,127.8	-0.2%
Other bank borrowings	<b>11,295.3</b>	8,802.6	+28.3%
	<b>43,912.7</b>	38,240.0	+14.8%
<b>Other long-term borrowings</b>			
Borrowings from trust plans	<b>4,127.9</b>	4,263.8	-3.2%
Other borrowings	<b>418.0</b>	408.0	+2.5%
	<b>4,545.9</b>	4,671.8	-2.7%
<b>Total borrowings</b>	<b>48,458.6</b>	42,911.8	+12.9%

The increase in total borrowings from HK\$42,911.8 million as at 31 December 2023 to HK\$48,458.6 million as at 30 June 2024, representing an increase of HK\$5,546.8 million or 12.9%, was mainly due to the fleet size increased from 165 aircraft as at 31 December 2023 to 172 aircraft as at 30 June 2024. The increase in total borrowings is in line with the increase in total assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

**2.2.2 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	Outstanding principal amount (Million)	Carrying amount (HK\$'Million)	Note
November 2020	Five years	November 2025	5.90%	US\$35.0	272.6	(a)
January 2021	Five years	January 2026	5.90%	US\$35.0	272.8	(a)
December 2021	Three years	December 2024	4.85%	US\$91.4	711.3	(b)&(d)
				US\$161.4	1,256.7	
February 2022	Three years	February 2025	4.40%	RMB1,200.0	1,288.7	(a)
June 2023	Three years	June 2026	3.85%	RMB1,500.0	1,609.3	(c)
November 2023	Three years	November 2026	3.58%	RMB500.0	536.2	(c)
				RMB3,200.0	3,434.2	
<b>Total bonds and debentures as at 30 June 2024</b>					<b>4,690.9</b>	
Total bonds and debentures as at 31 December 2023					5,943.5	

The decrease in bonds and debentures from HK\$5,943.5 million as at 31 December 2023 to HK\$4,690.9 million as at 30 June 2024 was mainly due to the repayment of US\$148.9 million bonds upon maturity.

Notes:

- (a) The bonds and debentures are unlisted and subscribed by independent third parties.
- (b) These bonds are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
- (c) These bonds are listed on the Shanghai Stock Exchange.
- (d) An aggregate principal of US\$8.6 million had been repurchased by the Group in previous periods.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.2.3 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	Outstanding principal amount (RMB'Million)	Carrying amount (HK\$'Million)
April 2022	Three years	April 2025	4.50%	10.0	10.6
April 2024	Three years	April 2027	2.75%	300.0	322.2
April 2024	Five years	April 2029	3.30%	1,200.0	1,288.8
<b>Total medium-term notes as at 30 June 2024</b>				<b>1,510.0</b>	<b>1,621.6</b>
Total medium-term notes as at 31 December 2023					1,656.2

The balance of the medium-term notes remains stable due to the net effect of (i) the repurchase of the outstanding medium-term notes with principal of RMB1.49 billion and (ii) the issuance of three-year and five-year medium-term notes with aggregate principal of RMB1.5 billion during the six months ended 30 June 2024.

## 3. 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, other 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 of various aircraft investment platform and other joint ventures.

For the six months ended 30 June 2024, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>Unaudited As at 30 June 2024 HK\$'Million</b>	Audited As at 31 December 2023 HK\$'Million	Change
Interest-bearing debts included in total liabilities	<b>54,771.1</b>	50,511.5	+8.4%
Total liabilities	<b>58,945.8</b>	54,684.7	+7.8%
Total assets	<b>63,996.9</b>	59,824.7	+7.0%
Total equity	<b>5,051.1</b>	5,140.0	-1.7%
Gearing ratio	<b>85.6%</b>	84.4%	+1.2p.p.
Asset-liability ratio	<b>92.1%</b>	91.4%	+0.7p.p.
Interest-bearing debts to equity ratio	<b>10.8:1</b>	9.8:1	+10.2%

#### 4. HUMAN RESOURCES

As at 30 June 2024, the number of staff in the Group is 183 (30 June 2023: 183). Total remuneration of employees for the six months ended 30 June 2024 amounted to HK\$122.1 million (For the six months ended 30 June 2023: HK\$77.8 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. For details of the share option scheme, please refer to the section headed "Post-IPO Share Option Scheme" in General Information.

#### 5. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

##### 5.1 Contingent Liabilities

As at 30 June 2024, the Group was a guarantor of certain bank borrowings of associates and joint ventures amounting to HK\$546.4 million (31 December 2023: HK\$564.1 million), of which HK\$209.6 million (31 December 2023: HK\$217.0 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\$336.8 million (31 December 2023: HK\$347.1 million) of these bank borrowings.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2 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 Group's capital commitments is aircraft purchase commitment, amounted to HK\$48.2 billion as at 30 June 2024 (31 December 2023: HK\$52.8 billion), representing the estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 30 June 2024, the Group had 129 aircraft in its order book, comprising 102 Airbus A320 aircraft family and 27 COMAC ARJ21 series aircraft.

During the six months ended 30 June 2024, the Group completed the delivery of 12 aircraft.

During the six months ended 30 June 2024, the Group completed the disposal of five aircraft.

## MANAGEMENT DISCUSSION AND ANALYSIS

## RECONCILIATIONS OF NON-GAAP MEASURES

The Company considers that the amounts due to trust plans are not included as borrowings when evaluating its operating results and for financial and operational decision-making purposes. As such, the amounts due to trust plans and the payments to trust plans should be excluded from borrowings and interest expenses. The table below sets forth a reconciliation of adjusted interest expenses, which was calculated by excluding payments related to trust plans or asset-backed securities programme; adjusted borrowings, which was calculated by excluding amounts due to trust plans or asset-backed securities programme; and adjusted other liabilities and accruals, which was calculated by including amounts due to trust plans or asset-backed securities programme. These adjustments were made to assist investors on their understanding of the changes and trends related to the Group's operations, for the periods indicated:

	Six months ended 30 June	
	2024	2023
	HK\$ Million	HK\$ Million
Interest expenses	1,340.1	1,075.9
<i>Less: Payments to trust plans</i>	<i>(133.5)</i>	<i>(146.7)</i>
Adjusted interest expenses	1,206.6	929.2



## MANAGEMENT DISCUSSION AND ANALYSIS

	<b>As at 30 June 2024 HK\$'Million</b>	As at 31 December 2023 HK\$'Million
Borrowings	<b>48,458.6</b>	42,911.8
<i>Less: Amounts due to trust plans</i>	<b>(4,127.9)</b>	(4,263.8)
Adjusted borrowings	<b>44,330.7</b>	38,648.0
Other liabilities and accruals	<b>2,487.1</b>	2,375.2
<i>Add: Amounts due to trust plans</i>	<b>4,127.9</b>	4,263.8
Adjusted other liabilities and accruals	<b>6,615.0</b>	6,639.0

The Company uses non-GAAP presentations in the interim consolidated statement of income and interim consolidated balance sheet as presented from page 23 to 26 in evaluating its operating results and for financial and operational decision-making purposes. The non-GAAP presentations do not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies. The Company believes that the non-GAAP presentations provide more accurate presentations of its operating performance in its business by classifying certain other gains and losses as operating income and excluding the payments related to trust plans or asset-backed securities programme from interest expenses, also by classifying amounts due to trust plans or asset-backed securities programme as other liabilities and accruals. The Company believes that the non-GAAP presentations would provide more accurate presentation of the Company's performance from the perspective of the management of the Company.

The Group disclosed unaudited non-GAAP financial measures for the year ended 31 December 2023, which included adjusted profit attributable to shareholders of the Company, adjusted profit for the year, adjusted EBITDA and adjusted earnings per share (Basic). As the fair value changes on CAG Group has no material impact on the financial performance of the Group during the six months ended 30 June 2024 and 2023, the Group no longer disclose the aforesaid non-GAAP measures.

## MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM CONSOLIDATED STATEMENT OF INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
<b>Total revenue</b>		
<b>Lease income</b>		
Finance lease income	300,224	296,555
Operating lease income	1,922,237	1,759,898
	<b>2,222,461</b>	2,056,453
<b>Other operating income</b>		
Net income from aircraft transactions and aircraft components trading	25,427	44,695
Other income	533,693	225,109
	<b>2,781,581</b>	2,326,257
<b>Expenses</b>		
Interest expenses and payments to trust plans	(1,340,118)	(1,075,871)
– Interest expenses	(1,206,622)	(929,146)
– Payments to trust plans	(133,496)	(146,725)
Depreciation	(839,726)	(748,034)
Reversal of expected credit losses/(expected credit losses)	28,331	(51,782)
Other operating expenses	(236,601)	(147,825)
	<b>(2,388,114)</b>	(2,023,512)
<b>Operating profit</b>	<b>393,467</b>	302,745
<b>Share of results from associates and joint ventures</b>	<b>(564)</b>	(1,267)
<b>Other (losses)/gains, net</b>	<b>(91,484)</b>	159,257
<b>Profit before income tax</b>	<b>301,419</b>	460,735

## MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
<b>ASSETS</b>		
Property, plant and equipment and right-of-use assets	36,744,608	33,493,826
Investments in and loans to associates and joint ventures	642,524	1,529,629
Finance lease receivables – net	8,643,662	8,577,339
Financial assets at fair value through profit or loss	1,471,869	621,749
Derivative financial assets	15,685	61,157
PDP and other prepayments and receivables relating to aircraft acquisition	7,047,519	7,626,274
Prepayments and other assets	728,337	647,166
Assets classified as held for sale	2,321,441	1,425,254
Aircraft components trading assets	3,431	1,934
Restricted cash	263,333	544,524
Cash and cash equivalents	6,114,507	5,295,875
<b>Total assets</b>	<b>63,996,916</b>	<b>59,824,727</b>
<b>EQUITY</b>		
Share capital	74,436	74,436
Reserves	2,095,595	2,173,544
Retained earnings	2,101,656	2,081,560
<b>Equity attributable to shareholders of the Company</b>	<b>4,271,687</b>	<b>4,329,540</b>
Perpetual capital securities and other non-controlling interests	779,398	810,422
<b>Total equity</b>	<b>5,051,085</b>	<b>5,139,962</b>
<b>LIABILITIES</b>		
Deferred income tax liabilities	1,188,112	1,191,479
Borrowings	44,330,709	38,648,075
Medium-term notes	1,621,634	1,656,173
Bonds and debentures	4,690,883	5,943,499
Derivative financial liabilities	188,030	147,735
Income tax payables	83,876	66,056
Interest payables	227,557	392,690
Other liabilities and accruals	6,615,030	6,639,058
<b>Total liabilities</b>	<b>58,945,831</b>	<b>54,684,765</b>
<b>Total equity and liabilities</b>	<b>63,996,916</b>	<b>59,824,727</b>

The interest-bearing debts including borrowings, medium-term notes and bonds and debentures, amounted to HK\$50,643,226,000 as at 30 June 2024 (31 December 2023: HK\$46,247,747,000).

## GENERAL INFORMATION

### DISCLOSURE OF INTERESTS

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

As at 30 June 2024, the interests and short positions of Directors and the chief executive of the Company in shares of the Company (the "Shares"), underlying Shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Name of Directors	Capacity	Number of Shares held (L) <sup>(1)</sup>		Approximate percentage of Shares in issue <sup>(2)</sup>
		Number of Shares/underlying Shares held	Total interests	
POON Ho Man	Interest of controlled corporation Beneficial owner	185,827,261 <sup>(3)</sup> 600,000	186,427,261	25.05%
CHEOK Albert Saychuan	Beneficial owner	5,000	5,000	0.001%

## GENERAL INFORMATION

### DISCLOSURE OF INTERESTS *(continued)*

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

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) Based on 744,355,352 Shares in issue as at 30 June 2024.
- (3) Mr. POON Ho Man was deemed to be interested in 185,827,261 Shares by virtue of the SFO in the following manner:
  - (a) 176,496,672 Shares held by Friedmann Pacific Asset Management Limited, a substantial Shareholder wholly-owned by Capella Capital Limited which in turn was owned as to 50% by Ms. Christina NG and 50% by Mr. POON; and
  - (b) 9,330,589 Shares held by Equal Honour Holdings Limited, a company wholly-owned by Mr. POON.

Save as disclosed above, as at 30 June 2024, none of the Directors or the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be: i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions in which he/she was taken or deemed to have under such provisions of the SFO); or ii) entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

#### **Arrangements for the Directors to purchase Shares or Debentures**

Save as disclosed in this interim report, at no time during the six months ended 30 June 2024 were there any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party that would enable the Directors to acquire such rights in any other body corporate.

## GENERAL INFORMATION

## DISCLOSURE OF INTERESTS (continued)

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

Based on the information available to the Directors as at 30 June 2024 (including such information as was available on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") or so far as they are aware of, as at 30 June 2024, the entities and/or persons who had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholders	Capacity	Number of Shares held (L) <sup>(1)</sup>		Approximate percentage of Shares in issue <sup>(2)</sup>
		Number of Shares held	Total interests	
CEL Aviation Investment Holdings Limited ("CEL Aviation")	Beneficial owner	244,065,373 <sup>(3)</sup>	244,065,373	32.79%
China Everbright Limited ("CEL")	Interest of controlled corporation	283,417,693 <sup>(3)</sup>	283,417,693	38.08%
China Everbright Holdings Company Limited ("CE Hong Kong")	Interest of controlled corporation	283,417,693 <sup>(4)</sup>	283,417,693	38.08%
China Everbright Group Ltd ("CE Group")	Interest of controlled corporation	283,417,693 <sup>(5)</sup>	283,417,693	38.08%
Central Huijin Investment Limited ("Central Huijin")	Interest of controlled corporation	283,417,693 <sup>(5)</sup>	283,417,693	38.08%
Friedmann Pacific Asset Management Limited ("FPAM")	Beneficial owner	176,496,672 <sup>(6)</sup>	176,496,672	23.71%
Capella Capital Limited ("Capella")	Interest of controlled corporation	176,496,672 <sup>(6)</sup>	176,496,672	23.71%
POON Ho Man	Interest of controlled corporation	185,827,261 <sup>(7) &amp; (8)</sup> 600,000	186,427,261	25.05%
Christina NG	Interest of controlled corporation Beneficial owner	176,496,672 <sup>(7)</sup> 7,500,000	183,996,672	24.72%



## GENERAL INFORMATION

### DISCLOSURE OF INTERESTS *(continued)*

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

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) Based on 744,355,352 Shares in issue as at 30 June 2024.
- (3) By virtue of the SFO, CEL was deemed to be interested in 244,065,373 and 39,352,320 Shares held by CEL Aviation and China Everbright Financial Investments Limited respectively, both of which were wholly-owned by CEL.
- (4) CEL was owned as to 49.39% by Honorich Holdings Limited and 0.35% by Everbright Investment & Management Limited, both of which were wholly-owned by CE Hong Kong. CE Hong Kong therefore indirectly held more than one-third of the voting power at general meetings of CEL. Accordingly, CE Hong Kong was deemed to be interested in all Shares mentioned in note (3) above by virtue of the SFO.
- (5) Central Huijin held 63.16% interest in CE Group which in turn held 100% interest in CE Hong Kong. Accordingly, CE Group and Central Huijin were deemed to be interested in all Shares mentioned in notes (3) and (4) above by virtue of the SFO.
- (6) FPAM was wholly-owned by Capella. Accordingly, Capella was deemed to be interested in all Shares held by FPAM.
- (7) Capella was owned as to 50% by Ms. Christina NG and 50% by Mr. POON Ho Man. Accordingly, Mr. POON and Ms. NG were deemed to be interested in all Shares mentioned in note (6) above.
- (8) Mr. POON Ho Man was deemed to be interested in 185,827,261 Shares by virtue of the SFO in the following manner:
  - (a) 176,496,672 Shares held by FPAM, a substantial Shareholder wholly-owned by Capella Capital Limited which in turn was owned as to 50% by Ms. Christina NG and 50% by Mr. POON Ho Man; and
  - (b) interested in 9,330,589 Shares held by Equal Honour Holdings Limited, a company wholly-owned by Mr. POON.

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## GENERAL INFORMATION

### CORPORATE GOVERNANCE

#### 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 emphasis 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 C1 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 2024, save and except the following:

In respect of Code Provision F.2.2, the chairman of the board should attend the annual general meeting. Mr. ZHANG Mingao was absent at the annual general meeting held on 21 May 2024 (the "AGM"). In his absence, Ms. WANG Yun, Non-executive Director and chairman of the Strategy Committee, took the chair of the AGM. Other members of the Board, chairmen of each of the Audit Committee, Remuneration Committee and Nomination Committee, as well as the external auditor, who also attended the AGM, were of sufficient calibre for answering questions at the AGM.

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

#### Directors' Securities Transactions

The Company has adopted the Model Code as 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 regarding their dealing in securities during the six months ended 30 June 2024.

## GENERAL INFORMATION

### BOARD COMMITTEES

#### Audit Committee

The Audit Committee was established by the Board in September 2013 with written terms of reference which aligned with Rule 3.21 of the Listing Rules and the principle and code provisions under paragraph D.3 of part 2 of the CG Code, and have been posted on the websites of both HKEX and the Company. The primary duties of the Audit Committee include but not limited to reviewing and supervising the Group's financial reporting process, internal audit function, internal control and risk management systems, and providing advices and comments to the Board. As at the date of this interim report, the Audit Committee consisted of 3 members: Mr. FAN Chun Wah, Andrew, *J.P.* (chairman), Mr. CHEOK Albert Saychuan and Dr. TSE Hiu Tung, Sheldon, *M.H.*, all of whom are independent non-executive Directors (the "INEDs"). The chairman of the Audit Committee holds appropriate professional qualifications or expertise in accounting or relevant financial management.

During the Review Period, the Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting for the year ended 31 December 2023 with the management team and PricewaterhouseCoopers ("PwC"), the external auditor of the Company, including the following:

- the review of the audited consolidated financial statements of the Group for the year ended 31 December 2023;
- the discussion with PwC on the nature and scope of the audit and reporting obligations before commencement of audit for the year ended 31 December 2023;
- the recommendation to the Board for the proposal for re-appointment of PwC and approval of the remuneration and terms of engagement of PwC; and
- the review of the Company's financial control, internal control and risk management systems, and the effectiveness of the internal audit function for the year ended 31 December 2023.

The Audit Committee had also reviewed the accounting principles and practices adopted by the Group and discussed matters regarding internal control, risk management and financial reporting for the six months ended 30 June 2024 with the management team and the external consultant of the Company, including the following:

- the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024; and
- the review of the Company's financial control, internal control, risk management systems and financial reporting, and the effectiveness of the internal audit function for the six months ended 30 June 2024.

The Audit Committee was satisfied that the Group's unaudited consolidated financial statements for the six months ended 30 June 2024 were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Review Period. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 have not been reviewed by the Company's auditor PwC.

## GENERAL INFORMATION

**BOARD COMMITTEES** *(continued)***Remuneration Committee**

The Remuneration Committee was established by the Board in September 2013 with written terms of reference which aligned with Rule 3.25 of the Listing Rules and the principle and code provisions under paragraph E.1 of part 2 of the CG Code, and have been posted on the websites of both HKEX and the Company. The primary duties of the Remuneration Committee include but not limited to regular monitoring of the remuneration policy for all Directors and senior management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this interim report, the Remuneration Committee consisted of 5 members: Dr. TSE Hiu Tung, Sheldon, *M.H.*, (chairman), Mr. CHEOK Albert Saychuan and Mr. FAN Chun Wah, Andrew, *J.P.*, all of whom are INEDs; Ms. WANG Yun, a non-executive Director and Mr. POON Ho Man, an executive Director.

During the Review Period, the Remuneration Committee had considered and recommended to the Board the remuneration and other benefits paid by the Company to the Directors and senior management.

**Nomination Committee**

The Nomination Committee was established by the Board in September 2013 with written terms of reference which aligned with the principle and code provisions under paragraph B.3 of part 2 of the CG Code, and have been posted on the websites of both HKEX and the Company. The primary duties of the Nomination Committee include but not limited to selecting and recommending candidates for directorship, reviewing the structure, size and composition of the Board and assessing the independence of INEDs. As at the date of this interim report, the Nomination Committee consisted of 3 members: Mr. CHEOK Albert Saychuan (chairman), Dr. TSE Hiu Tung, Sheldon, *M.H.*, and Mr. FAN Chun Wah, Andrew, *J.P.*, all of whom are INEDs.

During the Review Period, the Nomination Committee had reviewed the Board diversity policy covering the structure, size and composition of the Board, assessed the independence of INEDs and made recommendation to the Board on the appointment of a new Director and the re-election of Directors.

**POST-IPO SHARE OPTION SCHEME**

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

As at 1 January 2024, the number of options available for grant under the scheme mandate was 28,017,900.

As at 30 June 2024, the number of options available for grant under the scheme mandate was 30,761,829. The Post-IPO Share Option Scheme has expired on 10 July 2024.

During the Review Period, no option was granted pursuant to the Post-IPO Share Option Scheme. Therefore, the number of shares that may be issued in respect of options granted under the Post-IPO Share Option Scheme during the six months ended 30 June 2024 divided by the weighted average number of the shares in issue for the six months ended 30 June 2024 is nil.

## GENERAL INFORMATION

## POST-IPO SHARE OPTION SCHEME (continued)

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

Name of grantees	Date of grant	Number of Shares under options					Balance as at 30 June 2024	Weighted average closing price of the Shares immediately before the dates on which the options were exercised <sup>(8)</sup>	Exercise price per Share HK\$	Closing price per Share Immediately before date of grant HK\$	Exercise period/ vesting period
		Balance as at 1 January 2024	Granted during the Period <sup>(3)</sup>	Exercised during the period	Cancelled during the period <sup>(6)</sup>	Lapsed during the period <sup>(9)</sup>					
<b>Director</b>											
LIU Wanting <sup>#</sup>	6 April 2022 <sup>(2)</sup>	4,800,000	-	-	-	-	4,800,000	-	6.36	5.31	6 April 2023 to 5 April 2025 <sup>(1)</sup>
<b>Sub-total</b>		<b>4,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,800,000</b>	<b>-</b>			
<b>Other employee participants</b>											
Senior management and other employees	6 Apr 2022 <sup>(2)</sup>	15,225,000	-	-	-	2,743,929	12,481,071	-	6.36	5.31	6 Apr 2023 to 5 Apr 2025 <sup>(1)</sup>
<b>Sub-total</b>		<b>15,225,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,743,929</b>	<b>12,481,071</b>	<b>-</b>			
<b>Total</b>		<b>20,025,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,743,929</b>	<b>17,281,071</b>	<b>-</b>			

Note:

- # Ms. LIU Wanting retired as an Executive Director of the Company with effect from the conclusion of the AGM held on 21 May 2024. She is currently the President, Chief Commercial Officer, and member of each of the Strategy Committee and the Sustainability Steering Committee on Environmental, Social and Governance Issues of the Company. Please refer to the announcement of the Company dated 19 March 2024 for details.
- (1) Subject to the achievement of certain individual performance targets as determined by the chief executive officer of the Company at his sole and absolute discretion within relevant periods, 50% and 50% of the share options granted on 6 April 2022 has been vested on 6 April 2023 and 6 April 2024 respectively and has become exercisable within the exercise period as stated in the table above.
- (2) The fair value of the share options granted on 6 April 2022 to both (i) the Director and (ii) senior management and employees on the grant date determined by using Binomial valuation model was approximately HK\$0.3 per option.

Significant judgement on parameters, such as spot price at the grant date, risk free interest rate, dividend yield, expected volatility and suboptimal exercise factor are required to be made by the directors in applying the Binomial valuation model. The parameters used are as follows:

Spot share price at the grant date	HK\$5.31
Risk free rate (Note 1)	2.39%
Dividend yield (Note 2)	8.0%
Expected volatility (Note 3)	24.4%
Suboptimal exercise factor	2.5

## GENERAL INFORMATION

### POST-IPO SHARE OPTION SCHEME *(continued)*

Note: *(continued)*

Notes:

1. Risk free rates were based on Hong Kong Exchange Fund Notes with same duration.
  2. Dividend yield was based on historical dividend trend and expected future dividend policy determined by the Company.
  3. Expected volatility was determined by using the daily volatility of the Company's shares in similar duration as at the valuation date.
- (3) No options were granted or exercised pursuant to the Post-IPO Share Option Scheme during the six months ended 30 June 2024.
- (4) No options were cancelled pursuant to the Post-IPO Share Option Scheme during the six months ended 30 June 2024.
- (5) Options lapsed during the year in accordance with the rules of the Post-IPO Share Option Scheme.
- (6) No options were exercised pursuant to the Post-IPO Share Option Scheme during the six months ended 30 June 2024.

Save as disclosed above, there is no any other information required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

Set below are the accounting standard and policy adopted in respect of all the options granted under the Post-IPO Share Option Scheme:

#### **(a) Equity-settled share-based payment transactions**

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees or consultants as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of shares over which the options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of income, with a corresponding adjustment to equity.

In addition, in some circumstances employees or consultants may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).



## GENERAL INFORMATION

### POST-IPO SHARE OPTION SCHEME *(continued)*

Note: *(continued)*

#### **(b) Share-based payment transactions among group entities**

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the financial statements of the Company.

The consideration of HK\$1 for acceptance of the options offered shall be paid upon acceptance, which shall be made within 21 business days from the date of the offer. For the share options granted to Ms. LIU Wanting (a former Director), senior management and employees on 6 April 2022, the Company has specified certain performance targets which must be satisfied before vesting in the respective grant letter to each individual, which was based on the business plan for that year. Such performance targets varied among each grantee and may include operational, financial, and business targets, as well as individual key performance indicators, depending on the role and position of each individual.

Should all the existing 17,281,071 options granted under the Post-IPO Share Option Scheme as at 30 June 2024 be fully exercised, 17,281,071 shares would be issued. Therefore, the number of shares that may be issued in respect of options granted under the Post-IPO Share Option Scheme as at 30 June 2024 divided by the weighted average number of the shares in issue for the six month ended 30 June 2024 (i.e. 744,355,352 shares) is 2.32%.

In respect of the options granted to certain Director, senior management and employee on 6 April 2022 under the Post-IPO Share Option Scheme, there was no clawback mechanism for all grantees. Under the Post-IPO Share Option Scheme, which was adopted before the effective date of the new Chapter 17 of the Listing Rules, there is no provision mandating a performance target or clawback mechanism, as the grant of options is determined based on the contributions of the selected Directors, senior management and employees during the preceding year rather than for the current year. Also, the primary reason for the grants were to recognise the commitment, support and satisfactory performance of the grantees and, in the case of the Director, the leadership, management and strategic business development provided by such Director. Therefore, there is no necessity for additional performance targets and clawback mechanism as the fulfilment of the purpose of the Post-IPO Share Option Scheme could be achieved without such requirements, although the Board may still impose such conditions (including performance targets) as it may think fit for each grant.

The Remuneration Committee believed that the options granted aligned the interests of the selected Directors, senior management and employees with those of the Group through the ownership of Shares, dividends and other distributions paid on the Shares and/or the increase in value of the Shares, and to encourage and retain the selected Directors, senior management and employees to make contributions to the long-term growth and profits of the Group. To promote retention, the unvested options shall lapse if the selected respective Directors, senior management and employees cease to be employed by the Group prior to the vesting date in accordance with terms of the Post-IPO Share Option Scheme. The Remuneration Committee was of the view that such an arrangement aligns with the purpose of the scheme.

## GENERAL INFORMATION

### OTHER INFORMATION

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

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

Mr. ZHANG Mingao resigned as the non-executive and non-independent chairman of Ying Li International Real Estate Limited (stock code: 5DM.SGX) on 3 April 2024.

Ms. WANG Yun has been appointed as a Non-executive Director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK) with effect from 28 May 2024, and re-designated from a non-executive and non-independent director to the non-executive and non-independent chairman of Ying Li International Real Estate Limited (stock code: 5DM.SGX) with effect from 3 April 2024.

Mr. FAN Chun Wah, Andrew, *J.P.* has been appointed as an independent non-executive director of China Unicom (Hong Kong) Limited (stock code: 762.HK) with effect from 10 April 2024. He resigned as an independent non-executive director of Culturecom Holdings Limited (stock code: 343.HK) with effect from 6 May 2024.

Ms. LIU Wanting retired as an Executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 21 May 2024 and will continue to serve as the President, Chief Commercial Officer, and member of each of the Strategy Committee and the Sustainability Steering Committee on Environmental, Social and Governance Issues of the Company.

Mr. LI Guohui has been appointed as an Executive Director of the Company with effect from 19 March 2024. The Directors' fee payable to Mr. LI shall be determined by the Board under the authority granted by the Shareholders at the annual general meeting with reference to his duties and responsibilities in the Company and the recommendation made by the remuneration committee of the Company. Mr. LI, as an Executive Director, is not entitled to Director's fee for the year ended 31 December 2024 pursuant to the service contract. He will receive from the Group emoluments for his position as Chief Financial Officer and Chief Strategy Officer of the Company under employment contract between Mr. LI and the Company which comprise monthly salary of HK\$312,000, annual provident fund contributions of HK\$18,000 and discretionary bonus. Please refer to the announcement of the Company dated 19 March 2024 for details.

Mr. LI Guohui has tendered his resignation as the Company Secretary with effect from 9 July 2024 and he remains as an Executive Director, Chief Financial Officer and Chief Strategy Officer of the Company. Please refer to the announcement of the Company dated 9 July 2024 for details.

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

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

## GENERAL INFORMATION

### OTHER INFORMATION *(continued)*

#### Events after the Review Period

On 6 August 2024 (after trading hours), a wholly-owned special purpose vehicle of the Company (the Seller) entered into the Aircraft Sale and Purchase Agreements with an independent third party (the Purchaser) in relation to the sale of three lease-attached aircraft. The sale transactions are expected to be completed by end of December 2025. Please refer to the announcement of the Company dated 6 August 2024 for details.

Saved as the above disclosure, there were no material subsequent events since 30 June 2024, being the end of the Review Period up to the date of this interim report.

#### Public Float

Based on the information publicly available to the Company and as far as the Directors were aware as at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

#### Interim Dividend

The Board has declared the payment of an interim dividend of HK\$0.12 per share for the six months ended 30 June 2024 (2023 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, 11 September 2024. The 2024 interim dividend will be paid in cash on or about Monday, 7 October 2024.

#### 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, 9 September 2024 to Wednesday, 11 September 2024, 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, 11 September 2024. 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 4:30p.m. on Friday, 6 September 2024 for registration.

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

On 8 March 2024, the Group has redeemed all outstanding CALC 3 Bonds in aggregate principal amount of U.S.\$148,880,000 in whole at maturity pursuant to the terms of the U.S.\$200,000,000 5.50 PER CENT. guaranteed bonds due 2024 (Stock Code: 05391) issued by CALC Bond 3 Limited (the "CALC 3 Bonds"). Following the full redemption, the CALC 3 Bonds were cancelled in whole, and the Group is discharged from all the obligations under and in respect of the CALC 3 Bonds.

The Group has also repaid the RMB1.49 billion RMB notes in April 2024. Details of the bonds and debentures are provided in the sections of this report headed Bonds and Debentures.

Save as disclosed above, during the six months ended 30 June 2024, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## GENERAL INFORMATION

### OTHER INFORMATION *(continued)*

#### **Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures**

During the six months ended 30 June 2024, the Group had no material acquisitions and disposal of subsidiaries, associates and joint ventures.

#### **Significant Investment**

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30 June 2024. Save as disclosed in this report, as at 30 June 2024, the Board did not authorize the processing or addition of material investments or capital assets.

By order of the Board

**China Aircraft Leasing Group Holdings Limited**

**POON HO MAN**

*Executive Director and Chief Executive Officer*

Hong Kong, 23 August 2024

## INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
<b>ASSETS</b>			
Property, plant and equipment and right-of-use assets	6	36,744,608	33,493,826
Investments in and loans to associates and joint ventures	7	642,524	1,529,629
Finance lease receivables – net	8	8,643,662	8,577,339
Financial assets at fair value through profit or loss	9	1,471,869	621,749
Derivative financial assets	19	15,685	61,157
Pre-Delivery Payments (“PDP”) and other prepayments and receivables relating to aircraft acquisition	10(a)	7,047,519	7,626,274
Prepayments and other assets	10(b)	728,337	647,166
Assets classified as held for sale	11	2,321,441	1,425,254
Aircraft components trading assets		3,431	1,934
Restricted cash		263,333	544,524
Cash and cash equivalents		6,114,507	5,295,875
<b>Total assets</b>		<b>63,996,916</b>	<b>59,824,727</b>
<b>EQUITY</b>			
Share capital	12	74,436	74,436
Reserves	13	2,095,595	2,173,544
Retained earnings		2,101,656	2,081,560
<b>Equity attributable to shareholders of the Company</b>		<b>4,271,687</b>	<b>4,329,540</b>
Perpetual capital securities and other non-controlling interests	14	779,398	810,422
<b>Total equity</b>		<b>5,051,085</b>	<b>5,139,962</b>
<b>LIABILITIES</b>			
Deferred income tax liabilities	15	1,188,112	1,191,479
Borrowings	16	48,458,581	42,911,870
Medium-term notes	17	1,621,634	1,656,173
Bonds and debentures	18	4,690,883	5,943,499
Derivative financial liabilities	19	188,030	147,735
Income tax payables		83,876	66,056
Interest payables		227,557	392,690
Other liabilities and accruals	20	2,487,158	2,375,263
<b>Total liabilities</b>		<b>58,945,831</b>	<b>54,684,765</b>
<b>Total equity and liabilities</b>		<b>63,996,916</b>	<b>59,824,727</b>

The notes on page 46 to 96 form an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information was approved by the Board of Directors on 23 August 2024 and was signed on its behalf.

**POON Ho Man**  
Director

**LI Guohui**  
Director

## INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Unaudited Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
<b>Total revenue</b>			
<b>Lease income</b>			
Finance lease income		300,224	296,555
Operating lease income		1,922,237	1,759,898
	21	<b>2,222,461</b>	2,056,453
<b>Other operating income</b>			
Net income from aircraft transactions and aircraft components trading	22	25,427	44,695
Other income	23	280,208	225,109
		<b>2,528,096</b>	2,326,257
<b>Expenses</b>			
Interest expenses	24	(1,340,118)	(1,075,871)
Depreciation	6	(839,726)	(748,034)
Reversal of expected credit losses/(expected credit losses)		28,331	(51,782)
Other operating expenses	25	(236,601)	(147,825)
		<b>(2,388,114)</b>	(2,023,512)
<b>Share of results from associates and joint ventures</b>		(564)	(1,267)
<b>Other gains, net</b>	26	162,001	159,257
<b>Profit before income tax</b>		301,419	460,735
Income tax expenses	27	(115,770)	(153,833)
<b>Profit for the period</b>		<b>185,649</b>	306,902
<b>Profit attributable to</b>			
Shareholders of the Company		131,749	201,171
Holders of perpetual capital securities and other non-controlling interests		53,900	105,731
		<b>185,649</b>	306,902
<b>Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)</b>			
– Basic earnings per share	28(a)	0.177	0.270
– Diluted earnings per share	28(b)	0.177	0.270

The notes on pages 46 to 96 form an integral part of this interim condensed consolidated financial information.



## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
<b>Profit for the period</b>		<b>185,649</b>	306,902
<b>Other comprehensive (loss)/income for the period:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges	19	<b>(35,156)</b>	(78,659)
Currency translation differences		<b>(43,131)</b>	56,672
		<b>(78,287)</b>	(21,987)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences attributed to non-controlling interests		<b>447</b>	729
<b>Total other comprehensive loss for the period, net of tax</b>		<b>(77,840)</b>	(21,258)
<b>Total comprehensive income for the period</b>		<b>107,809</b>	285,644
<b>Total comprehensive income for the period attributable to</b>			
Shareholders of the Company		<b>53,462</b>	179,184
Holders of perpetual capital securities and other non-controlling interests		<b>54,347</b>	106,460
		<b>107,809</b>	285,644

The notes on pages 46 to 96 form an integral part of this interim condensed consolidated financial information.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to shareholders of the Company					
	Share capital HK\$'000	Reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Perpetual capital securities and other non- controlling interests HK\$'000	Total equity HK\$'000
<b>Balance as at 1 January 2024</b>	74,436	2,173,544	2,081,560	4,329,540	810,422	5,139,962
<b>Comprehensive income</b>						
Profit for the period	-	-	131,749	131,749	53,900	185,649
<b>Other comprehensive (loss)/income</b>						
Cash flow hedges (Note 19)	-	(35,156)	-	(35,156)	-	(35,156)
Currency translation differences	-	(43,131)	-	(43,131)	447	(42,684)
<b>Total comprehensive (loss)/income</b>	-	(78,287)	131,749	53,462	54,347	107,809
<b>Transactions with shareholders and non-controlling interests</b>						
Dividends (Note 29)	-	-	(111,653)	(111,653)	-	(111,653)
Dividends distributed to perpetual capital securities (Note 14(a))	-	-	-	-	(85,371)	(85,371)
Share option scheme: - Value of services (Note 13(a))	-	338	-	338	-	338
<b>Total transactions with shareholders and non-controlling interests</b>	-	338	(111,653)	(111,315)	(85,371)	(196,686)
<b>Balance as at 30 June 2024</b>	74,436	2,095,595	2,101,656	4,271,687	779,398	5,051,085
<b>Balance as at 1 January 2023</b>	74,436	2,314,613	2,276,247	4,665,296	1,590,921	6,256,217
<b>Comprehensive income</b>						
Profit for the period	-	-	201,171	201,171	105,731	306,902
<b>Other comprehensive (loss)/income</b>						
Cash flow hedges (Note 19)	-	(78,659)	-	(78,659)	-	(78,659)
Currency translation differences	-	56,672	-	56,672	729	57,401
<b>Total comprehensive (loss)/income</b>	-	(21,987)	201,171	179,184	106,460	285,644
<b>Transactions with shareholders and non-controlling interests</b>						
Dividends	-	-	(111,653)	(111,653)	-	(111,653)
Dividends distributed to perpetual capital securities (Note 14(a))	-	-	-	-	(166,878)	(166,878)
Share option scheme: - Value of services (Note 13(a)) - Share options lapsed (Note 13(a))	-	1,126 (456)	-	1,126 (456)	-	1,126 (456)
<b>Total transactions with shareholders and non-controlling interests</b>	-	670	(111,653)	(110,983)	(166,878)	(277,861)
<b>Balance as at 30 June 2023</b>	74,436	2,293,296	2,365,765	4,733,497	1,530,503	6,264,000

The notes on pages 46 to 96 form an integral part of this interim condensed consolidated financial information.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		301,419	460,735
Adjustments for:			
– Depreciation	6	839,726	748,034
– Net income from aircraft transactions	22	(25,256)	(38,615)
– (Reversal of expected credit losses)/expected credit losses		(28,331)	51,782
– Interest expenses	24	1,340,118	1,075,871
– Share-based payments		338	670
– Unrealised currency exchange gains		(250,331)	(184,295)
– Fair value changes attributable to interest rate and fair value changes on currency swap and currency forward contracts	19	91,859	88,768
– Share of results from associates and joint ventures		564	1,267
– Interest income	23	(120,263)	(89,159)
– Fair value gains on financial assets at fair value through profit or loss	26	(375)	(21,393)
		2,149,468	2,093,665
<b>Changes in working capital:</b>			
– Finance lease receivables – net		(254,613)	(273,901)
– Prepayments and other assets		(167,751)	(50,775)
– Aircraft components trading assets		(1,497)	3,280
– Other liabilities and accruals		(82,435)	(1,586)
Cash generated from operations		1,643,172	1,770,683
Income taxes paid		(98,614)	(77,937)
Net cash flows generated from operating activities		1,544,558	1,692,746
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,567,983)	(3,493,510)
Proceeds from disposals of aircraft		327,758	486,485
PDP and prepayments paid for acquisition of aircraft		(1,118,120)	(4,556,868)
PDP refunded for acquisition of aircraft		1,272,683	902,152
Interest received		115,550	97,305
Investment in financial assets at fair value through profit or loss		–	(55,144)
Payments relating to loans to associates and joint ventures		(217,710)	(63,213)
Repayments of loans to associates and joint ventures		289,416	259,790
Net cash flows used in investing activities		(3,898,406)	(6,423,003)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	<b>13,302,926</b>	12,917,456
Issue of notes, bonds and debentures, net of transaction costs	<b>1,628,176</b>	1,693,328
Repayments of borrowings	<b>(7,460,837)</b>	(6,875,404)
Repurchase and repayment of notes, bonds and debentures, including transaction costs	<b>(2,781,977)</b>	–
Repayment of lease liabilities	<b>(8,087)</b>	(7,643)
(Settlement of)/proceeds from disposal of derivative financial instruments	<b>(40,787)</b>	60,481
Interest received in respect of derivative financial instruments	<b>37,994</b>	47,715
Interest paid in respect of borrowings, notes and bonds and debentures	<b>(1,750,364)</b>	(1,410,193)
Pledge of deposits placed in respect of borrowings	<b>(18,468)</b>	(598,414)
Pledge of deposits released in respect of borrowings	<b>334,257</b>	1,022,116
Pledge of deposits placed in respect of derivative financial instruments	<b>(61,318)</b>	(131,417)
Pledge of deposits released in respect of derivative financial instruments	<b>26,365</b>	17,003
Net cash flows generated from financing activities	<b>3,207,880</b>	6,735,028
<b>Net increase in cash and cash equivalents</b>	<b>854,032</b>	2,004,771
Cash and cash equivalents at beginning of the period	<b>5,295,875</b>	3,552,533
Currency exchange difference on cash and cash equivalents	<b>(35,400)</b>	(139,338)
<b>Cash and cash equivalents at end of the period</b>	<b>6,114,507</b>	5,417,966

The notes on pages 46 to 96 form an integral part of this interim condensed consolidated financial information.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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, Uglund 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 the Mainland China and other countries or regions globally.

The interim condensed consolidated financial information for the six months ended 30 June 2024 ("Interim Financial Information") is presented in Hong Kong Dollar ("HK\$"), unless otherwise stated.

## 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and included in the 2023 annual report of the Company.

### Going concern

As at 30 June 2024, the Group's current liabilities exceeded its current assets by HK\$11,630.3 million. The Group had total capital commitments of HK\$48,214.9 million as at 30 June 2024, which related to acquisition of aircraft that will be delivered in stages in the coming years until the end of 2028. Out of the total capital commitments, HK\$8,315.7 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 2024, the Group had cash and cash equivalents of HK\$6,114.5 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 2024. The directors have taken into account the following plans and measures for the purposes of their assessment:

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 2 BASIS OF PREPARATION *(continued)*

#### Going concern *(continued)*

- 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 due upon delivery of aircraft. Such aircraft project loans will usually be confirmed by the banks before the delivery of the relevant aircraft. In 2024, the Group has successfully obtained aircraft project loans or loan facilities from certain banks at one or two years preceding the lease-attached aircraft delivery. The Group has drawn down these loans before the aircraft delivery. Besides, the Group sometimes finances the new aircraft with internal resources or short-term bridging financing depending on the financial situation and the progress of bank approvals. Subsequently, the Group may seek refinancing for these aircraft through new aircraft project loans. During the six months ended 30 June 2024, the Group has obtained 18 aircraft project loan facilities of HK\$5,686.0 million from certain onshore and offshore banks and financial institutions. The Group will continue to arrange aircraft project loan facilities from time to time and has concluded three aircraft project loan facilities after 30 June 2024. Based on the previous experience and practices in the industry, 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 2024.
- According to the relevant aircraft purchase agreements, the scheduled payment of PDP for the next twelve months from 30 June 2024 amounts to HK\$3,223.3 million.

For the scheduled payment of PDP and repayment of utilised facility drawdowns under the facilities expiring in the next twelve months from 30 June 2024, certain portion will be repaid by the PDP facilities to be released when aircraft is delivered and related PDP financing is repaid. In addition, after the end of the reporting period, the Group has successfully renewed the PDP facility set to expire in the next twelve months from 30 June 2024. As at 30 June 2024, the Group had already obtained PDP financing facilities from banks to provide financing up to HK\$7,067.4 million to satisfy the forecasted committed PDP payments in the next twelve months from 30 June 2024. With such 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 2024.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****2 BASIS OF PREPARATION** *(continued)***Going concern** *(continued)*

- As at 30 June 2024, the Group had working capital loan and revolving loan facilities of HK\$13,691.1 million out of which HK\$11,893.1 million has been utilised. The directors are confident that the Group can drawdown the remaining unutilised loan facilities of HK\$1,798.0 million as and when required and will be able to renew substantially all the existing revolving facilities and further secure new working capital loan facilities. The Group has also initiated the process to obtain new working capital loan and renew working capital loan facilities with certain banks.
- The Group is also pursuing other sources of financing, including issuance of bonds and medium-term notes as well as other debt and capital financing. In April 2024, the Group issued three-year medium-term notes of RMB0.3 billion and five-year medium-term notes of RMB1.2 billion in the PRC. Additionally, the Group renewed the guaranteed medium-term note programme of US\$3.0 billion in February 2024. The Group will continue to review the market conditions and may issue additional RMB medium-term notes, RMB bonds and US\$ 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. As at 30 June 2024, the Group has signed sale and purchase agreements or letters of intent for the disposals of 16 aircraft, scheduled to be disposed in the next twelve months from 30 June 2024. Based on the Group's experience in aircraft portfolio trading in previous years, 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 2024.

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, the Group has sufficient working capital for its present requirements in the next twelve months from 30 June 2024. 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 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 2023.

#### **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 2024:

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1  
Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised)  
Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7

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

### 4 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's consolidated financial statements for the year ended 31 December 2023.

### 5 FINANCIAL RISK MANAGEMENT

#### **5.1 Financial risk factors**

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2023.

There have been no significant changes in the risk management department or in any risk management policies since 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.1 Financial risk factors (continued)

## 5.1.1 Market risk

## (a) Currency exchange risk

In the normal course of business, the Group is exposed to currency exchange risks as certain portion of cash and cash equivalents, restricted cash, financial assets including finance lease receivables and other assets, financial liabilities including borrowings, medium-term notes, bonds and debentures and other liabilities and accruals held by the Group are denominated in currencies other than functional currency of the Group entities. The aircraft leasing income and certain borrowings used to finance the leases are denominated in US\$, while some borrowings are denominated in RMB. Currency exchange risk may arise when the finance lease receivables, operating lease receivables and certain borrowings are denominated in different currencies. The management of the Group closely monitors currency exchange risks and hedges the exposure where necessary and appropriate. In order to mitigate RMB exchange rate risks, the Group uses the currency forward contracts to hedge its exposure to currency exchange risk. The hedge accounting was not applied for these currency forward contracts. The fair value changes of which were recognised in other gains, net, please refer to Note 26.

The following table is the breakdown of financial assets and liabilities denominated in RMB held by companies whose functional currency is US\$ or HK\$:

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Cash and cash equivalents	<b>2,324,043</b>	1,056,227
Other financial assets	<b>343,139</b>	343,397
<b>Total financial assets</b>	<b>2,667,182</b>	1,399,624
Borrowings	<b>(7,785,886)</b>	(3,850,937)
Medium-term notes	<b>(1,621,634)</b>	(1,656,173)
Bonds and debentures	<b>(3,434,162)</b>	(3,527,366)
Other financial liabilities	<b>(421,962)</b>	(468,070)
<b>Total financial liabilities</b>	<b>(13,263,644)</b>	(9,502,546)
Notional amount of currency forward contracts	<b>2,149,600</b>	2,595,825
<b>Net exposure</b>	<b>(8,446,862)</b>	(5,507,097)

As at 31 December 2023, the Group had one outstanding currency swap contract with notional principal of US\$15,684,000 (equivalent to approximately HK\$122,462,000). For details, please refer to Note 19(a).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.1 Financial risk factors (continued)

## 5.1.1 Market risk (continued)

## (a) Currency exchange risk (continued)

The following table indicates the potential effect on profit before income tax of a 5% appreciation or depreciation of RMB against US\$ as at 30 June in 2024 and 2023:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Profit before income tax		
– 5% appreciation of RMB against US\$	<b>(422,343)</b>	(164,286)
– 5% depreciation of RMB against US\$	<b>422,343</b>	164,286

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

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

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

The Group manages the cash flow interest rate risk by matching the rental rates of aircraft leases with interest rates of bank and other borrowings. Interest rate exposure arises when rental rates of the leases and the interest rates of corresponding bank and other borrowings do not match. The following table indicates the amount of bank and other borrowings exposed to interest rate risk as at 30 June 2024 and 31 December 2023.

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Borrowings exposed to US\$ Secured Overnight Financing Rate ("SOFR")	<b>25,644,663</b>	23,439,080
Borrowings exposed to RMB Loan Prime Rate ("LPR")	<b>2,891,049</b>	1,313,703
	<b>28,535,712</b>	24,752,783

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.1 Financial risk factors (continued)

## 5.1.1 Market risk (continued)

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

Interest rate swaps are used to manage the variability in future interest cash flows of bank and other borrowings, arising due to changes in market interest rates. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for bank and other borrowings on the basis of their contractual terms and other relevant factors, including estimates of prepayments. The cash flows are used to determine the effectiveness and ineffectiveness.

As at 30 June 2024, the Group had 10 outstanding floating-to-fixed interest rate swaps (31 December 2023: 18 swaps) to manage its unmatched interest rate risk exposure. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference in the amount of interest between the fixed rate and the floating rate calculated by reference to the agreed notional amounts. For the remaining unhedged exposure, the Group closely monitors the interest rate risk exposure trend and will consider hedging the exposure where necessary and appropriate.

	Unaudited		Audited	
	As at 30 June 2024		As at 31 December 2023	
	Notional amount	Carrying Value	Notional amount	Carrying Value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Interest rate swaps</b>				
Exposed to US\$ SOFR	1,141,106	12,708	2,819,884	47,244

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 30 June 2024. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before income tax for the six months ended 30 June 2024 by approximately HK\$106,414,000 (six months ended 30 June 2023: decreased/increased by approximately HK\$33,418,000); and would have increased/decreased the Group's reserves by approximately HK\$18,046,000 (31 December 2023: increased/decreased by approximately HK\$6,387,000) because of the impact of cash flow hedge interest derivatives.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT *(continued)*

#### 5.1 Financial risk factors *(continued)*

##### 5.1.1 Market risk *(continued)*

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

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

In March 2021, the UK Financial Conduct Authority (FCA) announced the date on which LIBOR will be discontinued. All GBP, CHF, EUR, JPY LIBOR settings and the one-week and two-month US\$ LIBOR settings had discontinued after 31 December 2021 and the remaining US\$ LIBOR settings had discontinued after 30 June 2023.

The Group has applied both the first set of amendments ('Phase 1') and the second set of amendments ('Phase 2') to HKFRS 9 and HKAS 39 applicable to hedge accounting, which has no material impact to the Group. Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform, do not result in the derecognition or a change in the carrying amount of the financial instrument. Instead they require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

During the year ended 31 December 2023, the transition of all legacy contracts of interest rate swaps and all legacy contracts of bank and other borrowings linked to US\$ LIBORs was undertaken successfully.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****5 FINANCIAL RISK MANAGEMENT** *(continued)***5.1 Financial risk factors** *(continued)***5.1.2 Credit risk**

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

*Credit risk on aircraft leasing service*

The Group implements its industry risk management system according to its plan based on actual situation with focus on industry research, counterparty credit rating, and understanding of the lessee's operations, financial condition as well as their shareholders' support. The Group also obtained deposits from the lessees (Note 20). All these strengthen the control and management of credit risk.

(a) Probability of default

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

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

(b) Risk limit control and mitigation policies

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

(c) Impairment allowance policies

The Group applies the simplified approach on measuring expected credit losses prescribed by HKFRS 9, which uses the lifetime expected loss provision for lease receivables. To measure the expected credit losses, the relevant receivables are grouped based on shared credit risk characteristics such as financial performance and stability, future growth, default history and other relevant factors.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION5 FINANCIAL RISK MANAGEMENT *(continued)*5.1 Financial risk factors *(continued)*5.1.2 Credit risk *(continued)**Credit risk on aircraft leasing service (continued)*(c) Impairment allowance policies *(continued)*

The loss allowances of credit risk are estimated according to net exposure analysis and assumptions about risk of default and expected loss rates. The net exposure is determined based on the finance lease receivable or operating lease receivable balance, net of the unguaranteed residual value in the case of a finance lease, and other cash collaterals such as security deposits over the contractual term. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group assesses the business performance and credit risks of the airline companies on a regular basis. In view of the economic conditions, the operation of airlines and the collection history of the receivable due from them, management provided accumulated expected credit loss of HK\$12,185,000 (31 December 2023: HK\$6,920,000) for finance lease receivables (Note 8) and HK\$201,217,000 (31 December 2023: HK\$203,556,000) for operating lease receivables (Note 10(b)) as at 30 June 2024.

Credit risk exposure on operating leases receivables:

	<b>Unaudited</b>		<b>Audited</b>	
	<b>As at 30 June 2024</b>		<b>As at 31 December 2023</b>	
	<b>Gross</b>	<b>Accumulated</b>	<b>Gross</b>	<b>Accumulated</b>
	<b>carrying</b>	<b>expected</b>	<b>carrying</b>	<b>expected</b>
	<b>amount</b>	<b>credit</b>	<b>amount</b>	<b>credit</b>
	<b>HK\$'000</b>	<b>losses</b>	<b>amount</b>	<b>losses</b>
		<b>allowance</b>		<b>allowance</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Asia	269,916	121,137	276,410	114,736
Europe	11,288	11,288	19,623	19,623
America	136,974	68,792	152,592	69,197
	<b>418,178</b>	<b>201,217</b>	<b>448,625</b>	<b>203,556</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT *(continued)*

#### 5.1 Financial risk factors *(continued)*

##### 5.1.2 Credit risk *(continued)*

*Credit risk on aircraft leasing service (continued)*

(c) Impairment allowance policies *(continued)*

Credit risk exposure on finance lease receivables (excluding the unguaranteed residual values):

	<b>Unaudited</b>		<b>Audited</b>
	<b>As at 30 June 2024</b>		<b>As at 31 December 2023</b>
	<b>Gross carrying amount</b>	<b>Accumulated expected credit losses allowance</b>	<b>Gross carrying amount</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Asia	4,448,295	12,185	4,418,535
			6,920

(d) Concentration of credit risk

During the six months ended 30 June 2024, the lessees of the Group are airline companies located in the Mainland China and other countries or regions globally. Please see Note 8, Note 10(b) and Note 21 for an analysis of lease receivables and lease income. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables and operating lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

*Credit risk on loans to associates and joint ventures and other financial assets*

The Group is also exposed to credit risk associated with loans and loan commitments, and financial guarantees to associates and joint ventures. Please refer to Note 7, Note 30 and Note 31 for details.

The Group assesses whether there are any indicators of impairment for investments in associates and joint ventures at the end of each reporting period. Investments in associates and joint ventures are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in associates or joint ventures exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose a discount rate commensurate with the associated risk in order to calculate the present values of those cash flows.

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

**5 FINANCIAL RISK MANAGEMENT** *(continued)*

**5.1 Financial risk factors** *(continued)*

**5.1.2 Credit risk** *(continued)*

*Credit risk on loans to associates and joint ventures and other financial assets (continued)*

The Group evaluates expected credit losses of loans to associates and joint ventures at the end of each reporting period. Management considers a number of factors in expected credit loss assessment including but not limited to associates and joint ventures' current and expected financial positions, business environment and industry performance, current and forward-looking economic factors, collection history and past experience. For loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. If the borrower could not repay the loan if demanded at the reporting date, the Group considers the expected manner of recovery, including a 'repay over time' strategy or a fire sale of less liquid assets, to measure expected credit losses. Please refer to Note 7 and Note 30 for details.

In addition, the Group is exposed to credit risk associated with cash in banks and derivative financial assets. Management considers that these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.1 Financial risk factors (continued)

## 5.1.3 Liquidity risk

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
<b>Current assets</b>		
Loans to associates and joint ventures	–	37,612
Finance lease receivables – net	<b>328,782</b>	312,851
Derivative financial assets	<b>22,692</b>	53,673
Prepayments and other assets	<b>670,286</b>	489,492
Assets classified as held for sale	<b>2,321,441</b>	1,425,254
Aircraft components trading assets	<b>3,431</b>	1,934
Restricted cash	–	321,075
Cash and cash equivalents	<b>6,114,507</b>	5,295,875
	<b>9,461,139</b>	7,937,766
<b>Current liabilities</b>		
Deferred income tax liabilities	<b>203,310</b>	203,323
Borrowings	<b>16,254,840</b>	16,192,484
Medium-term notes	<b>10,611</b>	–
Bonds and debentures	<b>1,999,939</b>	1,871,034
Derivative financial liabilities	<b>181,558</b>	34,131
Income tax payables	<b>83,876</b>	66,056
Interest payables	<b>227,557</b>	392,690
Other liabilities and accruals	<b>2,129,755</b>	1,983,317
	<b>21,091,446</b>	20,743,035
<b>Net current liabilities</b>	<b>(11,630,307)</b>	(12,805,269)

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

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

**5 FINANCIAL RISK MANAGEMENT** *(continued)*

**5.1 Financial risk factors** *(continued)*

**5.1.3 Liquidity risk** *(continued)*

As at 30 June 2024, borrowings of HK\$16.3 billion (31 December 2023: HK\$16.2 billion) under current liabilities mainly comprised of borrowings of HK\$8.1 billion (31 December 2023: HK\$7.6 billion) from aircraft acquisition financing (“aircraft loans”), HK\$1.9 billion (31 December 2023: HK\$1.6 billion) from PDP financing and HK\$6.3 billion (31 December 2023: HK\$7.0 billion) from other borrowings. The borrowings related to the assets classified as held for sale were disclosed as current liabilities (Note 11). The repayment of above aircraft loans will be partially funded by the collection of operating lease receivables of HK\$3.6 billion (31 December 2023: HK\$3.5 billion) (Note 31(d)) (which has not been included under current assets above) that is expected to be received from airlines in the next twelve months from 30 June 2024. Repayment of PDP financing and other financing is expected to be funded by existing loan facilities and/or new aircraft loans when aircraft is delivered based on industry practice and prior experience.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT *(continued)*

#### 5.2 Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, raise new debts, or adjust the amount of dividend paid to shareholders. No changes were made to the objectives, policies or processes for managing capital during the six months ended 30 June 2024.

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Interest-bearing debts included in total liabilities	<b>54,771,098</b>	50,511,542
Total liabilities	<b>58,945,831</b>	54,684,765
Total assets	<b>63,996,916</b>	59,824,727
Total equity	<b>5,051,085</b>	5,139,962
Gearing ratio	<b>85.6%</b>	84.4%
Asset-liability ratio	<b>92.1%</b>	91.4%
Interest-bearing debts to equity ratio	<b>10.8:1</b>	9.8:1

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT *(continued)*

#### 5.3 Fair value estimation of financial instruments

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities, which already incorporate the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to Environmental, Social and Governance ("ESG") risk (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs), which is the case for unlisted equity securities and instruments where ESG risk gives rise to a significant unobservable adjustment (level 3).

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FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.3 Fair value estimation of financial instruments (continued)

**Financial assets and financial liabilities measured at fair values**

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 30 June 2024 – unaudited</b>				
Assets				
Interest rate swaps	–	15,685	–	15,685
Financial assets at fair value through profit or loss	1,164	–	1,470,705	1,471,869
	1,164	15,685	1,470,705	1,487,554
Liabilities				
Currency forward contracts	–	185,053	–	185,053
Interest rate swaps	–	2,977	–	2,977
	–	188,030	–	188,030
<b>As at 31 December 2023 – audited</b>				
Assets				
Currency swap	–	13,913	–	13,913
Interest rate swaps	–	47,244	–	47,244
Financial assets at fair value through profit or loss	1,164	–	620,585	621,749
	1,164	61,157	620,585	682,906
Liability				
Currency forward contracts	–	147,735	–	147,735

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.3 Fair value estimation of financial instruments (continued)

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

As at 30 June 2024, the financial assets at fair value through profit or loss, measured at level 3 within the fair value hierarchy, mainly consisted of the performance-linked shareholder's loan to CAG Group, shareholder's loan to Feitian No.2 Leasing (Tianjin) Company Limited ("Feitian No.2 (Tianjin)") and exchangeable bonds. The fair value of these financial assets is determined by making reference to discounted cash flow analysis.

The significant unobservable inputs to the valuation model of the shareholder's loan to CAG Group mainly include market interest rate, discount rate, expected rental collection and expected aircraft disposal prices. The Group assessed the sensitivity to changes in unobservable inputs on considering the effect of a change in a particular assumption independently of changes in any other assumptions.

	Unaudited As at 30 June 2024		Audited As at 31 December 2023	
	Increase HK\$'000	Decrease HK\$'000	Increase HK\$'000	Decrease HK\$'000
		<b>Changes in fair value</b>		
An increase or decrease in the market interest rate of 100 basis points	<b>(1,562)</b>	<b>1,562</b>	(43,488)	43,261
An increase or decrease in the discount rate of 100 basis points	<b>(10,931)</b>	<b>10,150</b>	(12,933)	13,350
An increase or decrease in the expected aircraft disposal prices of 5%	<b>147,564</b>	<b>(313,085)</b>	207,809	(284,301)
An increase or decrease in the expected rental collection of 1%	<b>1,562</b>	<b>(2,342)</b>	1,787	(10,865)

The significant unobservable inputs to the valuation model of the shareholder's loan to Feitian No.2 (Tianjin) mainly include aircraft value at the end of lease term and discount rate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.3 Fair value estimation of financial instruments (continued)

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

The significant unobservable inputs to the valuation model of the exchangeable bonds mainly include expected aircraft and engines disposal prices and discount rate.

The following table presents the change in level 3 instruments for the six months ended 30 June 2024.

	Shareholder's loan to CAG Group HK\$'000	Other financial assets at fair value through profit or loss HK\$'000
<b>As at 1 January 2024</b>	<b>579,296</b>	<b>41,289</b>
Increase in financial assets at fair value through profit or loss	–	<b>850,000</b>
Fair value change on the financial assets at fair value through profit or loss	–	<b>375</b>
Currency translation difference	<b>(37)</b>	<b>(218)</b>
<b>As at 30 June 2024</b>	<b>579,259</b>	<b>891,446</b>
	Shareholder's loan to CAG Group HK\$'000	Other financial assets at fair value through profit or loss HK\$'000
<b>As at 1 January 2023</b>	735,429	30,608
Increase in financial assets at fair value through profit or loss	–	72,423
Fair value change on the financial assets at fair value through profit or loss	–	23,744
Currency translation difference	2,647	81
<b>As at 30 June 2023</b>	<b>738,076</b>	<b>126,856</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

## 5.3 Fair value estimation of financial instruments (continued)

**Financial assets and financial liabilities carried at amortised cost**

The fair values of cash and cash equivalents, other receivables, loans to associates and joint ventures, interest payables and other payables approximate their carrying amounts because these financial assets and liabilities, which are short term in nature, mature within one year.

The carrying amounts and fair values of finance lease receivables (excluding the unguaranteed residual value), borrowings, medium-term notes and bonds and debentures are as follows:

	Unaudited		Audited	
	As at 30 June 2024		As at 31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables (excluding the unguaranteed residual values)	<b>4,448,295</b>	<b>4,144,320</b>	4,418,535	3,982,483
Borrowings	<b>48,458,581</b>	<b>47,985,068</b>	42,911,870	42,524,333
Medium-term notes	<b>1,621,634</b>	<b>1,685,829</b>	1,656,173	1,742,293
Bonds and debentures	<b>4,690,883</b>	<b>4,813,180</b>	5,943,499	6,092,253

The fair values of the above finance lease receivables (excluding the unguaranteed residual value), borrowings, medium-term notes and bonds and debentures (which are not traded in the active market) are estimated by discounting the future cash flows at the current market rates available to the Group for similar financial instruments. Their fair values are considered to be of level 2 within the fair value hierarchy.

The fair values of other bonds and debentures (which are traded in the active market) are determined based on the quoted prices in the respective markets. Their fair values are considered to be of level 1 within the fair value hierarchy.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION

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

	Unaudited						
	Aircraft and engine HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Office building HK\$'000	Right-of-use assets HK\$'000	Others HK\$'000	Total HK\$'000
<b>Net book value as at 1 January 2024</b>	33,426,505	-	9,544	40,115	11,867	5,795	33,493,826
Additions	5,421,910	-	143	-	3,589	-	5,425,642
Transfer from finance lease receivables	187,646	-	-	-	-	-	187,646
Assets classified as held for sale	(897,539)	-	-	-	-	-	(897,539)
Disposals	(507,381)	-	-	-	-	-	(507,381)
Depreciation	(829,168)	-	(2,164)	(456)	(6,999)	(939)	(839,726)
Currency translation difference	(117,697)	-	(6)	(2)	(137)	(18)	(117,860)
<b>Net book value as at 30 June 2024</b>	<b>36,684,276</b>	<b>-</b>	<b>7,517</b>	<b>39,657</b>	<b>8,320</b>	<b>4,838</b>	<b>36,744,608</b>
<b>Net book value as at 1 January 2023</b>	27,268,078	1,068	9,889	41,023	26,566	7,749	27,354,373
Additions	5,558,116	1,296	268	-	-	-	5,559,680
Assets classified as held for sale	(261,630)	-	-	-	-	-	(261,630)
Disposals	(438,215)	-	-	-	-	-	(438,215)
Depreciation	(736,594)	(992)	(1,864)	(457)	(7,204)	(923)	(748,034)
Currency translation difference	(125,191)	(14)	398	148	147	(3)	(124,515)
<b>Net book value as at 30 June 2023</b>	<b>31,264,564</b>	<b>1,358</b>	<b>8,691</b>	<b>40,714</b>	<b>19,509</b>	<b>6,823</b>	<b>31,341,659</b>

Lease rentals amounting to HK\$1,922,237,000 relating to the lease of aircraft and engine for the six months ended 30 June 2024 are included in operating lease income in the interim consolidated statement of income (six months ended 30 June 2023: HK\$1,759,898,000).

As at 30 June 2024, the net book value of aircraft amounted to HK\$35,940,403,000 (31 December 2023: HK\$32,824,283,000).

As at 30 June 2024, the net book value of aircraft under operating leases amounting to HK\$30,533,665,000 (31 December 2023: HK\$25,391,195,000) were pledged as collateral for bank and other borrowings for aircraft acquisition financing and borrowings from trust plans (Note 16).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 7 INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Investments in and loans to associates and joint ventures – carrying amount after share of results	<b>860,540</b>	1,778,883
Accumulated expected credit losses on loans to associates and joint ventures	<b>(218,016)</b>	(249,254)
	<b>642,524</b>	1,529,629

As at 30 June 2024, the Group had interests in the following principal associates and joint ventures:

<b>Name of entity</b>	<b>Place of incorporation</b>	<b>Principal activities</b>	<b>% of equity interest</b>	<b>Nature of relationship</b>	<b>Measurement method</b>
Aircraft Recycling International Limited ("ARI") (a)	Cayman Islands	Investment holding	48%	Associate	Equity
CAG Bermuda 1 Limited ("CAG") (Note 9)	Bermuda	Aircraft leasing	20%	Associate	Equity
FLARI Aircraft Maintenance & Engineering Company Co., Ltd ("FLARI") (b)	PRC	Line maintenance, base maintenance, technical training	48.79%	Associate	Equity
HNCA&CALC One (Tianjin) Leasing Company Limited ("HNCA One (Tianjin)") (c)	PRC	Aircraft leasing	49%	Joint venture	Equity
HNCA&CALC Two (Tianjin) Leasing Company Limited ("HNCA Two (Tianjin)") (c)	PRC	Aircraft leasing	49%	Joint venture	Equity
Feitian No.2 (Tianjin) (c)	PRC	Aircraft leasing	20%	Joint venture	Equity
PT Transnusa Aviation Mandiri ("TAM") (d)	Indonesia	Commercial air transportation services	49%	Joint venture	Equity
PT Linkaviasi Asia Indonesia ("LAI") (e)	Indonesia	Commercial air transportation services	49%	Joint venture	Equity

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****7 INTERESTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES** *(continued)*

- (a) ARI is an investment holding company and its subsidiaries (collectively as “ARI Group”) have operations mainly in the Mainland China, United States and other countries and are principally engaged in providing asset management services and comprehensive solutions for dealing with second lease and mid-life to mature aircraft. As at 30 June 2024, the net liabilities of ARI were HK\$741,723,000 (31 December 2023: net liabilities of HK\$607,723,000), and as a result, the Group’s equity interests in ARI was reduced to zero (31 December 2023: Zero). No further losses were recorded unless the investor had incurred legal or constructive obligations or made payments on behalf of the associate. As at 30 June 2024, the Group’s carrying amount of outstanding loans to ARI amounted to HK\$278,798,000 (31 December 2023: HK\$1,252,136,000). For details, please refer to Note 30(b)(ii).
- (b) FLARI has operations mainly in the Mainland China and is principally engaged in line maintenance, base maintenance, technical training, cargo conversion, engineering service and component maintenance. As at 30 June 2024, the Group’s outstanding shareholders’ loans balance receivable from FLARI amounted to HK\$135,768,000 (31 December 2023: HK\$131,984,000). For details, please refer to Note 30(b)(iii).

As the result of FLARI is not material to the Group, no summarised financial information of FLARI is disclosed.

- (c) HNCA One (Tianjin), HNCA Two (Tianjin) and Feitian No.2 (Tianjin) have operations in the Mainland China and are principally engaged in aircraft leasing businesses. As at 30 June 2024, the Group’s outstanding loans balance receivable from HNCA One (Tianjin) and HNCA Two (Tianjin) amounted to HK\$37,239,000 (31 December 2023: HK\$36,808,000) and HK\$36,288,000 (31 December 2023: HK\$35,870,000), respectively. For details, please refer to Note 30(d).

As the result of HNCA One (Tianjin), HNCA Two (Tianjin) and Feitian No.2 (Tianjin) are not material to the Group, no summarised financial information of HNCA One (Tianjin), HNCA Two (Tianjin) and Feitian No.2 (Tianjin) are disclosed.

- (d) CALC IDN Limited (“CALC IDN”), a wholly-owned subsidiary of the Company, holds approximately 72.82% of the share capital in Linkasia Airlines Group Limited (“Linkasia Airlines”). The remaining shares of Linkasia Airlines are owned as to 14.13% by Equal Honour Equity Limited (wholly-owned by Mr. Poon, a substantial shareholder, an executive director and chief executive officer of the Company) and 13.05% by Smart Aviation Investment Limited (wholly-owned by Ms. Liu, key management of the Company).

Linkasia Airlines indirectly (i) holds 49% equity interest in TAM and (ii) is beneficially interested in 50% of the voting rights and 75% of the economic interest in TAM. The principal activity of TAM is the operation of an airline based in Indonesia. It also engages in the provision of commercial air transportation services.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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**7 INTERESTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES** *(continued)*

(d) *(continued)*

Under the Indonesia Law No.1 of 2009 on Aviation and the Indonesian Negative List, air transportation activities are limited to up to 49% foreign shareholding. In addition, a single majority rule applies where it is required that one of the Indonesian shareholders' shareholding must be larger than the shareholding of the foreign investors combined. According to the contractual rights and obligations of each investor, TAM is jointly controlled by the Group and other investor.

As at 30 June 2024, the Group's outstanding shareholder's loan balance receivable from TAM amounted to HK\$42,939,000 (31 December 2023: HK\$14,969,000).

As at 30 June 2024, the Group held rental deposit of US\$780,000 (equivalent to approximately HK\$6,090,000) from TAM (31 December 2023: US\$621,000 (equivalent to approximately HK\$4,849,000)) in relation to aircraft under finance leases and operating leases, please refer to Note 30(i).

As the result of TAM is not material to the Group, no summarised financial information of TAM is disclosed.

- (e) Linkasia Airlines indirectly (i) holds 49% equity interest in LAI and (ii) is beneficially interested in 50% of the voting rights and 75% of the economic interest in LAI. The principal activity of LAI is the operation of an airline based in Indonesia. It also engages in the provision of commercial air transportation services.

Under the Indonesia Law No.1 of 2009 on Aviation and the Indonesian Negative List, air transportation activities are limited to up to 49% foreign shareholding. In addition, a single majority rule applies where it is required that one of the Indonesian shareholders' shareholding must be larger than the shareholding of the foreign investors combined. According to the contractual rights and obligations of each investor, LAI is jointly controlled by the Group and other investor.

As the result of LAI is not material to the Group, no summarised financial information of LAI is disclosed.

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

Besides the contingent liabilities disclosed in Note 31(a), there are no other contingent liabilities relating to the Group's interests in associates and joint ventures.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 8 FINANCE LEASE RECEIVABLES – NET

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Lease payments receivables		
– Not later than one year	200,072	159,498
– Later than one year but not later than two years	1,640,330	1,044,011
– Later than two years but not later than three years	1,669,070	1,812,018
– Later than three years but not later than four years	1,119,402	1,501,718
– Later than four years but not later than five years	35,767	249,815
– Later than five years	651,883	669,808
Total	5,316,524	5,436,868
Less: Unearned finance lease income relating to lease payment receivables	(868,229)	(1,018,333)
Present value of lease payment receivables	4,448,295	4,418,535
Add: Present value of unguaranteed residual value	4,207,552	4,165,724
Net investment in leases	8,655,847	8,584,259
Less: Accumulated expected credit losses allowance	(12,185)	(6,920)
Finance lease receivables – net	8,643,662	8,577,339

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

	Unaudited As at 30 June 2024		Audited As at 31 December 2023	
	HK\$'000	%	HK\$'000	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	6,055,723	70%	6,061,740	71%
Others	2,587,939	30%	2,515,599	29%
Finance lease receivables – net	8,643,662	100%	8,577,339	100%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Shareholder's loan to CAG Group (Note (a))	<b>579,259</b>	579,296
Shareholder's loan to Feitian No.2 (Tianjin) (Note (b))	<b>38,318</b>	38,160
Exchangeable bonds (Note (c))	<b>850,000</b>	–
Others	<b>4,292</b>	4,293
	<b>1,471,869</b>	621,749

Notes:

- (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 (Tianjin).
- (c) In October 2023, the Group has entered into an exchangeable bond subscription agreement with ARI in respect of the subscription of HK\$850.0 million exchangeable bonds to be issued by ARI. On 1 January 2024, the Group has completed the subscription of the exchangeable bonds. For details of the arrangement, please refer to the Circular dated 29 November 2023.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 10 PREPAYMENTS AND OTHER ASSETS

## (a) PDP and other prepayments and receivables relating to aircraft acquisition

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
PDP and other prepayments and receivables relating to aircraft acquisition	<b>7,047,519</b>	7,626,274

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

PDP were made according to the payment schedules set out in the aircraft purchase agreements. The aircraft will be delivered in stages by end of 2028.

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## 10 PREPAYMENTS AND OTHER ASSETS (continued)

## (b) Prepayments and other assets

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Operating lease receivables (i)	<b>418,178</b>	448,625
Deposits paid	<b>24,651</b>	48,705
Prepayments and amounts due from related parties (Note 30(f))	<b>189,935</b>	98,649
Deductible input value-added taxes	<b>53,697</b>	63,986
Others (ii)	<b>243,093</b>	190,757
	<b>929,554</b>	850,722
Less: Accumulated expected credit losses allowance (i)	<b>(201,217)</b>	(203,556)
	<b>728,337</b>	647,166

- (i) The Group recognised an allowance for impairment losses by providing for expected credit losses when the lessee is expected as not being able to pay the amounts due under its lease agreements.

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

	<b>Unaudited</b>		Audited	
	<b>As at 30 June 2024</b>		As at 31 December 2023	
	<b>HK\$'000</b>	<b>%</b>	HK\$'000	<b>%</b>
Current/deferral	<b>98,386</b>	<b>23%</b>	135,656	30%
Less than 30 days past due	<b>1,387</b>	<b>1%</b>	4,180	1%
30 to 90 days past due	<b>2,910</b>	<b>1%</b>	19,277	4%
More than 90 days past due	<b>315,495</b>	<b>75%</b>	289,512	65%
Total	<b>418,178</b>	<b>100%</b>	448,625	100%

As at 30 June 2024, the accumulated expected credit losses allowance against operating lease receivables amounted to HK\$201,217,000 (31 December 2023: HK\$203,556,000) and the net carrying amount of operating lease receivables was HK\$216,961,000 (31 December 2023: HK\$245,069,000).

- (ii) The "Others" above were mainly deferred expenses and prepayments to third parties.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****11 ASSETS CLASSIFIED AS HELD FOR SALE**

The Group had signed letters of intent or sale and purchase agreements for the disposals of several lease-attached aircraft. These aircraft intended to be disposed of were consequently classified as held for sale. As at 30 June 2024, the carrying amount of assets classified as held for sale was HK\$2,321,441,000 (31 December 2023: HK\$1,425,254,000), which was measured at the lower of carrying amount and fair value less costs to sell. The fair value of the assets classified as held for sale was determined based on market price of the aircraft. This is a level 2 measurement as per the fair value hierarchy.

The carrying amount of borrowings related to the assets held for sale was HK\$1,417,542,000 (31 December 2023: HK\$1,024,308,000). The borrowings related to the assets held for sale will be repaid before the disposals of aircraft, although the borrowings are not due to be settled within twelve months after the reporting period pursuant to the contractual terms.

**12 SHARE CAPITAL**

Ordinary shares, issued and fully paid:

	Par value of each share	Number of issued shares	Share capital in HK\$
Issued:			
<b>As at 1 January 2024 and 30 June 2024</b>	<b>HK\$0.1</b>	<b>744,355,352</b>	<b>74,435,536</b>
As at 1 January 2023 and 30 June 2023	HK\$0.1	744,355,352	74,435,536

**13 RESERVES**

	Unaudited						
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Share-based payments HK\$'000	Hedging reserve HK\$'000	Currency translation differences HK\$'000	Total HK\$'000
<b>Balance as at 1 January 2024</b>	<b>1,522,393</b>	<b>623,720</b>	<b>(166)</b>	<b>4,848</b>	<b>48,216</b>	<b>(25,467)</b>	<b>2,173,544</b>
Cash flow hedges (Note 19)	-	-	-	-	(35,156)	-	(35,156)
Currency translation differences	-	-	-	-	-	(43,131)	(43,131)
Share option scheme:							
- Value of services (a)	-	-	-	338	-	-	338
<b>Balance as at 30 June 2024</b>	<b>1,522,393</b>	<b>623,720</b>	<b>(166)</b>	<b>5,186</b>	<b>13,060</b>	<b>(68,598)</b>	<b>2,095,595</b>
<b>Balance as at 1 January 2023</b>	<b>1,522,393</b>	<b>623,720</b>	<b>(166)</b>	<b>3,330</b>	<b>197,342</b>	<b>(32,006)</b>	<b>2,314,613</b>
Cash flow hedges (Note 19)	-	-	-	-	(78,659)	-	(78,659)
Currency translation differences	-	-	-	-	-	56,672	56,672
Share option scheme:							
- Value of services (a)	-	-	-	1,126	-	-	1,126
- Share options lapsed (a)	-	-	-	(456)	-	-	(456)
<b>Balance as at 30 June 2023</b>	<b>1,522,393</b>	<b>623,720</b>	<b>(166)</b>	<b>4,000</b>	<b>118,683</b>	<b>24,666</b>	<b>2,293,296</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 13 RESERVES (continued)

- (a) On 6 April 2022, the Company granted 20,900,000 share options (“2022 Share Options”) under the share option scheme adopted by the Company for the purpose of recognising the contribution participants, including certain directors of the Company and selected employees of the Group, in relation to the growth of the Group. None of the options have been exercised during the six months ended 30 June 2024.

Movement of outstanding share options during the six months ended 30 June 2024 and 2023 is as follows:

	Number of share options
<b>As at 1 January 2024</b>	<b>20,025,000</b>
Lapsed	<b>(2,743,929)</b>
<b>As at 30 June 2024</b>	<b>17,281,071</b>
<b>As at 1 January 2023</b>	20,900,000
Lapsed	(515,000)
<b>As at 30 June 2023</b>	<b>20,385,000</b>

- (i) The fair value of the 2022 Share Options on the grant date determined by using Binomial valuation model was approximately HK\$0.3 per option.

Significant judgement on parameters, such as spot price at the grant date, risk free interest rate, dividend yield, expected volatility and suboptimal exercise factor are required to be made by the directors in applying the Binomial valuation model. The parameters used are as follows:

Spot share price at the grant date	HK\$5.31
Risk free rate (Note 1)	2.39%
Dividend yield (Note 2)	8.0%
Expected volatility (Note 3)	24.4%
Suboptimal exercise factor	2.5

Notes:

1. Risk free rates were based on Hong Kong Exchange Fund Notes with same duration.
2. Dividend yield was based on historical dividend trend and expected future dividend policy determined by the Company.
3. Expected volatility was determined by using the daily volatility of the Company’s shares in similar duration as at the valuation date.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****13 RESERVES** *(continued)*(a) *(continued)*

For share options outstanding as at 30 June 2024, the exercise price per share of 2022 Share Options was HK\$6.36 (31 December 2023: HK\$6.36).

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the six months ended 30 June 2024 and 2023 are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Directors and employees	<b>338</b>	1,126

**14 PERPETUAL CAPITAL SECURITIES AND OTHER NON-CONTROLLING INTERESTS**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Perpetual capital securities (a)	<b>797,995</b>	837,013
Other non-controlling interests of ordinary shares	<b>(18,597)</b>	(26,591)
	<b>779,398</b>	810,422

**(a) Perpetual capital securities**

On 16 December 2020, a subsidiary of the Group (the "Issuer") issued US\$200.0 million floating rate guaranteed perpetual capital securities with the aggregate net proceeds (after transaction cost of HK\$5.0 million) of HK\$1,545.5 million. The perpetual capital securities do not have maturity dates and the distribution payments can be deferred at the discretion of the Issuer. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the interim consolidated balance sheet. When the Company elects to declare dividends to ordinary shareholders, the Issuer shall make distribution to the holders of perpetual capital securities at the distribution rate as defined in the subscription agreements. During the year ended 31 December 2023, the Group had early redeemed US\$100.0 million (equivalent to approximately HK\$780.8 million) perpetual capital securities. As at 30 June 2024, the dividend of HK\$85,371,000 (31 December 2023: Nil) scheduled to be paid in December 2024 could not be elected for deferral by the Group and has been recognised as dividend payable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**14 PERPETUAL CAPITAL SECURITIES AND OTHER NON-CONTROLLING INTERESTS***(continued)***(a) Perpetual capital securities** *(continued)*

The movement of the perpetual capital securities during the period is as follows:

	<b>HK\$'000</b>
<b>As at 1 January 2024</b>	<b>837,013</b>
Profit for the period	<b>46,353</b>
Dividends distributed to perpetual capital securities	<b>(85,371)</b>
<b>As at 30 June 2024</b>	<b>797,995</b>
<b>As at 1 January 2023</b>	1,617,351
Profit for the period	106,212
Dividends distributed to perpetual capital securities	(166,878)
<b>As at 30 June 2023</b>	1,556,685

**15 DEFERRED INCOME TAX LIABILITIES**

The analysis of deferred income tax liabilities is as follows:

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Deferred income tax liabilities:		
– To be settled within twelve months	<b>203,310</b>	203,323
– To be settled after twelve months	<b>984,802</b>	988,156
	<b>1,188,112</b>	1,191,479

The movement of the deferred income tax liabilities during the six months ended 30 June 2024 is as follows:

	<b>Accelerated depreciation of leased assets HK\$'000</b>
Deferred income tax liabilities:	
<b>As at 1 January 2024</b>	<b>1,191,479</b>
Credited to profit or loss (Note 27)	<b>(664)</b>
Currency translation difference	<b>(2,703)</b>
<b>As at 30 June 2024</b>	<b>1,188,112</b>
<b>As at 1 January 2023</b>	1,057,059
Charged to profit or loss (Note 27)	55,278
Currency translation difference	(797)
<b>As at 30 June 2023</b>	1,111,540



NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 16 BORROWINGS

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
<b>Bank and other borrowings</b>		
Bank and other borrowings for aircraft acquisition financing (a)	<b>26,504,793</b>	23,309,584
PDP financing (b)	<b>6,112,575</b>	6,127,842
Other bank borrowings (c)	<b>11,295,367</b>	8,802,585
	<b>43,912,735</b>	38,240,011
<b>Other long-term borrowings</b>		
Borrowings from trust plans (d)	<b>4,127,872</b>	4,263,795
Other borrowings (e)	<b>417,974</b>	408,064
	<b>4,545,846</b>	4,671,859
	<b>48,458,581</b>	42,911,870

**Bank and other borrowings**

- (a) Bank and other borrowings for aircraft acquisition financing are principally based on fixed or floating rates (including US\$ SOFR and RMB LPR). As at 30 June 2024, certain bank and other 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 pledged deposits amounting to HK\$53,786,000 (31 December 2023: HK\$56,323,000). As at 30 June 2024, bank and other borrowings for aircraft acquisition financing of HK\$602,537,000 (31 December 2023: HK\$903,557,000) were unsecured.
- (b) As at 30 June 2024, PDP financings of HK\$6,112,575,000 (31 December 2023: HK\$6,127,842,000) were unsecured and guaranteed by the Company or certain companies of the Group.
- (c) As at 30 June 2024, unsecured other bank borrowings amounted to HK\$11,295,367,000, of which HK\$4,711,849,000 were guaranteed by the Company or certain companies of the Group.

As at 31 December 2023, other bank borrowings of HK\$312,324,000 were secured by pledged deposits amounting to HK\$313,495,000. The unsecured other bank borrowings amounted to HK\$8,490,261,000, of which HK\$3,937,290,000 were guaranteed by the Company or certain companies of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**16 BORROWINGS** (continued)**Bank and other borrowings** (continued)

The Group has the following undrawn borrowing facilities:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
– Expiring within one year	<b>990,005</b>	1,815,480
– Expiring beyond one year	<b>1,309,380</b>	670,693
	<b>2,299,385</b>	2,486,173

**Other long-term borrowings**

- (d) As at 30 June 2024, 43 borrowings (31 December 2023: 45 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 5.8% to 7.8% (31 December 2023: 3.5% to 7.8%) per annum for remaining terms of one to six years (31 December 2023: one to six years). These long-term borrowings were secured by the shares of, and the aircraft held by the relevant subsidiaries, guaranteed by certain companies of the Group, and pledged deposits amounting to HK\$44,183,000 (31 December 2023: HK\$44,183,000).
- (e) As at 30 June 2024, four borrowings (31 December 2023: four borrowings) were obtained through a structured financing arrangement for four aircraft (31 December 2023: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (31 December 2023: 3.9% to 5.7%) per annum for their remaining terms of one to two years (31 December 2023: one to two years) and were guaranteed by the Company.

**17 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. In April 2024, the Group repurchased a principal amount of RMB1.49 billion from the investors.

In April 2024, the Group issued three-year RMB0.3 billion medium-term notes due in 2027, bearing coupon rate of 2.75% per annum and five-year RMB1.2 billion medium-term notes due in 2029, bearing coupon rate of 3.3% per annum.

As at 30 June 2024, after deducting the issuing cost, the total carrying amount of these notes was HK\$1,621,634,000 (31 December 2023: HK\$1,656,173,000).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****18 BONDS AND DEBENTURES**

In March 2017, the Group issued seven-year senior unsecured bonds of US\$200.0 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 were guaranteed by the Company. These bonds had been fully repaid on maturity.

In November 2020, the Group entered into a subscription agreement with an independent third party in relation to the issuance of five-year US\$70.0 million senior unsecured bonds, of which US\$35.0 million were issued in November 2020 and due in 2025 and US\$35.0 million were issued in January 2021 and due in 2026. The bonds bear coupon interest at 5.9% per annum, payable semi-annually.

In December 2021, the Group issued three-year US\$100.0 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 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.

In November 2023, the Group issued three-year RMB0.5 billion corporate bonds due in 2026, bearing coupon rate of 3.58% per annum. These bonds were listed on the Shanghai Stock Exchange.

As at 30 June 2024, after deducting the issuing cost, the total carrying amount of bonds and debentures was HK\$4,690,883,000 (31 December 2023: HK\$5,943,499,000).

**19 DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Derivative financial assets		
– Currency swap (a)	–	13,913
– Interest rate swaps (c)	<b>15,685</b>	47,244
	<b>15,685</b>	61,157
Derivative financial liabilities		
– Currency forward contracts (b)	<b>185,053</b>	147,735
– Interest rate swaps (c)	<b>2,977</b>	–
	<b>188,030</b>	147,735

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**19 DERIVATIVE FINANCIAL INSTRUMENTS** *(continued)*

- (a) CALC Baoli Limited (“CALC Baoli”), a wholly-owned subsidiary of the Group, signed a contract with an independent third party on 30 December 2013, pursuant to which CALC Baoli transferred its future aircraft finance lease receivables under an aircraft leasing agreement with an airline to a trust plan. CALC Baoli will convert the US\$ lease rentals received on behalf of the third party during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement constituted a derivative – a currency swap contract. The notional principal of this currency swap contract amounted to US\$15,684,000 (equivalent to approximately HK\$122,462,000). As at 31 December 2023, the fair value of this currency swap contract amounted to HK\$13,913,000 and the fair value gains of HK\$6,519,000 was recognised in “Other gains, net (Note 26)” for the six months ended 30 June 2023. As at 31 December 2023, this arrangement was secured by a pledged deposit of HK\$3,393,000.

During the six months ended 30 June 2024, CALC Baoli signed a supplementary agreement with the third party to terminate certain terms of the contract relating to the conversion of the US\$ lease rentals received on behalf of the third party to RMB. The currency swap contract is therefore terminated and the fair value losses of HK\$13,932,000 was recognised in “Other gains, net (Note 26)” for the six months ended 30 June 2024.

- (b) As at 30 June 2024, the Group had 11 outstanding currency forward contracts with notional amount of RMB2,000,000,000 (equivalent to approximately HK\$2,149,600,000) (31 December 2023: 16 outstanding currency forward contracts with notional amount of RMB2,350,000,000 (equivalent to approximately HK\$2,595,810,000)) which will expire at various dates from 8 January 2025 to 11 August 2025 (31 December 2023: expire at various dates from 4 March 2024 to 11 August 2025), to mitigate RMB exchange rate risks. These forward contracts did not satisfy the requirements for hedge accounting, the fair value changes of which were recognised in “Other gains, net (Note 26)”. As at 30 June 2024, this arrangement was secured by margin deposits of HK\$160,056,000 (31 December 2023: HK\$121,963,000).
- (c) As at 30 June 2024, the Group had 10 outstanding interest rate swap contracts (31 December 2023: 18 contracts) which will expire at various dates from 6 December 2024 to 25 March 2031 (31 December 2023: 26 January 2024 to 24 December 2025), to exchange floating interest rates from SOFR into fixed interest rates in a range of 0.4% to 4.0% (31 December 2023: 0.4% to 3.0%). As at 30 June 2024, this arrangement was secured by initial deposits of HK\$5,308,000 (31 December 2023: HK\$5,167,000).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****19 DERIVATIVE FINANCIAL INSTRUMENTS** *(continued)*

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Recognised in other comprehensive income		
Change in fair value of interest rate swaps	<b>3,009</b>	(2,901)
Reclassified from other comprehensive income to profit or loss in respect of:		
– Hedged items that affected profit or loss (i)	<b>(38,165)</b>	(75,758)
	<b>(35,156)</b>	(78,659)
Recognised in other gains, net of profit or loss		
Changes in fair value attributable to interest rate	–	27,626
Fair value losses on currency forward contracts in RMB	<b>(78,167)</b>	(123,330)
Hedge ineffectiveness	<b>240</b>	417
(Realised losses)/unrealised gains on a currency swap	<b>(13,932)</b>	6,519
	<b>(91,859)</b>	(88,768)

(i) Hedged items that have affected profit or loss are primarily recorded within interest expenses.

**20 OTHER LIABILITIES AND ACCRUALS**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Deposits and fund received for lease and aircraft projects	<b>1,506,078</b>	1,551,489
Consultant and professional fee payable	<b>65,851</b>	145,750
Value-added tax and other taxes	<b>190,410</b>	223,788
Operating lease rentals received in advance	<b>282,357</b>	287,830
Amounts due to related parties (Note 30(g))	<b>7,592</b>	9,269
Amount due to non-controlling interest of a subsidiary (Note 30(h))	<b>7,694</b>	7,695
Dividend payables to ordinary shareholders and perpetual capital securities holder	<b>198,324</b>	–
Lease liabilities	<b>8,586</b>	13,053
Others (including salary and bonus payable)	<b>220,266</b>	136,389
	<b>2,487,158</b>	2,375,263

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**21 LEASE INCOME AND SEGMENT INFORMATION**

During the six months ended 30 June 2024, 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			
	2024		2023	
	HK\$'000	%	HK\$'000	%
Categorised by customer in terms of lease income:				
Airline Company – A	596,768	27%	520,450	25%
Airline Company – B	296,774	13%	340,344	17%
Airline Company – C	155,423	7%	82,210	4%
Airline Company – D	145,591	7%	126,224	6%
Airline Company – E	94,074	4%	114,863	6%
Others	933,831	42%	872,362	42%
Total finance and operating lease income	2,222,461	100%	2,056,453	100%

**22 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT COMPONENTS TRADING**

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Aircraft transactions (a)	25,256	38,615
Aircraft components trading (b)	171	6,080
	25,427	44,695

**(a) Aircraft transactions**

The net gain from aircraft transactions amounted to HK\$25,256,000 for the six months ended 30 June 2024 included disposals of aircraft to third parties (six months ended 30 June 2023: HK\$38,615,000 included disposal of aircraft to a related party).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION22 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT COMPONENTS  
TRADING (continued)

## (b) Aircraft components trading

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Sales from aircraft components trading assets	246	9,663
Less: Cost of aircraft components trading assets	(75)	(3,583)
Profit from aircraft components trading assets	171	6,080

## 23 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Government grants (a)	113,125	100,144
Interest income from loans to associates and joint ventures	54,986	56,752
Bank interest income	65,277	32,407
Asset management service fees income from CAG and its subsidiaries (collectively "CAG Group") (Note 30(c))	9,244	9,302
Others (b)	37,576	26,504
	280,208	225,109

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

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## 24 INTEREST EXPENSES

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Interest expense on borrowings	1,462,725	1,267,545
Settlements on interest rate swaps designated as cash flow hedges – transfer from other comprehensive income	(37,925)	(47,715)
Interest expense on medium-term notes	35,968	37,848
Interest expense on bonds and debentures	119,080	137,376
	1,579,848	1,395,054
Less: interest capitalised on qualifying assets (a)	(239,730)	(319,183)
	1,340,118	1,075,871

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

## 25 OTHER OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Employee benefit expenses	122,144	77,789
Professional service expenses	54,198	25,541
Value-added tax surcharges and other taxes	16,731	14,929
Rental and utilities expenses	14,022	3,939
Office and meeting expenses	6,408	8,206
Travelling and training expenses	4,924	6,410
Auditor's remuneration		
– Audit service	–	980
Others	18,174	10,031
	236,601	147,825

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 26 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Currency exchange gains in RMB	256,141	242,210
Fair value losses on currency forward contracts in RMB	(78,167)	(123,330)
Currency exchange losses in US\$	(2,656)	(15,578)
Fair value gains on financial assets at fair value through profit or loss	375	21,393
Changes in fair value attributable to interest rate (Realised losses)/unrealised gains on a currency swap (Note 19)	240	28,043
	(13,932)	6,519
	162,001	159,257

## 27 INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax:		
Mainland China, Hong Kong and others	116,434	98,555
Deferred income tax (Note 15)	(664)	55,278
	115,770	153,833

**Mainland China**

The subsidiaries incorporated in the Mainland China are subject to the PRC corporate income tax ("CIT") at a rate of 25% (six months ended 30 June 2023: 25%), except for certain subsidiaries which are subject to the preferential tax treatments. The leasing income of the subsidiaries in the Mainland China is subject to VAT at 13%.

**Hong Kong**

Certain subsidiaries incorporated in Hong Kong are subject to the standard Hong Kong profits tax rate of 16.5% on their assessable profits.

Profit tax concessions have been announced to the corporations carrying on business as aircraft lessors and aircraft lease managers which satisfy relevant conditions. The taxable amount of rentals derived from leasing of an aircraft to an aircraft operator by a qualifying aircraft lessor is equal to 20% of the tax base. The qualifying profits of qualifying aircraft lessors and qualifying aircraft leasing managers are subject to the half of the normal rate at 8.25%.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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**27 INCOME TAX EXPENSES** *(continued)*

**Others**

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

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

The subsidiaries incorporated in Ireland which are taxed in accordance with Section 110 Taxes Consolidation Act 1997 under the Irish tax regime are subject to corporate tax at 25%. Other Irish companies are subject to corporate tax at 12.5%.

The subsidiaries incorporated in the Netherlands are subject to income tax at 15% over the first EUR395,000 of its taxable income and a rate of 25.8% over its taxable income in excess of EUR395,000.

The subsidiaries incorporated in France may be subject to income tax at rates of up to 27.5% plus social contribution tax.

The subsidiaries incorporated in Singapore are subject to income tax at rates of up to 17%.

The subsidiaries incorporated in Malta are subject to income tax at rates of up to 35%.

The subsidiaries incorporated in Labuan are subject to income tax at 3%.

The subsidiaries incorporated in Bermuda are exempted from income tax in Bermuda.

The subsidiaries incorporated in the Abu Dhabi Global Market ("ADGM") are exempted from income tax in ADGM.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****28 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 2024 and 2023.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Profit attributable to shareholders of the Company (HK\$'000)	<b>131,749</b>	201,171
Weighted average number of ordinary shares in issue (number of shares in thousands)	<b>744,355</b>	744,355
Basic earnings per share (HK\$ per share)	<b>0.177</b>	0.270

**(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 financial period. For share options outstanding as at 30 June 2024 and as at 30 June 2023, 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 per share for the six months ended 30 June 2024 and 2023.

**29 DIVIDENDS**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared of HK\$0.12 (2023: HK\$0.15) per ordinary share	<b>89,358</b>	111,653

On 22 August 2023, the Board declared an interim dividend of HK\$0.15 per ordinary share totalling HK\$111.7 million which was paid by cash in October 2023.

A final dividend of HK\$0.15 per ordinary share totalling HK\$111.7 million (including cash dividend and scrip dividend) for the year ended 31 December 2023 was declared and was reflected as dividend payable as at 30 June 2024.

On 23 August 2024, the Board declared an interim dividend of HK\$0.12 per ordinary share totalling HK\$89.4 million, which is calculated based on 744,648,542 issued shares as at 23 August 2024. The declared dividend is not reflected as a dividend payable in the interim consolidated financial statements as at 30 June 2024, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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## 30 RELATED PARTY TRANSACTIONS

Apart from the share option arrangement with key management and related parties as disclosed in Note 13(a), the following transactions were carried out with related parties at terms negotiated between the Group and the respective parties:

**(a) Transactions with China Everbright Group Ltd (“CE Group”) and its subsidiaries**

CE Group is the sole shareholder of China Everbright Holdings Company Limited (“CE Hong Kong”). CE Hong Kong is the indirect controlling shareholder of China Everbright Limited (“CEL”) and CEL indirectly holds approximately 38.08% equity interest in the Company as at 30 June 2024. Accordingly, CE Group is deemed as a shareholder of the Company, and thus CE Group and its subsidiaries are related parties of the Company.

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

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Interest income from CE Group	<b>2,840</b>	2,209
Interest expenses to CE Group	<b>149,982</b>	155,659
Loans upfront and arrangement fee to CE Group	<b>297</b>	1,621
Transactions handling charges to CE Group	<b>1,905</b>	1,743
	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'Million</b>	HK\$'Million
Bank deposits placed in CE Group	<b>421.9</b>	649.6
Borrowings due to CE Group	<b>6,532.0</b>	4,292.7
Undrawn facilities provided by CE Group	<b>812.0</b>	734.0



NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION30 RELATED PARTY TRANSACTIONS *(continued)***(b) Transactions with ARI Group and FLARI****(i) Service provided by ARI Group**

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Service fee charged by: ARI Group	65	8,743

**(ii) Transactions with ARI Group**

Pursuant to the shareholders' loan agreement dated 6 April 2016, the Group granted loans to ARI which are secured by pledge of shares in a subsidiary of ARI, bearing interest at 4% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited which is accrued daily and payable in arrears of six monthly intervals from the date of issue of the loan note. On 15 October 2018, a supplemental agreement was entered into to revise the interest rate to 3% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited with effect from 28 November 2018. In October 2023, a supplemental agreement was entered into to reduce the shareholders' loan annual cap from HK\$1.5 billion to HK\$650.0 million. In addition, the Group has entered into an exchangeable bond subscription agreement with ARI in respect of the subscription of HK\$850.0 million exchangeable bonds to be issued by ARI. On 1 January 2024, the Group has completed the subscription of the exchangeable bonds. As at 30 June 2024, the outstanding shareholders' loan balances receivable from ARI and the exchangeable bonds balance amounted to HK\$278,798,000 (31 December 2023: HK\$1,252,136,000) (Note 7) and HK\$850,000,000 (31 December 2023: Nil) (Note 9) respectively and the interest income for the six months ended 30 June 2024 was HK\$49,394,000 (six months ended 30 June 2023: HK\$52,122,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**30 RELATED PARTY TRANSACTIONS** *(continued)***(b) Transactions with ARI Group and FLARI** *(continued)***(ii) Transactions with ARI Group** *(continued)*

During the year ended 31 December 2020, the Group entered into a letter of intent with ARI Group relating to the purchase of five engines, which would be delivered in 2021, with total consideration of US\$55,000,000 (equivalent to approximately HK\$426,388,000). During the year ended 31 December 2021, the Group entered into supplemental agreements with ARI Group to reschedule the delivery of the above engines to be no later than 2022. During the year ended 31 December 2022, ARI Group delivered one engine to the Group and the Group entered into supplemental agreements with ARI Group to reschedule the delivery of the remaining four engines to be no later than 2023. During the year ended 31 December 2023, ARI Group delivered two engines to the Group and supplemental agreement was entered with ARI Group to reschedule the delivery of the remaining two engines to be no later than 2024. During the six months ended 30 June 2024, ARI Group delivered the remaining two engines. As at 30 June 2024, the Group had placed interest-free deposit amounting to HK\$189,803,000 (31 December 2023: HK\$98,358,000), the deposit is repayable on demand.

The Group entered into several cooperation agreements with 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\$78.1 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%. The investment projects were completed during the year ended 31 December 2023 and the Group has received HK\$97,592,000 from the investment projects.

**(iii) Transactions with FLARI**

Pursuant to the shareholders' credit line agreement, the Group granted several loans to FLARI, which are interest bearing from 6.6% to 8.5% per annum (six months ended 30 June 2023: 6.6% to 8.5% per annum) and are calculated on quarterly basis on the actual amount of the shareholders' loan drawn down. As at 30 June 2024, the outstanding shareholders' loan balances receivable from FLARI was amounted to HK\$135,768,000 (31 December 2023: HK\$131,984,000) (Note 7) and the interest income for the six months ended 30 June 2024 was HK\$3,995,000 (six months ended 30 June 2023: HK\$2,803,000).

Pursuant to the sale and leaseback agreement dated 26 May 2021, the Group purchased items of plant and machinery and office equipment and leased back to FLARI with proceeds of RMB20,000,000 (equivalent to approximately HK\$24,524,000). The proceeds are bearing interest at 8% per annum and payable in arrears of three monthly intervals. As at 31 December 2023, FLARI has repaid all outstanding advance balance and the interest income for the six months ended 30 June 2023 was HK\$301,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION30 RELATED PARTY TRANSACTIONS *(continued)*

## (c) Transactions with CAG Group

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Asset management service fees income from CAG Group	9,244	9,302

Pursuant to the liquidity support loan agreement, the Group provided liquidity support loan to CAG Group, which was unsecured and interest bearing at 3.1% over US\$ SOFR per annum.

As at 30 June 2024, the outstanding liquidity support loan balance receivable from CAG Group was amounted to HK\$104,608,000 (31 December 2023: HK\$50,416,000).

As at 31 December 2023, the Group entered into two operating lease arrangements with CAG Group. These operating lease arrangements expired during the six months ended 30 June 2024. The operating lease income during the six months ended 30 June 2024 was HK\$2,952,000 (six months ended 30 June 2023: Nil).

## (d) Transactions with HNCA One (Tianjin), HNCA Two (Tianjin) and Feitian No.2 (Tianjin)

Pursuant to the shareholder's loan agreement signed in December 2020, the Group granted loans to HNCA One (Tianjin) and HNCA Two (Tianjin), which were unsecured and interest bearing at 4% per annum.

As at 30 June 2024, the outstanding balance receivables from HNCA One (Tianjin) and HNCA Two (Tianjin) were amounted to HK\$37,239,000 (31 December 2023: HK\$36,808,000) and HK\$36,288,000 (31 December 2023: HK\$35,870,000) (Note 7) respectively, and the interest income for the six months ended 30 June 2024 was HK\$627,000 (six months ended 30 June 2023: HK\$615,000) and HK\$609,000 (six months ended 30 June 2023: HK\$614,000) respectively.

Pursuant to the shareholder's loan agreement signed in December 2022 and June 2023, the Group granted loan to Feitian No.2 (Tianjin), which was unsecured and interest bearing at 2.1% per annum.

Pursuant to the subordinated fee agreement entered with Feitian No.2 (Tianjin) as mentioned in Note 9, a subordinated fee would be charged by the Group on an annual basis.

As at 30 June 2024, the outstanding balance receivables from Feitian No.2 (Tianjin) were amounted to HK\$38,318,000 (31 December 2023: HK\$38,160,000) (Note 9).

## (e) Disposal of aircraft to Feitian No.2 (Tianjin)

During the six months ended 30 June 2023, the Group disposed of aircraft to Feitian No.2 (Tianjin) at consideration of HK\$486.6 million and recorded net income from aircraft transactions in the interim consolidated statement of income.

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## 30 RELATED PARTY TRANSACTIONS (continued)

## (f) Prepayments and amounts due from related parties

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Prepayments to ARI Group	189,803	98,358
Amount due from ARI Group and others	132	291
	<b>189,935</b>	98,649

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

## (g) Amounts due to related parties

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
ARI Group (i)	1,732	3,514
LAI (ii)	5,860	5,755
	<b>7,592</b>	9,269

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

(ii) The amounts due to related parties were unsecured, interest bearing at 4% per annum and repayable in three months.

## (h) Amount due to non-controlling interest of a subsidiary

As at 30 June 2024, Linkasia Airlines, a non-wholly owned subsidiary of the Group had an outstanding balance due to its shareholder, Equal Honour Equity Limited (wholly-owned by Mr. Poon, a substantial shareholder, an executive director and chief executive officer of the Company) amounting to HK\$7,694,000 (31 December 2023: HK\$7,695,000). The amount was unsecured, interest-free and repayable on demand.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****30 RELATED PARTY TRANSACTIONS** *(continued)***(i) Transaction with TAM**

During the six months ended 30 June 2024, the Group entered into operating lease arrangement of one aircraft with TAM (six months ended 30 June 2023: one).

As at 30 June 2024, the Group entered into two finance lease and three operating lease arrangements for five aircraft with TAM (31 December 2023: two finance lease and two operating lease arrangements for four aircraft).

The total finance lease and operating lease income during the six months ended 30 June 2024 was HK\$22,751,000 (six months ended 30 June 2023: HK\$16,571,000). As at 30 June 2024, the Group held rental deposits of US\$780,000 (equivalent to approximately HK\$6,090,000) from TAM (31 December 2023: US\$621,000 (equivalent to approximately HK\$4,849,000)) in relation to aircraft under finance leases and operating leases.

**31 CONTINGENT LIABILITIES AND COMMITMENTS****(a) Contingencies**

As at 30 June 2024, the Group was a guarantor of certain bank borrowings of associates and joint ventures amounting to HK\$546,377,000 (31 December 2023: HK\$564,080,000), of which HK\$209,600,000 (31 December 2023: HK\$216,951,000) was counter-guaranteed by an investor of the joint ventures. After excluding the portion of counter guarantee as mentioned above, the Group guaranteed HK\$336,777,000 (31 December 2023: HK\$347,129,000) of these bank borrowings.

**(b) Capital commitments**

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

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Contracted but not provided for:		
Purchase of aircraft	<b>48,214,888</b>	52,752,365

The capital commitments were related to acquisition of Airbus aircraft and COMAC aircraft in its order book, which will be delivered in stages by the end of 2028.

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## 31 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

## (c) Short-term lease arrangement – where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and engine are as follows:

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Not later than one year	<b>20,157</b>	50

## (d) Operating lease arrangement – where the Group is the lessor

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

	<b>Unaudited As at 30 June 2024 HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Not later than one year	<b>3,645,747</b>	3,471,127
Later than one year but not later than two years	<b>3,114,297</b>	2,926,184
Later than two years but not later than three years	<b>2,852,227</b>	2,509,406
Later than three years but not later than four years	<b>2,588,280</b>	2,225,390
Later than four years but not later than five years	<b>2,451,312</b>	2,034,545
Later than five years	<b>11,326,275</b>	9,665,309
	<b>25,978,138</b>	22,831,961

The above commitment included amount of HK\$1,631,833,000 (31 December 2023: HK\$907,600,000) related to assets classified as held for sale (Note 11).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION****31 CONTINGENT LIABILITIES AND COMMITMENTS** *(continued)***(d) Operating lease arrangement – where the Group is the lessor** *(continued)*

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>HK\$'000</b>	Audited As at 31 December 2023 HK\$'000
Not later than one year	203	62
Later than one year but not later than two years	152	–
	<b>355</b>	62