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刊發發售通函

CALC Bonds Limited

(「發行人」)

(於英屬處女群島註冊成立之有限公司)

2028年到期的利率為6.0%之160,000,000美元有擔保債券

(股份代號：5865)

(「債券」)

由

CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED
中國飛機租賃集團控股有限公司

(「擔保人」)

(根據開曼群島法例註冊成立的有限公司)

(股份代號：1848)

提供無條件及不可撤銷的擔保

本公告乃根據香港聯合交易所有限公司(「**香港聯交所**」)證券上市規則(「**上市規則**」)第37.39A條刊發。

茲提述於2025年8月14日由發行人刊發的有關債券於香港聯交所上市的通知。

請參閱本公告隨附的日期為2025年8月11日的與債券相關發售通函(「**發售通函**」)。發售通函僅以英文刊發,並無刊發發售通函的中文版。誠如發售通函所述,債券僅供專業投資者購買,並已經按該基準於香港聯合交易所上市。

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承董事會命
CALC Bonds Limited
董事
謝芷環

香港,2025年8月15日

於本公告日期,發行人的董事為謝芷環女士及劉偉誠先生。

於本公告日期,擔保人的(i)非執行董事為安雪松先生(主席)及潘劍云先生;(ii)執行董事為潘浩文先生(首席執行官)及李國輝先生(首席財務官兼首席策略官);及(iii)獨立非執行董事為卓盛泉先生、范駿華先生,太平紳士及洪雯博士。

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IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer or the Guarantor (each as defined in the attached Offering Circular) as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States (as defined under Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**")).

Confirmation of your representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor and the Managers (as defined in the attached Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave the Issuer, the Guarantor and/or the Managers and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described in the attached Offering Circular, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor, the Managers, the Trustee (as defined in the attached Offering Circular), the Agents (as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor and/or the Managers.

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You are responsible for protecting against viruses and other destructive items. If you receive the attached Offering Circular by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CALC BONDS Limited

(the "**Issuer**")

(incorporated in the British Virgin Islands with limited liability)

U.S.$160,000,000 6.0 PER CENT. GUARANTEED BONDS DUE 2028
unconditionally and irrevocably guaranteed by

CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

(the "**Guarantor**")

(incorporated in the Cayman Islands with limited liability)

ISSUE PRICE FOR THE BONDS: 100.0 PER CENT.

The U.S.$160,000,000 6.0 per cent. guaranteed bonds due 2028 (the "**Bonds**") will be issued by CALC Bonds Limited (the "**Issuer**"). The Bonds will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by China Aircraft Leasing Group Holdings Limited (the "**Guarantor**").

The Bonds will bear interest on their outstanding principal amount from and including 14 August 2025 (the "**Issue Date**") at the rate of 6.0 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear in equal instalments of U.S.$30.0 per Calculation Amount (as defined in the Terms and Conditions of the Bonds (as defined below)) on 14 February and 14 August in each year, commencing on 14 February 2026.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4 of the terms and conditions of the Bonds (the "**Terms and Conditions of the Bonds**")) unsecured obligations of the Issuer and shall at all times rank, *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Payments on the Bonds will be made without deduction for or on account of taxes of the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC or, in each case, any authority therein or thereof having power to tax to the extent described in "*Terms and Conditions of the Bonds – Taxation*".

The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 14 August 2028. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with interest accrued to the date fixed for redemption upon the occurrence of certain tax events. The Bonds may also be redeemed at the option of the Bondholders (as defined in the Terms and Conditions of the Bonds) at 101 per cent. of the principal amount (together with accrued interest to but excluding the date of redemption), upon the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds).

For a more detailed description of the Bonds, see "*Terms and Conditions*" beginning on page 51.

The Guarantor received a corporate rating of an investment-grade international rating of "Ag-" with a stable outlook from China Chengxin (Asia Pacific) Credit Ratings Company Limited ("**China Chengxin**"). The Bonds and the Guarantee have not been rated. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Guarantor may adversely affect the market price of the Bonds.

The Bonds will be issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 20 for a discussion of certain risk factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or Guarantor or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Bonds will be represented initially by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearst ream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China CITIC Bank International **BNP PARIBAS**

Joint Bookrunners and Joint Lead Managers

China Zheshang Bank Co., Ltd. (Hong Kong Branch) | **Industrial Bank Co., Ltd. Hong Kong Branch** | **CMBC Capital** | **CITIC Securities** | **China Industrial Securities International**

Joint Lead Manager

Guoyuan Securities (Hong Kong) | **Guotai Junan International** | **China International Capital Corporation** | **China Securities International** | **ICBC International** | **CNCB Capital**

This Offering Circular dated 11 August 2025

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This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Each of the Issuer and the Guarantor confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries (collectively, the "**Group**"), the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Guarantee and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and the rights attaching to the Guarantee and the Bonds); (ii) the statements contained in this Offering Circular are in all material respects true and accurate and not misleading and there are no other facts in relation to the Issuer, the Guarantor, the Group, the Guarantee or the Bonds the omission of which would in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; and (v) this Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, China CITIC Bank International Limited, BNP PARIBAS, China Zheshang Bank Co., Ltd. (Hong Kong Branch), Industrial Bank Co., Ltd. Hong Kong Branch, CMBC Securities Company Limited, CLSA Limited, China Industrial Securities International Brokerage Limited, Guoyuan Securities Brokerage (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, China Securities (International) Corporate Finance Company Limited, ICBC International Securities Limited and CNCB (Hong Kong) Capital Limited (the "**Managers**") to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, any of the Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them represents that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong, Singapore, Japan, Cayman Islands, and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds, the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (as defined in Terms and Conditions of the Bonds) or their respective affiliates, directors, officers, employees, agents, representatives, advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives, advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) as to the accuracy, completeness or sufficiency of the

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Each person receiving this Offering Circular acknowledges that it has not relied on the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and such person must rely on its own examination of the Issuer, the Guarantor, the Group, and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" below for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, the Managers, the Trustee and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) do not accept any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them, or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents (and their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Bonds of any information coming to the attention of the Managers, the Trustee or any Agent or their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) that any recipient of this Offering Circular should subscribe for or purchase the Bonds. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own tax, legal and business advisers needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

IN CONNECTION WITH THIS OFFERING, ANY OF THE MANAGERS APPOINTED OR ACTING AS STABILISATION MANAGER (EXCEPT CHINA CITIC BANK INTERNATIONAL LIMITED WHO SHALL NOT ACT AS A STABILISATION MANAGER) (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF A SERIES OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) TO DO THIS. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE BONDS. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

The Bonds and the Guarantee have not been and will not be registered with the United States Securities and Exchange Commission under the Securities Act or with any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

Any of the Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Investors are advised to read and understand the contents of this Offering Circular before investing and consult their attorney and adviser if in doubt.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Bonds. The Issuer, the Guarantor, the Group, the Managers, the Trustee, the Agents and their respective directors, officers, employees, representatives, advisers, agents, affiliates and each person who controls any of them are not making any representation to any purchaser of Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" (the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the "**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including internal surveys and materials, market research, publicly available information, various government sources and industry publications. Although this information is believed by the Issuer and the Guarantor to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, advisers, agents, affiliates or any person who controls any of them, and none of the Issuer, the Guarantor, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, advisers, agents, affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of the Guarantor as at and for the years ended 31 December 2022, 2023 and 2024 included in this Offering Circular has been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2023 (the "**2023 Audited Consolidated Financial Statements**") and 2024 (the "**2024 Audited Consolidated Financial Statements**", together with the 2023 Audited Consolidated Financial Statements, the "**Audited Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular. The 2023 Audited Consolidated Financial Statements were audited by PricewaterhouseCoopers ("**PwC**") and the 2024 Audited Consolidated Financial Statements were audited by Deloitte Touche Tohmatsu ("**Deloitte**"), each the independent auditor of the Guarantor for the financial years ended 31 December 2023 and 2024 respectively. The Audited Consolidated Financial Statements were prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

Unless otherwise stated, all financial data contained herein which is stated as relating to the Guarantor are referring to the consolidated financial information of the Guarantor.

EXCHANGE RATE INFORMATION

This Offering Circular contains a translation of certain Renminbi amounts and Hong Kong dollar amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless specified in the annual or interim financial statements of the Guarantor or otherwise specified, where financial information in relation to the Issuer or the Guarantor has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB7.2993 per U.S.$1.00, the noon buying rate as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "**Noon Buying Rate**") on 31 December 2024, and the translation of Hong Kong dollar amounts into U.S. dollars has been made at the rate of HK$7.7677 per U.S.$1.00, the Noon Buying Rate on 31 December 2024. No representation is made that the Renminbi amounts or the Hong Kong dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

WARNING

The contents of this Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of the Bonds. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**Group**", "**we**", "**us**" and "**our**" and words of similar import are to the Issuer, the Guarantor and its other subsidiaries and associated companies taken as a whole, all references to the "**PRC**" and "**China**" are to the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan), all references to the "**PRC government**" or the "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them, all references to the "**United States**" and "**U.S.**" are to the United States of America, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Hong Kong dollars**" and "**HK$**" are to the lawful currency of Hong Kong, all references to "**Renminbi**" and "**RMB**" are to the lawful currency of the PRC, all references to "**U.S. dollars**", "**USD**", "**US$**" and "**U.S.$**" are to the lawful currency of the United States of America, references to "**sterling**" or "**£**" are to the lawful currency of the United Kingdom, references to "**EU**" are to the European Union, and references to "**euro**" or "**€**" are to the lawful currency of member states of the European Union EU that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time, and all references to "**CAGR**" means the compound annual growth rate.

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed under the caption "Risk Factors", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor, the Group or any member of the Group to be materially different include, among others:

- future developments, trends and conditions in the industry and markets in which the Group operates;
- the ability of the Group to successfully implement its business plans and strategies;
- the continued availability of capital and financing;
- interest rates and foreign exchange rates, taxes and duties;
- ability of the Group to control its costs;
- general economic and business conditions and competitive environment in the PRC and elsewhere;
- ability of the Group to maintain its sales contracts with its major customers on terms commercially acceptable to the Group or at all;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control; and
- other factors, including those discussed in "Risk Factors".

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this Offering Circular in connection with the Issuer and/or the Guarantor and/or the Group and their businesses. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

adjusted rental yield	a weighted average calculated as the sum of expected annualised gross lease receipt and government grants divided by the net book value of aircraft
aircraft loan	bank borrowings obtained from banks and financial institutions for the payment of the aircraft purchase price;
aircraft purchase and leaseback	a lease arrangement whereby one party (the lessor) purchases an aircraft from another (the lessee) and leases it back for long-term use;
cargo aircraft	aircraft operated by an airline or cargo airline for transporting cargo;
Chinese lessor	an aircraft leasing company which is incorporated in the PRC;
commercial aircraft	passenger aircraft and cargo aircraft operated by an airline operator, excluding the aircraft operated by military, private, business jet and general aviation operators;
direct aircraft purchase and lease	a lease arrangement whereby one party (the lessor) purchases an aircraft and subsequently leases to a third-party (the lessee), pursuant to which the lessor may or may not have secured the leasing at the time of purchase of the asset;
finance lease	a lease arrangement classified under the HKFRS and our accounting policies, pursuant to which substantially all of the risks and rewards of ownership of the leased assets are transferred from the lessors to the lessees;
foreign lessor	any aircraft leasing company which is not a Chinese lessor;
full-life condition	the condition of an aircraft assuming that all major maintenance events have just been fully restored or overhauled to its zero-time condition, in which the airframe is fresh from its heavy check, the landing gear is fresh from an overhaul, the engines are fresh from a performance-restoration shop visit and all engine Life Limited Parts (LLPs) have zero cycles of utilisation since new;
LIBOR	London Interbank Offered Rate, the average interest rate estimated by banks in London that they would be charged if borrowing from other banks;
narrowbody aircraft	single-aisle aircraft, such as Airbus A320 family aircraft (A3 19/320/321 series) and Boeing 737 NG series (B737-700/800/900 series);
operating lease	a lease arrangement classified under the HKFRS and our accounting policies, pursuant to which substantially all of the risk and rewards of the leased assets remain with the lessors;

passenger aircraft	aircraft operated by an airline with the primary intention of transporting passengers. It may also carry cargo in the lower deck or aircraft belly;
PDP	pre-delivery payment, a progress payment to be made by the purchaser to aircraft manufacturer at different milestones when the new aircraft ordered by the purchaser are being built;
PDP financing	bank borrowings obtained from banks and financial institutions for the payment of PDP;
regional jet	A commercial jet aircraft carrying fewer than 100 passengers such as Commercial Aircraft Corporation of China, Limited (中國商用飛機有限責任公司) ("**COMAC**") C909 (formerly known as "ARJ21");
revenue passenger kilometre or RPK	an industry standard measure of paying passengers flown traffic where one RPK represents one kilometre travelled by a paying customer;
SPCs	special purpose companies established for the purpose of acting as the registered owners of our aircraft. The lessors in lease transactions, and the borrowers of the relevant aircraft loans for aircraft acquisitions; and
widebody aircraft	twin-aisle aircraft, such as Airbus A330 series and Boeing 777 series.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

We are an independent international aircraft leasing company as well as a one-stop aircraft solutions provider engaging in two major segments, aircraft leasing and aviation aftermarket services. Unlike traditional aircraft lessors, we are a one-stop aircraft full life-cycle solutions provider for global airlines and aircraft asset owners. The Group's conventional business includes provision of aircraft operating leasing, purchase and leaseback, portfolio trading and asset management. The Group also covers core value-added services such as fleet upgrades, aircraft maintenance, repair and overhaul ("**MRO**"), aircraft disassembly and component sales through our associate company ARI and airline operations services through our joint venture, PT TransNusa Aviation Mandiri ("**TAM**").

Established in 2006, we are the first operating aircraft lessor in China and has been a pioneer in pushing forward the development of aircraft leasing industry in China. In 2010, we became the first wholly foreign owned aircraft lessor registered in China. In 2014, we became the first Chinese lessor to place a bulk order for 100 A320s with Airbus and is currently China's largest lessor with direct orders with original equipment manufacturers. In 2015, we were the first operating lessor allowed to form a cross-border foreign currency fund pool. As we implement our full value chain strategy, we built up the first large-scale aircraft disassembly facility in Asia which commenced operation in 2018. We are the first Chinese enterprise with licenses spanning across aircraft leasing, MRO, disassembly and parts trading. We have been listed on the Hong Kong Stock Exchange since 11 July 2014 and we are the first listed aircraft lessor in Asia. Furthermore, we were named as the "Aircraft Lessor of the Year" for four consecutive years from 2015 to 2018 by Global Transport Finance. We were named as the "Asia-Pacific Lessor of the Year" for two consecutive years in 2017 and 2018 and won the "Editor's Deal of the Year for Innovation" award in 2018 presented by Airline Economics. With a strong order book, we were listed as one of the top three global lessors from 2020 to 2022 by Airfinance Journal. We won "Asia-Pacific Lease Deal of the Year" award in both 2022 and 2024, "Sustainability Debt Deal of the Year" in 2023 and "Asia-Pacific Structured Finance Deal of the Year" in 2024, all presented by Airline Economics. While we keep consolidating our leading position in China, we have also implemented our globalisation strategy since 2015 and have established a presence in Asia Pacific, the Middle East, Europe, North America, Latin America and Africa.

Throughout our business development history, we have established our business model for direct aircraft purchase and lease transactions, aircraft purchase and leaseback transactions with leading airline operators, and portfolio trading with third-party lessors and investors. Our business model allows us to provide different aircraft leasing transaction structures through our SPCs. Our aircraft leasing business is focused on generating long-term and stable cash inflows of lease income to match the cash outflows for the repayment instalments of associated aircraft loans.

We use SPCs to enter into aircraft lease agreements with airline operators. The lease terms of our long-term aircraft lease agreements are sufficiently long to cover the repayment terms of our aircraft loans (other than the balloon payment, which is covered by the residual value of the aircraft). This arrangement is designed to reduce our liquidity risk associated with short-term aircraft acquisition financing. Upon the expiration of the aircraft lease agreements, we require our airline lessees to return to us the leased aircraft in full-life condition or such other condition as stipulated in the relevant lease agreements. As at 31 December 2024, our lease agreements in respect of aircraft purchased from original equipment manufacturers were of an average original lease term of approximately 8 to 12 years.

Pursuant to the aircraft lease agreements, our airline lessees enjoy the exclusive right to use the leased aircraft during the term of the aircraft lease agreements. Our airline lessees are required to settle the lease payments on a monthly or quarterly basis, and are also responsible for most costs, expenses and insurance involved in the maintenance and operation of the aircraft during the lease term. We also require our airline lessees to maintain valid insurance against all liabilities involved in the operation of the leased aircraft in compliance with the applicable laws and regulations in the place where the aircraft operates.

Prior to December 2010, we used our SPCs established in the Cayman Islands and Ireland as the lessors for aircraft leased to airline operators in China. Since December 2010 and October 2012, we have started using our SPCs in Tianjin Dongjiang Free Trade Port Zone and Shanghai Pudong Airport Free Trade Zone, respectively, as lessors to enter into aircraft leasing transactions with airline operators in China. In August 2011, we first gained recognition in the Chinese aircraft leasing market following the successful delivery of an aircraft to Shandong Airlines through our SPCs established in Tianjin Dongjiang Free Trade Port Zone. In March 2013, we successfully completed a novation of the lease of an aircraft to China Southern Airlines to our SPC established in Shanghai Pudong Airport Free Trade Zone. Leveraging the transaction structure involving our SPCs in China, we can assist our airline customers to reduce their overall leasing cost and withholding tax obligation and thereby enhance their competitiveness. Our transaction structure together with our value-adding services provide incentives to both of our existing and potential airline customers in China to use our aircraft leasing services.

We lease, deliver and manage aircraft to leading airlines in China and globally, such as Air China, China Eastern Airlines, China Southern Airlines, Chengdu Airlines, Sichuan Airlines, Shenzhen Airlines, Xiamen Airlines, Air Macau, China Airlines, United Airlines, Frontier Airlines, Hawaiian Airlines, Lufthansa Group, Iberia, LATAM Airlines, Korean Air, Air India, Royal Jordanian, Cebu Pacific Air, Virgin Australia, DAT Airlines, etc. Our airline customers also include airline operators, such as China Eastern Airlines, to whom we provide value-adding services including trading and marketing of used aircraft.

We have been very selective in the type of aircraft assets to be included in our portfolio. We have a modern and narrowbody-dominant aircraft fleet. Our owned fleet size was 159 aircraft as at 31 December 2024, 90% of which are narrowbody aircraft by number of aircraft. The narrowbody aircraft types include Airbus A320 family aircraft and Boeing 737 family aircraft, and the wide-body aircraft types include Airbus A330 family aircraft and Boeing 787 aircraft. The average age of our aircraft fleet was 8.5 years as at 31 December 2024. Other than the 159 aircraft owned by us, an additional 30 aircraft are managed by us as at 31 December 2024.

As at 31 December 2024, by number of aircraft, 68.6% of our owned fleet were on lease to Chinese airline customers (including Hong Kong, Macau and Taiwan), most of which are state-owned airlines with financial strength. Our self-owned fleet had an average remaining lease term of approximately 6.1 years as at 31 December 2024. We continued to pursue our long-standing strategy of investing in modern aircraft that are the most fuel-efficient and sought-after category as we prepare ourselves for recovery and growth in the future. As of 31 December 2024, we had 124 aircraft in our order book, to be delivered in stages by 2028, comprising 97 Airbus A320neo aircraft, and 27 COMAC C909 aircraft.

The overall operating environment of the industry continues to improve. On the demand side, market growth remained robust. According to the data from IATA, total global air traffic (measured in RPKs) in 2024 increased by 10.4% year-on-year while the overall load factor reached a historical high of 83.5%. China's civil aviation market achieved equally encouraging performance with a record 730 million passengers transported, marking a 17.9% year-on-year growth. On the supply side, multiple challenges persisted including capacity constraints, labour and engine shortages. While Airbus missed its annual delivery target for 2024, Boeing's full-year deliveries declined by over 30% year-on-year. The continuing supply shortage further pushed up aircraft lease rates and values. Meanwhile, following the US dollar interest rate cuts during the year, the scale of the consecutive reductions surprised the market,

lowering funding costs for the industry while boosting global aircraft trading market activities. Against this backdrop, we fully leveraged our advantages in full value chain operations and quality fleet assets to capture the opportunities arising from the growing demand, the rising aircraft values and the rate cuts cycle.

We are an essential invested company of China Everbright Limited ("**CEL**") and we adhere to the mission and vision of "integrating industries and financing, and contributing to China's rising aviation strength", while deepening and optimising the model of "integrating industries and financing in aviation", and continuously strengthening our capacity in aircraft full life-cycle value chain. We strive to become the globally leading aircraft full-value-chain solution supplier.

In our consistent pursuit of high-quality sustainable development, we have become an indispensable part of the aviation industry chain by expanding its global partner network and exploring diverse business models, while strengthening our one-stop solutions and asset management capabilities. During 2024, we further optimised our global customer base and achieved breakthroughs in the leasing business. On one hand, we deepened long-term cooperation with state-owned airlines in China's domestic market, represented by the "Top Three" airlines (三大航) and their subsidiaries, continuously extending cooperation scope with flexible fleet solution offerings. On the other hand, we actively expanded our quality clientele globally. We achieved our first cooperation with global top-tier airlines such as Lufthansa Group and Cebu Pacific Air, by repossession and redelivery as well as re-marketing upon first lease expiry. This has further enhanced and diversified the geographical mix of our customer base.

During 2024, we proactively seized the opportunities popped up in the industry's upward cycle where aircraft market value continued to rise, achieving scaled growth in our ordinary course of aircraft trading business, with annual transaction volume hitting a record high. Through diversified asset portfolios and transaction structures, we responded to various preferences of both domestic and overseas investors in asset allocation and management. While successfully adding eight new aircraft trading partners to our global network, we also expanded our managed fleet size, further enhancing its asset trading and management capabilities.

We also made innovative breakthroughs in financing during 2024, continuously expanding and optimising our onshore and offshore funding sources. This included successful issuance of our first perpetual medium-term notes in the PRC market and closing our inaugural warehouse facility for aircraft project financing in the international market. These efforts further widened our innovative financing channels and highlighted our commitment to strategic growth and financial innovation.

OUR COMPETITIVE STRENGTHS

Our core competence lies in our distinctive and resilient business model, which gives us the competitive strengths to grasp the opportunities brought by the robust growth in aviation demand post-COVID-19 pandemic and to capitalise on the growth opportunities in the high-growth China aircraft leasing industry. Our key strengths include:

Positioning ourselves as a full life-cycle aircraft solutions provider

We have been continuously enhancing our aircraft full value chain operations and extending our service coverage to all major segments of the aircraft aftermarket.

ARI operates a global life-cycle solutions platform to support our value chain ecosystem with our dual aircraft recycling bases in Harbin, PRC and in the United States, which is managed by its wholly-owned subsidiary, Universal Asset Management, Inc. ("**UAM**"), who specialised in aircraft disassembly, full recycling solutions, component sales, warehousing and third-party logistics headquartered in the United States. ARI and its subsidiaries have provided various aircraft inspection, consultancy and aircraft technical related services to the Group from time to time and have generated stable income for the Group. Through China Aviation Aftermarket Holdings Limited ("**CAAM**"), ARI's associate company, we completed comprehensive solutions for five old aircrafts acquired from Air China Limited to assist the airline's fleet retirement plan, successfully maximizing the residual value of these assets through a series of complex sustainability solutions including parts swap, P2F conversions, portfolio trading, aircraft disassembly, component repair and sales. We have further strengthened customer loyalty and strengthened business opportunities with our strategic cooperation with UAM, where we identified LATAM's airframe retirement need during a new aircraft leasing discussion and UAM engaged with LATAM to purchase six A320 airframe for disassembly.

We have continued to develop ourselves as a full life-cycle aircraft solutions provider for the global aviation airlines and aircraft asset owners. Such business model has been effective as we have been able to leverage off the respective resources and synergies among our member companies and affiliated companies, enabling us to offer services, through ourselves and/or together with such companies, covering every stage of an aircraft life-cycle, including (a) aircraft ordering and procurement; (b) aircraft leasing, purchase and leaseback, and portfolio trading; and (c) aircraft disassembly and component sales, and MRO. Our business model also made us one of the rare few that could provide customers with one-stop fleet upgrade solutions as we not only have a large order book comprised of new-generation fuel-efficient aircraft that can help airline customers optimize their fleets and reduce carbon emissions, but also could provide professional old aircraft solutions and services to assist airlines' fleet retirement. This also puts us in a better position in the global trend of green aviation.

We also extended downstream along the aviation value chain into the end-user segment to further enhance our business synergies. In March 2020, we acquired a 72.82% interest in Aviation Synergy Ltd., which holds a 49% indirect equity interest in the Indonesian regional airline, TAM. In January 2021, we placed a firm order for 30 C909 aircraft and, together with China Everbright Group ("**CEG**") and CEL, furthered our strategic cooperation with COMAC in the fields of aircraft asset management, MRO and aviation aftermarket services. In December 2022, we successfully delivered a COMAC C909 aircraft to Indonesia carrier TransNusa, marking the first time for a China-made regional passenger jet to enter the overseas market. The aircraft was officially put into commercial operation in April 2023, and we have delivered a total of three COMAC C909 aircraft to TransNusa by end of 2024.

Narrowbody-dominant aircraft fleet leased to top class clients

As at 31 December 2024, 90% of our owned fleet, by number of aircraft, are narrowbody aircraft. The average age of our aircraft fleet was 8.5 years and we had a total order commitment of 124 narrowbody aircraft and regional jet to be delivered by 2028. Narrowbody aircraft is a highly liquid asset class and the most popular aircraft type mainly serve domestic routes and short-haul flights, which had led recovery in the aviation industry from the pandemic. With undergoing low-carbon transition of the aviation industry and rising fuel price, demand for our modern fleet have been increasing amongst the airlines globally for its fuel efficiency and low cost of maintenance as compared with the older models of aircraft.

The Group's aircraft fleet is mainly leased to top class clients. As at 31 December 2024, by number of aircraft, 68.6% of the Group's owned fleet were leased to Chinese airline customers (including Hong Kong, Macau and Taiwan), most of which are state-owned airlines with financial strength. As at 31 December 2024, the Group's overall customer base (including both owned and managed aircraft) covers 40 airlines in 21 countries and regions globally.

With the implementation of increasingly stringent environmental regulations on carbon emission level by aircraft, older models of aircraft are costlier to maintain, operate and modify to bring it in compliance with the environmental standards. In addition, there is an increasing demand for airlines in China to upgrade their fleets with new models because of fuel efficiency and ease of operations and maintenance. In light of all these factors and favourable governmental policies, our modern fleet gives us the strength of having a sustainable business model with constant cash flow of lease income.

The lease expiry profile and delivery pipeline are well-positioned to capture rising lease rate

We have a strong track record of placing our aircraft, both new deliveries and returned aircraft, in advance, achieving consistently high utilisation rate of our owned fleet, even during the COVID-19 pandemic. As at 31 December 2024, excluding one aircraft involving a Russian airline, the Group's owned fleet maintained a 100% utilisation rate.

The current market dynamics further support our positioning. Post-pandemic supply chain disruptions have exacerbated aircraft shortages, driving lease rates upward over the past two years. With a concentrated wave of lease expiries coinciding with scheduled new deliveries between 2025 and 2027, we are strategically positioned to place or remarket these aircraft at higher lease rates. The overall rental yield of our owned fleet is expected to trend up.

Ready access to diverse and flexible funding sources across both PRC onshore and offshore platforms

Given the challenging business environment, managing liquidity is vital to the aviation industry for its recovery. We will continue to advance our onshore and offshore platforms to flexibly tap opportunities to access quality funding sources, including actively exploring green financing opportunities, and the diversity of funding channels have enabled us to readily access various banks, financial institutions and investors with multiple financing products.

Bank loans remain the main source of funding for our fleet and banks have given adequate credit lines to support our business development. With the long-term lease agreements with our airline customers, we are able to secure aircraft loans from commercial banks for aircraft acquisitions, thereby allowing us to manage our liquidity risk by matching the cash inflows and outflows through the receipt of lease income and the payment of regular loan repayments, respectively. As we have established our SPCs in China, we also have the flexibility to secure acquisition financing in China, which is an advantage we have over foreign lessors outside China. For the year ended 31 December 2024, total new facilities and renewed facilities were around HK$24 billion, including aircraft loans, PDP financing, working capital facilities, RMB bonds etc.

In view of the lower interest rate environment in the PRC domestic market, the Group strove to reduce its overall financing costs by proactive debt management through increasing RMB debt financing. During 2024, 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. As at 31 December 2024, RMB and USD debts accounted for approximately 28% and 72% of the Group's interest-bearing debts respectively. During 2024, the Group completed refinancing of its perpetual capital securities to optimise capital structure while effectively reducing funding costs. Following the voluntary redemption of the expensive USD perpetual bonds in December 2023 and July 2024, the Group later issued RMB1 billion perpetual medium-term notes in PRC market through its subsidiary, CALC (Tianjin), with a coupon rate of only 2.7%. In February 2025, CALC (Tianjin) successfully issued RMB1.5 billion 5-year corporate bonds with a fixed coupon rate of 2.38%.

In May 2023, CALC (Tianjin) received an AAA issuer rating from Dagong Global Credit Rating Co., Ltd, and an upgrade to AAA rating from China Cheng Xin International Credit Rating Co., Ltd, both with a stable outlook. In December 2024, we received our first investment-grade international rating of Ag- with a stable outlook from China Chengxin (Asia Pacific) Credit Ratings Company Limited, marking an important step towards becoming an international investment-grade issuer.

We have also received strong support from the associate companies under CEG, providing us with standby credits and committed working capital facilities in addition to liquidity provided by commercial banks.

As at 31 December 2024, the Group had cash and bank balances of HK$4,079.4 million and undrawn borrowing facilities of HK$9,624.6 million, and the Group's total balance of cash and bank balances with undrawn borrowing facilities was HK$13,704.0 million. In view of the foregoing measures, despite the backdrop of a challenging environment, the Group has gathered rich ammunition to tap opportunities from the imminent recovery of its key aviation markets in China and the region.

Strong support received from China Everbright Group

We have received strong support from CEG, which is provided through CEL, our largest shareholder as well as the associate companies under CEG. CALC is the key investee company of CEL and the flagship unit of CEG in the aircraft leasing segment. In January 2021, we signed a tripartite project investment cooperation memorandum with CEL and COMAC to cooperate in the areas of overseas operation of aircraft made in China, aircraft asset management and aviation aftermarket. This is part of CEG's wider strategic framework with COMAC as they explore cooperation in aviation field. China Everbright Bank is also currently one of the CALC's key relationship banks and provides us with access to diversified range of short-term and long-term financing funding channels.

Being one of the forerunners in the high-growth China aircraft leasing industry with a distinctive business model and a proven successful operating track record.

China's domestic and international air travel has demonstrated strong resilience and recovery during and after the COVID-19 pandemic. Prior to the COVID-19 pandemic, China's aircraft leasing industry has been growing rapidly as a result of the continuous expansion of the airline industry, favourable government policies, and the fact that aircraft leasing affords airline companies relatively low initial capital investment and fleet planning flexibility. Post-COVID-19 pandemic, the aviation market in China has fully recovered and been back to growth with passenger traffic hit record high. With our established business model, we are well-positioned to capitalise on the growing aircraft leasing opportunities from the airlines in China.

Our business model, which is a combination of an offshore platform for aircraft acquisition and financing and an onshore platform for different leasing structures, together with our asset management capabilities, distinguishes us from other domestic and foreign lessors in China in the following aspects:

Aircraft acquisition

We distinguish ourselves from our competitors in China aircraft leasing industry by our ability to source new and used aircraft from the overseas aircraft manufacturers and the international secondary aircraft market. Our aircraft acquisition capability allows us to engage in direct purchase of aircraft for leasing purposes and as such, we can manage our overall aircraft portfolio in terms of aircraft model, aircraft age, and residual value. As of 31 December 2024, we had total order commitments of 124 aircraft to be delivered by 2028, exceeding 70% of the Group's owned fleet size, providing strong support for future growth.

We have established SPCs in Tianjin Dongjiang Free Trade Port Zone and Shanghai Pudong Airport Free Trade Zone, and they are our wholly-owned subsidiaries in China.

Under the current tax laws in China, airlines in China are required to withhold tax up to 10.0% on lease payments paid to international leasing companies outside China. Since December 2010, following the establishment of CALC (Tianjin) as the first wholly-foreign owned aircraft leasing company in Tianjin Dongjiang Free Trade Port Zone, we offer our airline customers an onshore leasing platform in China which can assist our airline customers to reduce their overall leasing cost and thereby, enhance their competition.

We are therefore able to offer competitive lease terms and deliver aircraft to our airline customers within a relatively short period of time, thereby reducing the time and the uncertainties involved in the aircraft procurement process for our airline customers.

Flexible lease structures

Our onshore leasing platform in China could attract potential airline customers to enter into business with us, as compared with the leasing of aircraft from other foreign lessors. We lease our aircraft to airline operators in China under aircraft lease agreements, pursuant to which the airline operators only require the approval from the NDRC before entering into the aircraft lease agreements with us.

Asset management capabilities

We have also been able to provide one-stop-shop solutions to our Chinese customers, which usually encounter difficulties in managing and disposing of their aged fleet. For example, CAAM, has recently acquired five old aircraft from Air China and completed comprehensive solutions to maximise their residual value through a series of sustainability solutions including parts swap, P2F conversions, portfolio trading, aircraft disassembly, component repair and sales. Such asset management capabilities have enabled us to enhance our relationships with Chinese airline customers; and stand out from our competitors in the Chinese leasing market. We are also actively exploring opportunities to expand our asset management business through portfolio trading activities. During 2024, we successfully secured asset management mandates for five of the aircraft sold.

Stable and attractive growth through our order book with Airbus, with whom we have strong relationship

We have a high-quality and growing airline customer base for aircraft leasing services. Since 2014, we have expanded our business into overseas markets in Asia, Africa, Europe and Americas. As at 31 December 2024, we had a fleet of 159 owned and 30 managed aircraft. Our clientele extended to 40 airlines in 21 jurisdictions and regions throughout the world, including Air China, China Eastern Airlines, China Southern Airlines, Chengdu Airlines, Sichuan Airlines, Shenzhen Airlines, Xiamen Airlines, Air Macau, China Airlines, United Airlines, Frontier Airlines, Hawaiian Airlines, Lufthansa Group, Iberia, LATAM Airlines, Korean Air, Air India, Royal Jordanian, Cebu Pacific Air, Virgin Australia, DAT Airlines, etc. We have long-standing business relationship with our airline customers, some going back of 17 years and hence part of our existing airline customers are repeating customers which may be retained because of our favourable lease terms and our value-adding services. We successfully delivered 17 new aircraft from order book to airline customers and purchased 2 used aircraft, for the year ended 31 December 2024. We have also signed new lease agreements or letters of intent for 48 aircraft during the year 2024, including order book placement, repossession and remarketing, as well as lease extensions, addressing airline customers' needs for capacity expansion and future pipeline.

Our fleet is expanding to cope with the increasing demand from our existing and potential airline customers for aircraft leasing services. As at 31 December 2024, we had total order commitments of 124 aircraft to be delivered by 2028. These lease commitments will provide us with constant cash inflows of lease income in the future and that our strong aircraft delivery pipeline enables us to provide our airline customers with quick delivery schedule under leasing arrangements.

Operational and financial flexibility due to our independent status

We are an independent international aircraft leasing company focusing as well as a one-stop aircraft solutions provider on the aircraft leasing market. Our independent status from major commercial banks, aircraft manufacturers, and airline operators gives us the flexibility in selecting the aircraft that matches our growth strategies and structuring lease agreements tailoring for the specific business needs of our airline customers.

Aircraft lessors in China may be divided into four categories, namely independent aircraft lessors and aircraft lessors affiliated with commercial banks, aircraft manufacturers and airline operators, respectively. Compared to aircraft lessors affiliated with commercial banks, we enjoy the flexibility in selecting different acquisition financing solutions on the best commercial terms offered by different banks and financial institutions within and outside China. We are also not subject to the restrictions on leverage and equity applicable to banking industry in China. Compared to aircraft lessors affiliated with aircraft manufacturers, we have the flexibility in choosing different aircraft models from different aircraft manufacturers and sourcing aircraft from the secondary aircraft market. Compared to aircraft lessors affiliated with airline operators, we can provide services to all airlines with no customer base limitations. Hence, as an independent aircraft lessor, we have access to a wider customer base and have greater flexibility in structuring leasing and financing transactions.

Stable and experienced management team with a proven track record

We are led by experienced professionals with extensive experience in aircraft asset management and aircraft leasing industries in China. Our Mr. An Xuesong, Chairman of the Board and Non-executive Director, was appointed on 22 October 2024. He is also an executive director of CEL, the vice president of CEL group (as defined below) in charge of finance, and a non-executive and non-independent director of Ying Li International Real Estate Limited. He is responsible for formulating the Group's overall strategic planning and directions. Our Mr. Poon Ho Man, Mike, Executive Director and Chief Executive Officer, is an entrepreneur and a pioneer of aviation sector in China. He founded the company in 2006. Our Ms. Liu Wanting, President and Chief Commercial Officer, has more than 15 years of experience in the aircraft leasing industries in China. Our Mr. Li Guohui, Executive Director, Chief Financial Officer and Chief Strategy Officer, has over 30 years of experience working as a senior executive in blue chip and large-scale companies and arranged over U.S.$10 billion of corporate financing facilities. Our executive directors and senior management team are experienced in structuring lease transactions, risk management, aircraft acquisition financing, selection and delivery of aircraft, technical review, monitoring and compliance, and aircraft trading and marketing within and outside China. See "*Management*".

Our business operations are managed collaboratively by our risk management team, financing team, sale and marketing team and technical supports team. Mr. Jon Howey is the Deputy Chief Operating Officer and Head of Aviation Risk and is responsible for the risk management of our Group. Our sales and marketing team, with the collaborative efforts by Mr. Luis Ayala, our Chief Development Officer, Mr. Donald Liu, our Deputy Chief Commercial Officer, Greater China, Mr. Matt Corley, our Regional Head of Sales & Marketing – the Americas, Mr. Christopher Dennis-Meyer, our Regional Head of Sales & Marketing – EMEA and Mr. Qing Fang, our Head of Sales and Marketing – Asia Pacific & Greater China, provides access to potential aircraft acquisition and marketing opportunities. Our sales and marketing team also focuses on maintaining close contact with the airlines in China and globally and developing transaction structures in line with their business needs and the latest market and regulatory environment. Our technical supports team led by Mr. Richard Luo, our Head of Technical & Asset Management, Asia Pacific & Greater China, possesses extensive experience in technical aspect of aircraft operations. They regularly monitor the usage condition of our leased aircraft and provide technical supports and marketing service of used aircraft to our airline customers as part of our value-adding services. In respect of aircraft acquisition, our technical supports team also conducts technical reviews on the aircraft condition and the maintenance records for the used aircraft and to ensure that the specifications and modifications are met for the new aircraft.

Throughout our business development history, our senior management demonstrates proven capability to successfully implement different leasing transaction structures for new and used aircraft and for major airlines under different market conditions.

OUR GROWTH STRATEGIES

The overall operating environment of the industry continues to improve. On the demand side, market growth remained robust. According to the data from the IATA, total global air traffic (measured in RPKs) in 2024 increased by 10.4% year-on-year while the overall load factor reached a historical high of 83.5%. China's civil aviation market achieved equally encouraging performance with a record 730 million passengers transported, marking a 17.9% year-on-year growth.

On the supply side, multiple challenges persisted including capacity constraints, labour and engine shortages. While Airbus missed its annual delivery target for 2024, Boeing's full-year deliveries declined by over 30% year-on-year.

The rapid growth of air travel amid ongoing supply chain issues, coupled with high inflation and interest rates, had been and is expected to continue pushing up lease rates. It is generally expected that the aircraft shortage would likely persist for a couple of years, contributing to high market value and lease rates. Moreover, global wave of carbon neutrality as well as fuel price hike urges airlines to speed up upgrading their fleets to new generation fuel-efficient aircraft.

Taking into account our outlook of this sector, we intend to pursue the following growth strategies:

Continue our development as a full life-cycle aircraft solutions provider

We will continue our development as a full life-cycle aircraft solutions provider for the global aviation industry and to exploit further synergies in the aviation and aircraft leasing ecosystem.

Through CAAM, we completed comprehensive solutions for five old aircrafts acquired from Air China Limited to assist the airline's fleet retirement plan, successfully maximizing the residual value of these assets through a series of complex sustainability solutions including parts swap, P2F conversions, portfolio trading, aircraft disassembly, component repair and sales. As the business of ARI continues to develop and take shape, ARI shall seek strategic investors to further support its growth and explore, among others, the possibility of listing on a stock exchange in the future, thereby enabling ARI to raise more capital for growth. We have also entered into a co-investment memorandum of understanding with a reputable PRC state-owned enterprise to develop the aviation aftermarket business.

We continued to enhance the Group's strengths in aircraft operating leasing around the world. The utilisation rate of our owned fleet (excluding one aircraft involving a Russian airline) remained 100%, benefitting from a relatively high proportion of 90% of narrowbody aircraft among the peer listed lessors. We not only provide aircraft leasing services customised to client requirements, but also unleash edges in its full value chain foothold to integrate professionally solutions for old and retiring aircraft and complete purchase-and-lease back transactions and disposals of retiring aircraft for major airlines, thereby helping them to mitigate residual risk. Such one-stop fleet upgrade services well positioned us to grasp opportunities emerging from airlines' accelerated fleet renewal and optimization demand in response to the trend of green aviation.

Expanding our narrowbody dominant fleet of aircraft

We continue to apply prudent principles in optimizing our fleet portfolio. As at 31 December 2024, we had 124 narrowbody aircraft and regional jet in our order book, to be delivered in stages by 2028. In making decisions on aircraft acquisition, we consider various factors such as the aircraft type and model, aircraft age, and the appetites of the airlines. We plan to focus on narrowbody aircraft which are suitable for domestic routes and short-haul regional flights. The Group continues to pursue its long-standing strategy of investing in new generation and fuel-efficient aircraft which are proven to have long useful lives, more likely to be in compliance with the stringent environmental protection standards and less costly to maintain and operate. The Group has been, and will continue to be, selective in the type of aircraft assets to be included in its portfolio. As of 31 December 2024, by number of aircraft, 90% of the Group's owned fleet, by number of aircraft, were narrowbody aircraft, a highly liquid asset class and the most popular aircraft type mainly serving domestic routes and short-haul flights, which led recovery in the aviation industry from the pandemic.

Global expansion with top-tier clientele

Starting from 2015, CALC had started to add international lessees to its client list. In recent years, the Group continued to strengthen its leading position in China market while actively expanding its global footprint with top-tier clients to enhance diversity in the geographical distribution of its customer base. In 2024, with overseas customers accounted for more than 30%, the Group has successfully achieved its first cooperation with global top-tier airlines such as Lufthansa Group and Cebu Pacific Air. As at 31 December 2024, by number of aircraft, 68.6% of CALC's owned fleet were leased to Chinese airlines customers (including Hong Kong, Macau and Taiwan), most of which are state-owned airlines with financial strength. Going forward, global diversification will remain one of the focuses of CALC. In fact, more than half of the aircraft scheduled for delivery before December 2025 have been leased to overseas airline customers. The improvement in overall client profiles has driven the Group's overall rent collection ratio exceeding 100% for past three years, reaching 101% in 2024. The Group has also achieved an adjusted rental yield of 11.6%.

Enhance Portfolio Trading and Asset Management Capabilities

In June 2018, we collaborated with four leading state-owned enterprises as mezzanine investors to roll out our global aircraft investment vehicle, CAG Bermuda 1 Limited ("**CAG**"). With the establishment of CAG, we have made great strides in building up our asset management capabilities. Perfecting our portfolio trading and asset management capabilities is instrumental in our long term strategy of increasing our presence in the aviation industry chain as a lessor playing heavier roles, with broader business opportunities. This is particularly important given the earth-breaking changes in the industry ecosystem in response to the pandemic. Active portfolio trades and asset management ensures our fleet portfolio to be optimized with discipline, capital efficiency at high levels and low gearing and strengthens of our core businesses.

Following the full operation of CAG, we rolled out ARG Cayman 1 Limited ("**ARG**") in December 2019 together with ARI and other investors, another aircraft investment vehicle focusing on mid-age and older aircraft portfolios primarily in the PRC domestic market and trading of used parts and components disassembly. During 2020, we injected four aircraft into ARG while its associate ARI served as the servicer to advance its asset management strengths. ARG has successfully concluded its operation in December 2024, with all investors having exited their positions.

During 2020, we injected two aircraft to a joint venture we established with HNCA Aviation & Equipment Leasing Co., Ltd. Furthermore, we joined forces with Moutai Financial Leasing Co., Ltd. in a strategic cooperative partnership for the investment in lease-attached aircraft portfolio in May 2020 and two aircraft had been injected therein by June 2023. We also completed the disposal of nine aircraft in 2021 and four aircraft in 2022, mainly to third-party lessors, so as to seek win-win cooperation where we optimise our fleet and asset portfolio while the latter expands its business presence.

In 2024, we completed the sale of 25 owned aircraft and 2 managed aircraft, reaching a record high. Meanwhile, we successfully secured asset management mandates for five of the aircraft sold. We also integrated and extended our global aviation partnership network and established first-time trading cooperation with 8 domestic and overseas lessors during 2024. As at 31 December 2024, the number of our global aircraft trading and asset management partners has reached approximately 30.

Through the establishment of various aviation industry fund platforms and joint ventures, we have fostered industrial cooperation ecosystems, accreting value and realizing returns for financiers, investors and other aircraft asset owners in our capacity as an aircraft asset manager.

Diversifying our financing source and capital optimisation to improve our credit ratings

Since 2018, we have been actively tapping into both the onshore and offshore capital markets by issuing equity and debt instruments. In 2022, we issued the first low-carbon transition bond in China's aviation industry with principal amount of RMB1 billion at a coupon of 3.56%, as well as RMB1.2 billion corporate bonds. In 2023, we issued three-year RMB1.5 billion corporate bonds at a coupon rate of 3.85% and another RMB500 million corporate bonds with a coupon rate at 3.58%. During 2024, we completed refinancing of our perpetual capital securities to optimize capital structure while effectively reducing funding costs. Following the voluntary redemption of the expensive USD perpetual bonds in December 2023 and July 2024, we, in September 2024, issued RMB1 billion perpetual medium-term notes in PRC market through its subsidiary, CALC (Tianjin), with a coupon rate of only 2.7%. In February 2025, CALC (Tianjin) successfully issued RMB1.5 billion 5-year corporate bonds with a fixed coupon rate of 2.38%.

We will continue using aircraft loans and PDP financing to support our aircraft acquisitions. Through the use of project financings, we match our regular loan repayments for the aircraft loans with our lease income, thereby generating constant cash inflows of lease income and reducing our liquidity risk. In October 2024, we secured our inaugural US$400 million warehouse facility for aircraft financing, which provides enhanced flexibility to facilitate our aircraft acquisition, sale and leasing. The facility had subsequently been upsized to US$700 million in March 2025 with significant over-subscriptions.

We will closely monitor changes in onshore and offshore markets and business development needs to select markets and financing instruments flexibly while continuing to reduce overall financing costs through proactive financial management. We will also actively explore equity or equity-like financing and other innovative financing instruments to improve our capital strength and upgrade our international credit rating.

Cooperation with COMAC

In January 2021, the Group procured C909 series aircraft with 30 firm orders and 30 intended orders from COMAC, and signed a tripartite project investment cooperation memorandum with CEL and COMAC in respect of deep and pragmatic cooperation in the areas of overseas operation of aircraft made in China, aircraft asset management and aviation aftermarket, etc.

We successfully delivered a COMAC C909 aircraft to Indonesia carrier TransNusa in December 2022, marking the first time for a China-made regional passenger jet to enter the overseas market. It was officially put into commercial operation in April 2023 and successfully completed its debut flight, and later flew its first international flight in July 2023. Our second COMAC C909 was delivered to TransNusa in June 2023, steadily pacing up our effort to promote commercial operation of China-made aircraft in overseas market. In 2024, we delivered the third COMAC C909 to TransNusa. In April 2024, C909 base was opened in Manado and we launched three domestic scheduled flight routes in the eastern Indonesian archipelago.

When Chinese aircraft becomes popular in the global aviation market, we will enjoy the upside by being the first mover in leasing and exporting Chinese aircraft to overseas.

RECENT DEVELOPMENTS

Acquisition of two aircraft

On 21 January 2025, we (through our wholly-owned subsidiary, as buyer) entered into aircraft sale and purchase agreements with two wholly-owned subsidiaries of Cinda Financial Leasing Co., Ltd (an independent third party) in relation to the acquisition of two Boeing B737-800 aircraft. The transactions are expected to be completed by end of August 2025.

Onshore issuance

In February 2025, CALC (Tianjin) issued 5-year onshore corporate bonds of RMB1.5 billion with coupon rate of 2.38%.

In April 2025, CALC (Tianjin) issued perpetual onshore medium-term notes of RMB500 million with coupon rate of 2.48%.

Upsize of Warehouse Facility from US$400 million to US$700 million

On 12 March 2025, we successfully upsized our inaugural warehouse facility to US$700 million. The expanded facility was substantially oversubscribed, with total commitments more than doubling the targeted accordion amount. The syndicate comprises a diverse group of 16 banks across China, Europe, and other Asian markets, bringing the total number of lenders (including the 4 Mandated Lead Banks) to 20.

Portfolio trade – Sale of six lease-attached aircraft

On 13 March 2025, in order to enhance the Group's credit profile and pursue long-term sustainable growth, a wholly-owned special purpose vehicle of the Group (the Seller) entered into the Aircraft Portfolio and Asset Sale and Purchase Agreement with a wholly-owned indirect subsidiary of Dubai Aerospace Enterprise (DAE) Ltd, an independent third party, (the Purchaser) in relation to the sale of six leased-attached aircraft (two Airbus A320NEO aircraft and four Airbus A321NEO aircraft with lease-attached). The sale transactions are expected to be completed by the end of October 2026.

Sale of one aircraft

On 15 April 2025, a wholly-owned special purpose vehicle of the Guarantor (the Seller) entered into the Aircraft Sale and Purchase Agreement with NEOSKY AIRCRAFT AND REQUISITES CHARTERING DWC-LLC (the Buyer), pursuant to which the Seller agreed to sell and the Buyer agreed to purchase one Boeing 737-800 aircraft. This sale transaction will increase the Group's income from aircraft trading, satisfy the market's demand for aircraft and maintain the good relationship between the Group and its clients.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. For a more complete description of the Terms and Conditions of the Bonds, see "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form". Some of the terms described below are subject to important limitations and exceptions. Defined terms used in this summary shall have the meanings given to them in "Terms and Conditions of the Bonds".

Issuer	CALC Bonds Limited
Guarantor	China Aircraft Leasing Group Holdings Limited
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds, as further described in Condition 3 of the Bonds.
Issue	U.S.$160,000,000 in aggregate principal amount of 6.0 per cent. guaranteed bonds due 2028
Issue Price	100.0 per cent. of the principal amount of the Bonds
Form and Denomination	The Bonds will be registered and issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest from and including 14 August 2025 at the rate of 6.0 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$30.0 per Calculation Amount (as defined in the Terms and Conditions of the Bonds) on 14 February and 14 August in each year, commencing on 14 February 2026.
Issue Date	14 August 2025
Maturity Date	14 August 2028
Status of the Bonds	The Bonds will constitute direct unsubordinated, unconditional and (subject to Condition 4 of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Guarantor's other present and future unsecured and unsubordinated obligations.

Negative Pledge	The Bonds contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee (as the case may be) shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC or, in each case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 11 August 2025 (the "**Applicable Rate**"), the Issuer or the Guarantor (as the case may be) will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer or the Guarantor, as the case may be, is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate, or (ii) by the British Virgin Islands, the Cayman Islands or Hong Kong, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except as described in Condition 8 of the Terms and Conditions of the Bonds.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date. The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 6 of the Terms and Conditions of the Bonds.

Redemption for Taxation Reasons . .	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 of the Terms and Conditions of the Bonds (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with interest accrued to the date fixed for redemption, if (i) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 11 August 2025, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Change of Control .	At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Change of Control Put Settlement Date (as defined in Condition 6(c) of the Terms and Conditions of the Bonds) at a redemption price equal to 101 per cent. of their principal amount, together with accrued interest to but excluding such Change of Control Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Change of Control*".
Clearing Systems.	The Bonds will be issued in registered form and represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate and this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 314719409 and the International Securities Identification Number for the Bonds is XS3147194099.

Governing Law	English law.
Trustee	CNCBI Trustee Limited
Principal Paying Agent	China CITIC Bank International Limited
Transfer Agent and Registrar	China CITIC Bank International Limited
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds either having the same terms and conditions as the Bonds in all respects or in all respects except for the issue date and the first payment of interest on them, and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 of the Terms and Conditions of the Bonds.
Use of Proceeds	See "Use of Proceeds".
Risk Factors	For a discussion of certain risk factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*".
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 15 August 2025.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".
Guarantor's Corporate Ratings	The Guarantor received a corporate rating of an investment-grade international rating of "Ag-" with a stable outlook from China Chengxin. The Bonds and the Guarantee have not been rated. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Guarantor may adversely affect the market price of the Bonds.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The summary audited consolidated financial information as at and for the years ended 31 December 2022, 2023 and 2024 set forth below is derived from the Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular. The 2023 Audited Consolidated Financial Statements were audited by PwC in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and the 2024 Audited Consolidated Financial Statements were audited by Deloitte. The Audited Consolidated Financial Statements were prepared and presented in accordance with HKFRS.

The information set out below should be read in conjunction with the relevant consolidated financial statements of the Guarantor, including the notes thereto, included elsewhere in this Offering Circular.

Historical results of the Group are not necessarily indicative of results that may be achieved for any future period.

Summary Consolidated Statement of Income Information

	Year ended 31 December		
	2022	2023	2024
		(Audited HK$'000)	
Total revenue			
Lease income			
Finance lease income	574,683	600,996	608,828
Operating lease income	2,967,565	3,598,207	3,740,861
	3,542,248	4,199,203	4,349,689
Other operating income			
Net income from aircraft transactions and aircraft components trading	207,072	124,501	212,714
Other income	421,682	439,993	641,360
	628,754	564,494	854,074
	4,171,002	4,763,697	5,203,763
Expenses			
Interest expenses	(1,610,507)	(2,244,481)	(2,710,584)
Depreciation and impairment	(1,356,612)	(1,618,823)	(1,686,569)
(Expected credit losses)/reversal of expected credit losses	(83,355)	(51,038)	71,211
Other operating expenses	(345,335)	(341,044)	(550,044)
	(3,395,809)	(4,255,386)	(4,875,986)
Net write-off of aircraft remained in Russia	(439,029)	–	–
Compensation received from aircraft remained in Russia	–	185,384	–
Share of results from associates and joint ventures	2,682	(389)	160
Other gains/(losses), net	184,619	(179,571)	313,325
Profit before income tax	523,465	513,735	641,262
Income tax expenses	(307,781)	(293,578)	(315,653)
Profit for the year	215,684	220,157	325,609
Profit attributable to:			
Shareholders of the Company	73,598	28,256	257,545
Holders of perpetual capital securities and other non-controlling interests	142,086	191,901	68,064
	215,684	220,157	325,609
Earnings per share for profit attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic earnings per share	0.099	0.038	0.346
– Diluted earnings per share	0.099	0.038	0.346

Summary Consolidated Balance Sheet Information

	As at 31 December		
	2022	2023	2024
		(Audited HK$'000)	
ASSETS			
Property, plant and equipment and right-of-use assets	27,354,373	33,493,826	28,860,008
Pre-Delivery Payments ("**PDP**") and other prepayments and receivables relating to aircraft acquisition	10,445,430	7,626,274	7,855,333
Investments in and loans to associates and joint ventures	1,354,410	1,529,629	491,697
Finance lease receivables – net	8,172,086	8,577,339	9,185,457
Deferred income tax assets	–	–	36,058
Financial assets at fair value through profit or loss	769,462	621,749	1,476,076
Prepayments and other assets	916,985	647,166	683,835
Assets classified as held for sale	1,425,199	1,425,254	5,555,238
Aircraft components trading assets	5,245	1,934	3,177
Derivative financial assets	221,399	61,157	13,381
Restricted cash	1,114,958	544,524	301,110
Cash and cash equivalents	3,552,533	5,295,875	3,778,318
Total assets	55,332,080	59,824,727	58,239,688
EQUITY			
Share capital	74,436	74,436	74,465
Reserves	2,314,613	2,173,544	1,986,750
Retained earnings	2,276,247	2,081,560	2,168,242
Equity attributable to shareholders of the Company	4,665,296	4,329,540	4,229,457
Perpetual capital securities and other non-controlling interests	1,590,921	810,422	1,098,740
Total equity	6,256,217	5,139,962	5,328,197
LIABILITIES			
Deferred income tax liabilities	1,057,059	1,191,479	1,303,752
Borrowings	38,001,150	42,911,870	43,046,205
Medium-term notes	1,696,509	1,656,173	1,599,726
Bonds and debentures	5,406,490	5,943,499	3,930,722
Derivative financial liabilities	52,543	147,735	233,712
Income tax payables	45,850	66,056	133,162
Interest payables	297,689	392,690	292,538
Other liabilities and accruals	2,518,573	2,375,263	2,371,674
Total liabilities	49,075,863	54,684,765	52,911,491
Total equity and liabilities	55,332,080	59,824,727	58,239,688

Non-GAAP Financial Measures

	As at and for the year ended 31 December		
	2022	2023	2024
	(HK$ million, except for ratios and percentages)		
EBITDA[(1)]	3,490.6	4,377.0	5,038.4
Interest coverage[(2)]	216.7%	195.0%	185.9%
Gearing ratio[(3)]	81.5%	84.4%	83.4%

Notes:

1. EBITDA for any period consists of earnings before interest expenses, depreciation and income tax expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, depreciation or interest expenses. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included because the Group believe it is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

2. Interest coverage is calculated by dividing EBITDA by interest expenses.

3. Gearing ratio is calculated by dividing total interest-bearing debts by total assets. Total interest-bearing debts consist of borrowings, medium-term notes, bonds and debentures.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Factors which we believe may be material for the purpose of assessing the market risks associated with the Bonds are also described below. We believe that the factors described below represent the principal risks inherent in investing in the Bonds, but our inability to fulfil our respective obligations under the Bonds and the Guarantee may occur for other reasons and we do not represent that the statements below regarding the risks of investment in the Bonds are exhaustive. Additional considerations and uncertainties not presently known to us or which they currently deem immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring. The market price of the Bonds could decline due to any of these risks, and investors may lose part or all of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

RISKS RELATING TO OUR BUSINESS AND THE AIRCRAFT LEASING INDUSTRY

Our business is sensitive to global economic conditions. A severe or prolonged downturn in the global economy brought by other general macroeconomic conditions may have a material adverse effect on our business, financial condition, results of operations and prospects.

The continued success and profitability of our business depend, in part, on global economic growth and demand for its services. The demand for the various services offered by us is subject to different market cycles specific to such services, which in turn are affected by changes or developments in global economic and financial conditions that are beyond our control.

Since 2020, the general economic outlook in major economies such Europe, the United States, Japan and the PRC has remained challenging given lower global economic growth prospects, higher government fiscal deficits and public debt and continued inflationary pressure. In particular, the latest escalating trade dispute and trade tariffs in 2025 between the United States and other major economics could result in significant adverse impacts, including a slowdown in global economic growth and higher inflation, reduced trade flows and business investment and downside risks for equity, bond and commodity prices. Moreover, the ongoing political gridlock in the United States over government spending and debt levels, the conflict between Russia and Ukraine and the effective economic sanctions on Russia, the geopolitical tensions and conflicts in various countries in the Middle East including the Israeli-Palestinian and the Israeli – Iran conflict and the impact of climate risks due to global warming may also result in additional adverse impacts to the global economy and markets and trade flows. Such geopolitical risks may have a material adverse impact on macroeconomic factors which affect the Group's business, financial condition, results of operations and prospects.

In addition, central banks of some countries, including the Federal Reserve Board of Governors of the United States, have also accelerated their shifts in monetary policies and increased interest rates. There can be no assurance that monetary and fiscal policy measures adopted by central banks or national governments will have the intended effects or that a global economic downturn will not occur or market volatilities will not persist.

Deliveries of new aircraft by both Airbus and Boeing have also been affected by industrial constraints and supply chain limitations and there can be no assurance that they can successfully maintain timely deliveries of our aircraft orders to us. Any delay or other obstacle that they encounter in aircraft production or in regulatory certification may in turn delay delivery of such aircraft to us. Any delays in receiving aircraft deliveries would adversely affect our ability to timely generate revenue from such aircraft.

Other external factors, including but not limited to:

- global, regional or country specific political instability, social unrest and civil war, including but not limited to the recent military conflicts between Russia and Ukraine, Israel and Palestine, Israel and Iran, and the resulting prolonged air space restrictions;

- volatility in interest rates;

- economic, trade and political policies, including trade friction involving major economies such as the United States, the EU and China;

- sudden increases in inflation or deflation;

- oil or other commodity market volatility, which may affect demand for fuel-efficient aircraft and equipment; and

- any other sudden downturn or sudden change in the global, regional or local economic, political, social, legal, environment or government policies (such as Brexit, the Sino-US trade war and any local political turmoil or civil disobedience movements), laws, rules or regulations, the imposition of trade tariffs and non-tariffs trade barriers, sanctions, boycotts, trade and labour disputes and work stoppages, particularly in the aircraft industry,

which are events beyond our control, and the recurrence of adverse macroeconomic conditions are expected to have a material adverse effect on our business, financial condition, results of operations and prospects.

Trade restrictions and trade friction could materially affect the airline and aircraft manufacturing industries, which in turn could adversely affect our business and ability to procure aircraft in a timely and cost-effective manner.

We are subject to risks relating to changes in trade policies, tariff regulations, embargoes or other trade restrictions adverse to the airline and aircraft manufacturing industries generally. Any trade restrictions, trade friction or travel bans could materially and adversely affect the businesses of our airline customers and their demand for aircraft from us, as well as our ability to procure aircraft in a timely and cost-effective manner. In particular, in recent months, the U.S. administration has indicated and demonstrated its intent to alter its approach to international trade policy through, among other things, imposing tariffs on a wide range of products and other goods from, China, members of the EU, countries in the Middle East and Africa and other countries. These measures have led to other countries, including those targeted by the U.S. tariffs, to enact their own tariffs against imported goods from the U.S. in retaliation. Trade friction may continue to escalate in the future and may result in substantial additional or increased tariffs on certain types of goods, such as aircraft and aircraft components, making it significantly more difficult and expensive to import such goods into certain jurisdictions. As a result of these tariffs, aircraft manufacturers may experience delays or increased costs in producing and delivering aircraft, which they may pass on to us or which we may have to pay directly, and we in turn may need to pass on any such delays or increased costs on to our customers, which we may not be able to do on commercially acceptable terms or at all. In addition, trade friction and changes in trade policies may adversely impact airline demand for leased aircraft which may adversely impact our ability to place aircraft on lease in the affected countries, or adversely impact the cost of and the returns we receive from such lease placements. While the tariff negotiation is still ongoing, we cannot predict future trade

policies or tariffs, or any retaliatory measures in response, which may be enacted, or any changes in demand which may be connected to the foregoing, and any such developments which negatively impact the airline and aircraft manufacturing industry or airline demand may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

Extraneous events, such as terrorist attacks, major air travel accidents or the outbreak of contagious diseases, could reduce the demand for air travel, which could cause our airline customers not being able to meet the lease payment obligation.

The primary effects experienced by airline industry include increased operating costs, increased concerns about future terrorist attacks, decreased air traffic, airport shutdowns, and flight cancellation and delays. Terrorist attacks, or the fear of such attacks, or other world events or major air travel accidents could result in decreased air traffic and could also increase the cost of airline operators, which could adversely affect our business and financial condition.

Any outbreak of communicable diseases including without limitation the global COVID-19 pandemic may adversely affect passenger demand for air travel. Additional outbreaks of SARS, bird flu, swine flu, H7N9 virus or other pandemic diseases, or the fear of such severe acute respiratory syndrome, or events, could provoke unpredictable responses, including government-imposed travel restrictions and border closures, which could also negatively affect passenger demand for air travel. These consequences could adversely affect our airline customers' liability to satisfy their lease payment obligations, which could adversely affect our operating results and financial condition.

Our liabilities and our business are exposed to foreign exchange rate risks.

We have operations in the PRC and Hong Kong, and certain portion of cash and cash equivalents, restricted cash, financial assets including financial lease receivables, prepayments and other assets, financial liabilities including bank borrowings, medium-term notes, bonds and debentures and other liabilities and accruals are denominated in currencies other than the functional currency of our Group entities. For instance, aircraft leasing income and certain borrowings used to finance the leases are denominated in USD, while some borrowings are denominated in RMB. Currency exchange risks may arise when finance lease receivables, operating lease receivables and certain borrowings are denominated in different currencies, and where there are fluctuations in the exchange rates of such currencies against other foreign currencies. Although we have recorded currency exchange gains in RMB of HK$381.9 million and currency exchange gains in USD of HK$67.6 million, each for the year ended 31 December 2024, if the exchange rates continue to fluctuate and we cannot procure any specific foreign exchange control arrangements to mitigate such risks, our results of operations and financial performance may be adversely affected.

Although the Group closely monitors currency exchange risks and hedges the exposure where necessary and appropriate, its hedging activities may not be fully effective. Future movements in the exchange rate of the RMB or Hong Kong dollars against the U.S. dollar may result in foreign exchange losses or losses on its hedging instruments, which may adversely affect its results of operations and financial condition.

We face the risk of decrease in aircraft value, impairment of our non-financial assets and marked-to-market financial assets.

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Factors that may contribute to impairment of aircraft include, but are not limited to, unfavourable airline industry trends affecting the residual values of certain aircraft types, high fuel prices and development of more fuel-efficient aircraft shortening the useful lives of certain aircraft, and new technological developments. The Group obtains fair values of aircraft from independent appraisers for which the principal assumptions underlying aircraft value are based on current market transactions for similar aircraft in a similar condition and industry trends. When estimating the value in use of aircraft, the

Group estimates expected future cash flows from the aircraft based on the key assumptions mainly including lease rents of current leases; subsequent release rates based on current marketing information and residual values, and discounted at a rate commensurate with the associated risk to calculate the present value. We face the risk of write-down in the value of our aircraft assets in the future, which may in turn adversely impact our business and financial performance. Certain financial assets of the Group are required to be marked-to-market. In the event that the mark-to-market value is less than the carrying amount, our financial performance may be adversely affected.

Our substantial indebtedness exposes us to liquidity and re-financing risks.

We rely on cash generated from our business operations, aircraft loans, PDP financing, debt and equity financing and other aircraft financing and trading channels to finance the aircraft acquisitions and business operation. We expect that we will continue to do so in the future. See "*Description of the Group – Our Growth Strategies – Diversifying our financing source and capital optimization to improve our credit ratings*".

Our total borrowings (including borrowings, medium-term notes, bonds and debentures) were HK$45,104.1 million, HK$50,511.5 million and HK$48,576.7 million as at 31 December 2022, 2023 and 2024, respectively, representing 81.5%, 84.4% and 83.4% of our total assets as at 31 December 2022, 2023 and 2024, respectively.

Due to the capital-intensive nature of our business, the need to refinance maturing debt and our strategy of expanding our aircraft portfolio, we expect that we will continue to incur significant indebtedness in the future and maintain high levels of indebtedness, which:

- may cause a substantial portion of our cash flows from operations to be dedicated to interest and principal payments and therefore is not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- may impair our ability to obtain additional financing in the future;
- may limit our flexibility in planning for, or reacting to, changes in our business and industry;
- may make us more vulnerable to downturns in our business, our industry or the economy in general;
- may restrict us from pursuing strategic business opportunities; and
- may increase our exposure to interest rate fluctuations.

As at 31 December 2022, 2023 and 2024, our current liabilities exceeded our current assets by HK$12,676.7 million, HK$12,805.3 million and HK$4,983.7 million, respectively.

As at 31 December 2024, the current liabilities mainly comprised borrowings of HK$12,732.7 million (HK$4.8 billion from aircraft acquisition financing ("**aircraft loans**"), HK$2.7 billion from PDP financing and other borrowings of HK$5.2 billion were the major components) and bonds and debentures of HK$1,542.9 million. The repayment of aircraft loans will be partially funded by the collection of operating lease receivables that is expected to be received from airlines within 12 months from 31 December 2024 (but has not been included under current assets). Repayment of PDP financing and other financings is expected to be funded by existing loan facilities and/or new aircraft loans when aircraft are delivered. The bonds, debentures and medium-term notes are targeted to be repaid by our internal resources and/or additional funding to be raised by the Group. The Group will keep on raising funds through PDP financing, aircraft loans, bond issuance, other debt capital market financing, equity/equity-like financing and disposal of aircraft.

We cannot assure you that we will always be able to continue to obtain the required financing in the future or that we would be able to arrange for re-financing of our indebtedness when they become due, repay our indebtedness or raise the necessary funding to finance our business growth and our capital commitments.

Furthermore, we cannot assure you that we will be able to comply with all the requirements or covenants under our financing agreements or other material contracts entered into as part of our ordinary course of business or that we will be able to obtain any waiver if we fail to comply with them.

We have not received, during the three years ended 31 December 2022, 2023 and 2024, any notice of breach of any covenant or undertaking resulting in early termination or modification of any contracts or agreements which are material to our business.

If we violate any of the undertakings or covenants, it could result in increase in the interest rates, accelerated repayment of loans and interest, termination or delay in the relevant arrangements or legal proceedings against us. Any of these incidents could have a material adverse effect on our business, operating results, and financial condition. Furthermore, our liquidity depends on the amount of cash generated from our operations and our access to further financial resources, which could also be in turn affected by our future operating performance, prevailing economic conditions, and other factors outside our control.

We may not be able to collect our outstanding loans from our debtors.

As at 31 December 2024, the Group's carrying amount of outstanding loan to Aircraft Recycling International Limited ("**ARI**") amounted to HK$243.2 million. On 27 October 2023, ARI and its shareholders entered into the fourth supplemental shareholders' loan and guarantee agreement (the "**Fourth Supplemental Agreement**"), pursuant to which the term of the shareholders' loan and guarantee was extended to 31 December 2026 and the annual cap was reduced from HK$1.5 billion to HK$650 million. In addition, we have entered into an exchangeable bond subscription agreement with ARI in respect of the subscription of HK$850 million exchangeable bonds to be issued by ARI. On 1 January 2024, we had completed the subscription of the exchangeable bonds and the consideration were settled against the shareholders' loan to ARI. The exchangeable bonds are bearing interest at 0.5% 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 exchangeable bonds. In the event that ARI continues to incur losses, there is no guarantee that the outstanding loan amounts to us can be repaid in a timely manner and our results of operations and financial performance may be adversely affected.

We require a significant amount of financing to support our aircraft purchase commitment.

We require to arrange funding for each of our aircraft acquisitions through purchase and leaseback transactions or direct aircraft purchases. Hence we may seek PDP financing upon aircraft purchases and prior to their deliveries; as well as aircraft loans upon aircraft deliveries. We may also arrange for financing from other means including commercial banks (for unsecured debts), debt capital markets and equity investors. As at 31 December 2024, the amount of outstanding aircraft purchase commitments was HK$45.1 billion, which was expected to be financed by (a) PDP financing, (b) aircraft loans, (c) unsecured working capital facilities, (d) issuance of debt capital instruments, (e) equity/equity-like financings, (f) disposal of aircraft; and/or (g) internally generated financial resources. As at 31 December 2022, 2023 and 2024, our bank and other borrowings for aircraft acquisition amounted to HK$19,083.3 million HK$23,309.6 million and HK$21,537.1 million, respectively. The balances of our PDP financing were HK$7,180.3 million, HK$6,127.8 million and HK$6,294.1 million, respectively. PDP scheduled to be paid within 12 months from 31 December 2024 amounted to HK$3,873.3 million excluding the PDP of those aircraft which the delivery schedules are not yet confirmed.

Aircraft acquisition borrowing is usually confirmed a few months before delivery of the relevant aircraft based on industry practice and our prior experience. Besides, we sometimes finance our new aircraft with internal resources or short-term financing and we might have to obtain refinancing for these aircraft through new aircraft project loans. For the existing long-term aircraft borrowings, the expected cash inflows from lease receivables generally are sufficient to cover the required cash outflows for instalment repayments over the entire lease term. In order to meet our aircraft purchase commitment and maintain an adequate level of unrestricted cash, we need to ensure that a sufficient level of financing is available in time and that there will be no significant off-lease time for the aircraft agreed to be purchased by us. Our ability to obtain financing is dependent on a number of factors outside our control, which include:

- the general market conditions;
- the market's perception of the quality of our assets;
- the market's perception of the relevant industry risk; and
- the interest rate fluctuations.

Negative sentiment in the capital and credit markets from which we source our financing could lead to commercial banks and other financial institutions being less willing to provide aircraft acquisition financing; or the cost of such financing would not be commercially acceptable to us. In any of these events, we may face a liquidity gap and we may need to use other means, such as selling our aircraft assets at an inappropriate time, to support our funding needs. For the year ended 31 December 2024, we have incurred net cash outflows from financing activities in the amount of HK$4,107.0 million due to reduction of total fleet size and cash and cash equivalent balance as at 31 December 2024.

If we are unable to obtain sufficient financing from banks or other financing sources on commercially acceptable terms, our business, operating results, and financial condition could be materially and adversely affected.

Any increase in interest rates would increase our borrowing costs which could adversely affect our business and financial performance.

Prior to the end of 2022, a substantial portion of our bank borrowings, including aircraft loans, PDP financing and other bank borrowings, was subject to floating interest rates with reference to one month, three-month or six-month U.S.$ LIBOR. In March 2021, the UK Financial Conduct Authority ("**FCA**") announced the date on which LIBOR will be discontinued. The one-week and two-month U.S.$ LIBOR settings had discontinued after 31 December 2021 and the remaining U.S.$ LIBOR settings had discontinued after 30 June 2023. During the six-month period ended 30 June 2023, the transition of all legacy contracts of interest rate swaps and the majority of legacy contracts of bank borrowings linked to U.S.$ LIBORs was undertaken successfully. The transition of remaining bank borrowing contracts linked to U.S.$ LIBORs were completed before the end of third quarter in 2023. As at 31 December 2022, 2023 and 2024, our bank and other borrowings that were subject to floating interest rate represented 78.4%, 64.7% and 66.1%, respectively, of the balance of our total bank and other borrowings. We expect that most of our bank and other borrowings will continue to be subject to floating interest rates in the future.

Interest rate fluctuations have a significant influence on our financial performance. Any changes in interest rates will impact our borrowing costs as a sizeable portion of our debt is on a floating rate basis. We may be susceptible to interest rate volatility if we are unable to maintain a balance between fixed and floating rate debts and match the fixed lease rent and lease maturities with financing debts on similar basis or secure appropriate hedges for the same. While the exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest rate caps, the magnitude of the final exposure depends on the effectiveness of the hedge. As at 31 December 2024, we had 16 interest rate

swap contracts to manage our unmatched interest rate exposure as they have the economic effect of converting bank borrowings from floating interest rates into fixed interest rates in the range between 0.4% and 4.1%.

For the unhedged exposure, we closely monitor the interest rate trend and will consider hedging the exposure where necessary and appropriate.

Our business model depends on the continuing leasing of aircraft.

Our business model depends on the continuing leasing of aircraft for constant cash inflows of lease income which will be used for the repayments of the aircraft loans incurred for aircraft acquisitions. Our ability to lease aircraft is, however, subject to a number of factors outside our control, including the rate of recovery from the economic downturn, the economic change in China and globally, the level of air traffic demand in China and globally, the demand and supply of aircraft and aircraft leasing services in China and globally, and the market value of the aircraft we own or plan to purchase. If we are not able to lease our aircraft at the appropriate time and on favourable terms, our business, operating results, and financial condition could be materially and adversely affected by the consequences such as the unexpected long off-lease time of our aircraft, insufficient cash flows generated from the aircraft lease agreements, and possible breach of covenants and undertakings in our financing arrangements and aircraft purchase agreements.

Our operating history may not be indicative of our future performance.

China's aircraft leasing industry has a short history, and our business only commenced in 2006 with the first aircraft purchase and leaseback transaction completed in September 2007. We completed our first direct aircraft purchase and lease transaction in September 2010 with the aircraft purchased from the secondary aircraft markets in Europe. For the years ended 31 December 2022, 2023 and 2024, our lease income was HK$3,542.2 million, HK$4,199.2 million and HK$4,349.7 million, respectively. Our lease income from finance leases and operating leases increased by 18.5% and 3.6% for the years 2023 and 2024 respectively.

Our revenues and net profit are generated primarily from four sources, namely finance lease income, operating lease income, government grants and net gains from disposal of aircraft. For the years ended 31 December 2022, 2023 and 2024, we recognised HK$207.1 million, HK$124.5 million and HK$212.7 million, respectively, as net income from aircraft disposal and aircraft components trading. The success of completing further disposal of aircraft to third parties is subject to a number of factors outside our control. Our interest expenses may increase or decrease depending on the market interest rate sentiment, our delivery versus disposal progresses and hence overall fleet size. Our currency exchange gains/losses can arise from unhedged exposure on RMB due to the significant volatility in foreign exchange rates, and our results of operations and financial performance may be adversely affected. All of these factors could have an adverse impact on our results for the year ending 31 December 2025.

We may not be able to secure lease commitment for aircraft to be purchased and delivered to us under the aircraft purchase agreement.

As at 31 December 2024, we have committed to purchase 124 aircraft which are to be delivered to us in stages by the end of 2028.

If we are not able to secure timely lease commitment in respect of the aircraft to be purchased and delivered to us, we may need to implement our contingency plans which include requesting for the deferred delivery of these aircraft even though we would still need to continue paying the purchase price balances and parking fees for these aircraft. The relevant aircraft manufacturer may not agree with such deferred delivery, and we may be required to take the delivery of the aircraft and lease the aircraft on less favourable terms or that we may need to transfer the relevant aircraft delivery slot to other aircraft

purchasers. In any of these events, our business, financial condition, and operating results could be adversely affected. We may also face claims from the relevant aircraft manufacturer for failure to take aircraft delivery and our reputation in the aircraft leasing industry would also be affected.

In addition, the continuous payment of the purchase price balances, without confirmed lease commitment from the airline operators, may result in significant pressure on our financing needs, as there would be no inflows of cash to support the payment. As we have used PDP financing to support the payment of PDPs, we may or may not be able to obtain such financing on favourable terms or at all if the lease arrangement in respect of the aircraft has yet to be finalised. In such event, for the payment of the purchase price balances, we would then need to look for other source of financing, which would further accelerate our liquidity needs and our financial exposure.

Our profitability depends on our ability to purchase market-accepted aircraft at reasonable prices.

The profitability of our business depends on our ability to purchase market-accepted aircraft at reasonable prices. Purchase of aircraft at high prices may not be profitable to us as we may not be able to generate sufficient cash inflows through lease income to settle the aircraft acquisition financing. In addition, the selection of appropriate aircraft is also important to us under our business model. At the time of making the purchase commitment, we have yet to secure the corresponding lease commitment from the airline operators. This arrangement exposes us to the risk that we may not be able to lease the aircraft within the planned period of time of delivery of the aircraft on commercial terms acceptable to us.

Moreover, our aircraft acquisition strategy exposes us to various risks that could materially and adversely affect our business, operating results, and financial condition, including the risks that we could:

- impair our liquidity by using a significant portion of our available cash or borrowing capacity to finance our aircraft acquisitions;

- significantly increase our interest expense and financial leverage as we incur additional aircraft acquisition financing; and

- incur or assume unanticipated liabilities, losses or costs associated with the aircraft that we acquire.

In any of these events, our operating results and financial condition could be materially and adversely affected.

We rely on a few airline customers for our aircraft leasing business.

As at 31 December 2022, 2023 and 2024, we had 38, 41 and 40 airline customers, respectively, for our aircraft leasing business. During the year ended 31 December 2024, lease income of HK$1,992.2 million was generated from the three largest airline customers, representing approximately 46% of the total lease income. The airline industry is cyclical, sensitive to economic performance, and highly competitive. Our airline customers are affected by global or regional public health crises (such as the COVID-19 pandemic), fuel prices, political or economic instability, terrorist activities, changes in national policy, competitive pressures, labour actions, insurance costs, economic recession, health concerns, and other political or economic events adversely affecting the global or regional markets. All of these factors indirectly affect the aircraft leasing industry. Our airline customers' ability to react to and cope with the competitive environment in which they operate would affect our business and financial condition. The loss of any one of our existing airline customers or their inability to make lease payments on schedule due to financial difficulties, bankruptcy or otherwise could adversely affect our cash flow and profitability. This could also result in a possible breach by us of the undertakings and covenants contained in any of our financing agreements, resulting in an adverse impact on our business, operating results, and financial condition.

We are exposed to various risks related to the commercial airline industry.

We are exposed indirectly to the same set of risk factors as our airline lessees. The ability of each lessee to perform its obligations under a lease will depend primarily on the lessee's financial condition and cash flow, which are affected by factors beyond our control, including economic conditions, recession, deflation or financial system distress, demand for passenger air travel and air cargo services, industry competition, competition from substitute services, fluctuations in fuel prices, interest rates and foreign exchange rates, labour costs and union issues, maintenance, insurance, security or other costs, the impact of airline bankruptcies, aircraft accidents or the effect of geopolitical or other events such as wars, social unrest, pandemics, natural disasters and acts of terrorism. The airline industry generally and each of our lessees is also affected by government regulation of airline operations, competition and mergers and acquisitions, environmental regulation, airport and other infrastructural constraints, the availability of new or used aircraft for lease or purchase, fluctuations in jet fuel costs due to environmental events such as those related to greenhouse gas emissions and the goal of reaching net-zero carbon emissions by 2050, changes in technology and the availability and cost of debt and equity capital and other forms of financing to airlines. Our business and financial performance are dependent on the performance of our lessees and their ability to manage these risks effectively. To the extent that the airline industry or our airline lessees experience negative effects from these or any other risk factors, we may experience:

- a reduced demand for our aircraft and hence lower lease rates or aircraft sale values;

- a higher incidence of lease defaults resulting in lost revenue from a delay or interruption in payments or termination of leases and higher legal and technical costs associated with the repossession of the aircraft and its records;

- a need to defer and/or restructure lease payments for delinquent airlines or airlines in financial difficulty which may result in lower lease revenue or the need to make provisions for rental amounts in arrears; and

- an inability to place available aircraft on lease on acceptable terms, which could result in us incurring financing costs while not collecting revenue from the relevant aircraft and incurring storage, insurance, maintenance and modification costs resulting from the grounding of such aircraft and their preparation for release.

The occurrence of one or more of these events could result in a material adverse effect on our business, financial condition and results of operations and our ability to service the Bonds.

Our concentrated exposure to a single industry makes us particularly susceptible to the downturns of that industry.

We are established with the principal objective of owning and investing in a portfolio of commercial jet aircraft which are placed on medium to long-term leases to airlines. By concentrating our operations and investments in the commercial aircraft leasing industry, we are susceptible to downturns in the commercial airline industry, which may result in our income from our aircraft leases being adversely affected. Concentrating our operations and investments in a single industry places us at greater risk from events or circumstances adversely affecting that industry. As a result, our business, financial condition and results of operations and ability to service the Bonds could be adversely affected.

We are exposed to significant regional economic and political conditions due to the concentrated location of our lessees in certain geographical regions, which could adversely affect our financial performance.

Through our lessees, we are exposed to local economic and political conditions that can influence the financial performance of such lessees located in a particular region. The effect of these conditions on payments to us will be more or less pronounced depending on the concentration of lessees in any region

experiencing adverse conditions. The airline industry is highly sensitive to general economic conditions. A recession or other worsening of economic conditions in a particular region may have a material adverse effect on the creditworthiness of lessees located in that region or with significant operations to, from or within that region and therefore on their resultant ability to meet their financial and other obligations under their leases. Furthermore, a disruption in the financial markets, a terrorist attack, natural disaster, pandemic, conflict or social unrest, higher or volatile fuel prices or a weak local currency may increase the adverse impact on our lessees.

We derive our lease income mainly from lessees based in both the China region and overseas. Recovery of the aviation industry and the general economy as a whole is likely to be gradual and uneven, with timing uncertain. The trade friction involving major economies such as the United States, the EU and China, the slowdown of global or local economic growth, freight and passenger traffic growth rates within the Asia Pacific region and between the Asia Pacific region and other regions could adversely impact aircraft demand, or oversupply of aircraft in the region could adversely impact lease rates and our ability to lease and release our aircraft.

We are subject to operational risks and risks relating to our information technology systems, including cyber security risks and use of new emerging technologies.

We are subject to operational risks such as internal and external fraud, risks related to customers, products and business activities, execution risks, closing and process management risks, employment system and workplace safety, damage to physical assets and risks related to information technology systems.

We have established a series of policies and procedures to identify, assess, monitor, manage and report operational risks. Operational failures may cause losses to us if these measures are not put in place effectively or do not adequately cover all aspects of our operations.

We depend on our information technology systems to process accurately a large number of transactions on a timely basis and to store and process most of our data regarding our business and operations, which include our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our various branch outlets and our main data processing centre. We have adopted a number of technical measures and management initiatives to ensure the secure and reliable operation of our information systems. We have also proactively developed information security protection initiatives. However, if a portion or all of our information technology systems malfunction due to any defect in software or hardware or any deficiency in our information security protection, or we fail to effectively improve or upgrade our information technology systems on a timely basis, our business, financial condition and results of operations could be materially and adversely affected.

In addition, given the complicated and changing external situation and the new challenges brought by technological innovation, we treat cyber security as a critical component of our information security protection. In 2024, we actively responded to the complicated and changing international situation, emerging challenges in financial cyber security and dramatic technological transformation, adhered to the production safety measures, and made production, operation and maintenance more intelligent. We deepened the cyber security defense system building, and continuously strengthened the data security management capability to inject strong momentum into digital transformation. Despite the implementation of robust cyber security defences, our information technology systems may still be vulnerable to security breaches caused by unauthorised access to information or systems, intentional destruction or loss or corruption of data, software, hardware or other computer equipment, or any cyber-attacks. There can be no assurance that our existing information security measures will prevent unforeseeable security loopholes, including break-ins and viruses, ransomware attacks or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent our information security measures could use ours or our clients' confidential information illegally and forcibly take control of our system to disrupt our normal business

operations and assessments. Any material security loopholes or other disruptions could expose us to risks of financial loss or regulatory actions, which may in turn harm our reputation or results of operations.

The operation of aircraft is subject to environmental laws and regulations, and other environmental concerns which may in turn adversely affect our business.

Concerns regarding global warming and the environment generally have resulted in many countries and supra-national organizations enacting legislation to impose stricter limits on emissions of carbon dioxide, carbon monoxide and nitrogen oxide from aircraft and their engines. Examples of such limits include the Emissions Trading System ("**EU ETS**") or the UK Emissions Trading System ("**UK-ETS**"), requiring aircraft operators to purchase and surrender a number of emission certificates equal to carbon dioxide equivalent emissions caused by flights every year, and resolution for the Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**") as agreed by the International Civil Aviation Organization ("**ICAO**") General Assembly.

The inclusion of aviation within the EU ETS, the UK-ETS or any other supra-national global market-based mechanisms or other regulations concerning aircraft or aviation emissions and the costs related to airlines' compliance with environmental regulation in other jurisdictions will likely continue to result in higher ticket prices, resultant lower demand, and lower airline profitability, which may have an adverse impact on the financial condition of airlines and their ability to make lease payments, and/or reduce the sales proceeds received by us upon disposition of any aircraft. While the airline is primarily responsible for these charges, in the event of the insolvency of the airline, a lien affecting a leased aircraft could require the lessor to settle unpaid charges in order to recover possession of the leased aircraft following an airline default. Regarding the EU ETS, the lessor may also be the directly responsible party for the requirements of the EU ETS as an owner of the aircraft, in cases the operator may not be identifiable.

The risks associated with the participation in the various emissions trading schemes can be expected to further increase over the short- and medium term. For example, the EU has already announced plans to introduce stricter rules for the EU ETS, including for the aviation sector, including elevating the target of emissions reductions. These changes will likely lead to a further increase of costs for emissions certificates over the short- to medium term, prices for which have already multiplied in a disproportionate manner since the end of the year 2020.

Such initiatives may also impact the global market for certain aircraft. Compliance with current or future regulations, taxes, duties or levies could cause our airline customers to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel, lower aircraft residual values and adverse impacts on the financial condition of our airline customers and/or could render certain aircraft types less popular which could in turn adversely impact our ability to lease our owned aircraft at all or at favourable rates.

In addition, the airline industry has come under increased scrutiny by the press, the public and investors regarding the environmental impact of air travel. If such scrutiny results in reduced air travel, it may negatively affect demand for our aircraft and lessees' ability to make lease payments and reduce the value we receive for our aircraft upon any disposition. Further, increased focus on the environmental impact of air travel has led to the emergence of numerous sustainability initiatives, including the development of sustainable aviation fuel, and electric and hydrogen powered aircraft. While these sustainability initiatives are in the early stages of development, if alternative aircraft technology develops to the point of commercial viability and becomes widely accepted, we may not be able to adjust our orderbook in a timely manner and could be required to incur increased costs and significant capital investments to transition to such technology.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Bonds.

If our airline customers encounter financial difficulties and we decide to restructure our aircraft lease agreements or repossess our aircraft, it would likely result in less favourable terms.

If an airline customer fails to make payments in full or in part under a lease or has advised us that it will fail to make payments in full or in part under a lease in the future, we may elect or be required to restructure the lease, which could result in less favourable terms, or repossess the aircraft and terminate the lease without receiving all or any of the past due amounts. If we are not able to release a repossessed aircraft promptly at favourable rates, our business, operating results, and financial condition could be adversely affected.

Provision for impairment loss on finance lease receivables and operating lease receivables may not be adequate, and we may need to increase our provisions for impaired receivables.

Under the HKFRS 9, the recognition of impairment provision shall be based on expected credit losses rather than incurred actual credit losses as required by the previous standards. The amount of provision for impairment loss is determined on the basis of the HKFRS, and our accounting policies and our accounting judgements and estimates with reference to a number of factors, such as the creditworthiness of our airline customers, economic conditions and trends, write-off experience, delinquencies and the value of underlying collateral and guarantees. Applying this approach and in view of the economic conditions, the operation of airlines, the collection history of the receivables due from our airline customers and the impact of the COVID-19 pandemic, we made provisions for impairment loss of HK$18.5 million as at 31 December 2024 (2022: HK$11.8 million and 2023: HK$6.9 million) for our finance lease receivables and HK$153.0 million as at 31 December 2024 (2022: HK$187.5 million and 2023: HK$203.6 million) for our operating lease receivables. The expected credit losses allowance made as at 31 December 2024 represents around 0.2% of our finance lease receivables and 40.6% of our operating lease receivables as at 31 December 2024. As our provision under the HKFRS, and our accounting policies requires significant judgement and estimation, it may not be adequate to cover credit loss realised in our future business operations. The provision, if made, may be inadequate if adverse changes occur in the PRC economy or other economies in which we operate or if other events adversely affect specific customers or markets, resulting in lease restructuring with or bankruptcy of our airline customers. Under such circumstances, we may need to make additional provision, on our finance lease or operating lease receivables, which could materially and adversely affect our operating results, and financial condition.

The market value of our aircraft and the market rates for aircraft leases could fluctuate from time to time.

The aircraft market value and the market rates for aircraft leases experience significant fluctuations due to a number of factors outside our control, including, but without limitation to, increases in the interest rates and the fuel prices and decrease in the air traffic demand. Our long-term aircraft leases place on us the risk of realisation of the residual value of our aircraft at the time of re-marketing. We may also encounter aircraft market value risk if we need to implement our contingency plan by transferring the aircraft delivery slot of an aircraft committed to be purchased and delivered to us to any third party. In addition to the factors relevant to or affecting the airline industry generally, many other factors may affect the market value of the aircraft that we acquire and the market rates for leases, including, but without limitation to:

- the condition of the aircraft maintained by our lessees;
- the maintenance, operating history and documentary records of the aircraft;
- the age of the aircraft;
- the number of airlines using that type of aircraft and its compatibility in terms of specifications and configurations;

- the regulatory authority under which the aircraft is operated;
- the regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or released;
- the market value of comparable aircraft; and
- the cost and the availability of spare parts.

A high concentration of a particular model of aircraft may expose us to the risks on any change in the market demand or any problems or grounding orders specific to that aircraft model.

As at 31 December 2024, 122 out of the 159 aircraft we own were Airbus A320 family aircraft, 12 were Airbus A330 family aircraft and 21 were Boeing B737 family aircraft, one was Boeing B787 family aircraft and three were COMAC C909 series aircraft. If we continue to have a high concentration of a particular type or model of aircraft, our business and operating results could be adversely affected if the market demand for that type or model of aircraft declines or if it is re-designed or replaced by its manufacturer because of new technology or other design or technological issues. In addition, if the aircraft models or models as part of our fleet encounter serious technological or other problems, resulting in grounding decisions by the aviation authorities, the market value and the lease rates of such aircraft may decline significantly. We may need to make provision for impairment on the market value of the aircraft. Our existing airline customers may also want to seek early termination of the existing aircraft lease agreements. We may not be able to release or re-market the aircraft on favourable terms, or at all. Furthermore, if there is any design or quality defects in our fleet, there may be delays or disruptions to our usual business operations. In any of these events, our operating results and financial condition could be materially and adversely affected.

As at 31 December 2024, the Group has also committed to purchase aircraft from Airbus and COMAC and these aircraft are scheduled for delivery in stages up to 2028. In the event that our existing purchase orders for all or some of the aircraft are cancelled or delayed, or our airline customers reject the delivery of such aircraft due to the grounding decision by the aviation authorities, we may be required to incur additional costs, resulting in potential loss or delayed revenues, and hence lower our revenue growth rates. Also, we cannot assure that we will be able to source replacement aircraft in time and/or continue to meet our aircraft delivery schedule, and this could adversely affect our business reputation and operating results. If there is any missed or delayed delivery of aircraft, we may not be able to meet our lease commitments with our airline customers and they may elect to terminate their lease arrangements with us. Any such termination could adversely affect our operating results and financial condition.

Our aircraft may not at all times be adequately insured either as a result of airline customers' failure to maintain sufficient insurance during the lease term or insurers' unwillingness to cover certain risks.

Although we do not control the operation of our leased aircraft under our leases, we could be exposed to the risk of loss of the value of the aircraft and the risk of liability for damages associated with the operation of the aircraft, including in connection with an aircraft accident. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, amongst other contingencies, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable.

There can be no assurance that the lessee's insurance, and any contingent insurance obtained by us, will be adequate or sufficient to cover all types of claims that may be asserted against us or adequate to cover the value of the relevant aircraft against loss or damage. Inadequate insurance coverage or default

by airline customers in fulfilling their indemnification or insurance obligations could reduce the proceeds that would be received by us in the event that we are sued and are required to make payments to claimants, which could have a material adverse effect on our operating results and financial condition.

We may not be able to compete effectively in the aircraft leasing industry in China or globally.

The aircraft leasing industry in China and globally is increasingly competitive. Some of our competitors in China and globally are significantly larger than us in terms of operational size, have a longer operating history, and have greater resources or lower cost of capital. Competition for a leasing transaction is based primarily upon the lease rates, delivery time, lease terms, management expertise, aircraft condition, specifications and configuration, and the availability of the types of aircraft necessary to meet the needs of the airline operators. In addition, some competing aircraft leasing companies in China and globally may have a lower overall cost of capital and may provide other value-adding services to potential airline customers that we may not be able to provide.

In addition to the competition for leasing transactions, we may also encounter competition in aircraft acquisition from airlines, aircraft brokers, other aircraft leasing companies, and other investors interested in the airline industry in China and globally. The increasing competition may affect the price of the aircraft and the delivery schedule, particularly in light of the fact that the aircraft manufacturing industry is dominated by two to three aircraft manufacturers globally. In any of these events, our profitability could be adversely affected and our aircraft delivery schedule may need to be extended which could affect our business reputation and operating results.

We may not be able to execute our growth strategies and expansion plans and our growth prospects may be limited.

Our growth strategies are based on our existing plans in light of prevailing market conditions and possible industry developments, and are subject to inherent risks and uncertainties at different development stages. The formation of our growth strategies is based on assumptions of future events which include, but without limitation to, no material changes in existing political, legal, fiscal, foreign trade or economic conditions in China, no material change in technology and in our business relationships between our airline customers and financing source. These assumptions may not be correct, which could affect the commercial viability of our growth strategies. In such event, we may need to adjust our strategies in response to the changing market conditions.

As of 31 December 2024, 124 aircraft were committed to be purchased by us. We cannot assure you that we will be able to successfully lease out the aircraft in the future. In addition, failure to effectively manage our business growth may lead to increased costs, reduced competitiveness and decreased profitability for us. This could adversely affect our operating results and financial condition.

Our strategy of positioning ourselves as a full life-cycle aircraft solutions provider may not be successfully implemented.

As part of our business development plan as a one-stop aircraft full life-cycle solutions provider, we have also tapped into the emerging opportunities in the aircraft recycling market, aircraft component disassembly and used parts trading, in addition to our existing aircraft leasing business, to provide more value-added services. For further details, see "*Description of the Group – Our Growth Strategies – Continue our development as a full life-cycle aircraft solutions provider*".

Pursuing the above business development plans involves inherent business risks, such as making incorrect estimation on the level of demand for aircraft recycling, aircraft component disassembly and used parts trading services in China and globally. Our expertise and experience in the existing aircraft leasing business may not be relevant to the business involving aircraft recycling, aircraft component disassembly and used parts trading. In addition, the existing global market participants of the aircraft recycling market may have competitive advantages over us, and our limited experience in the aircraft

recycling, aircraft component disassembly and used parts trading business may result in our aircraft recycling, aircraft component disassembly and used parts trading business being less attractive to our target customers and hence, less revenue generated to us. Furthermore, our aircraft recycling, aircraft component disassembly and used parts trading business in PRC is subjected to local rules, policies, and regulations.

While we have expanded our provision of the aviation aftermarket services, we cannot assure you that any of the above plans will be successfully implemented. The successful implementation of these plans will involve additional cost and uncertainties. If for any reason any of these plans cannot be implemented or that it does not achieve the planned outcome, our business or financial condition could be adversely affected.

There are a limited number of aircraft manufacturers and the failure of any manufacturer to meet its delivery obligations to us could adversely affect our business and operating results.

The aircraft leasing and sales industry is cyclical and experiences periods of oversupply and undersupply. The supply of passenger aircraft is presently dominated by two to three airframe manufacturers, namely Airbus, Boeing and COMAC, a limited number of engine manufacturers, and a larger number of suppliers of avionics, interiors, spares and other equipment fitted to the aircraft. The manufacturers' ability to remain financially viable and produce aircraft and related components that meet airlines' requirements would have an impact on us.

Should the airline manufacturers fail to respond appropriately to changes in the market environment or fail to fulfil any contractual obligations they might have to us, we may experience:

- an adverse impact on demand for leased aircraft, market lease rates and aircraft values resulting from oversupply or undersupply of aircraft due to changes in production rates of the manufacturers;

- missed or delayed delivery of aircraft and a potential inability to meet our contractual obligations owed to any of our then lessees, resulting in potential lost or delayed revenues, lower revenue growth rates and strained lessee relationships; and/or

- an inability to acquire aircraft and/or components which could affect the demand, market lease rates, residual values for certain aircraft and/or our ability to lease those aircraft.

If there are delays in delivering aircraft for which we have made future lease commitments, our airline customers may elect to terminate their lease arrangements with us. Any such termination could strain our relations with those airline customers in the future and adversely affect our operating results and financial condition.

New aircraft models could reduce the demand for our aircraft.

As aircraft manufacturers continue to introduce technological innovations and new models of aircraft with improved fuel efficiency, some of the aircraft in our fleet could become less desirable to potential airline customers. Such technological innovations may accelerate the rate of obsolescence of our fleet of aircraft. In addition, new aircraft manufacturers, such as COMAC in China, may in the future produce aircraft that compete with current offerings from Airbus and Boeing.

The imposition of increasingly stringent noise or emissions restrictions may make some of our aircraft less desirable and less valuable in the secondary aircraft market. Any of these risks could adversely affect our ability to lease or sell our aircraft on favourable terms, if at all, which could have a material adverse effect on our business, financial condition, and operating results. The introduction of new aircraft models could also materially and adversely affect the market value of our fleet.

The loss of key personnel could adversely affect our reputation and relationships with lessees, manufacturers, buyers and financiers of aircraft, which are a critical element to the success of our performance.

Our business operations and performance depend, in part, upon the continued service and performance of certain key staff members. These key personnel may leave us in the future to join other employers, including our competitors, or retire. The loss of any of these individuals could have a material adverse effect on our business, financial condition and results of operations.

Our failure to obtain, renew, or retain certain required licences and approvals or failure to comply with applicable laws and regulations could adversely affect our business and operating results.

China Asset Leasing Company Limited (中飛租融資租賃有限公司) ("**CALC (Tianjin)**"), China Aircraft Leasing Company Limited (Shanghai) (中永順融資租賃(上海)有限公司) and its subsidiaries in China, which are SPCs, are subject to a number of regulations under the PRC laws. For instance, the business scope set forth in the business licences of the SPCs in China is required to include leasing business in order to conduct leasing business in China. Besides, our SPCs in China have to obtain the tax registration certificate, the foreign exchange certificate and the organisation code certificate. If for whatever reason we are not able to obtain or renew any of these licences or certificates, our operating results could be adversely affected.

In addition, our airline customers are subject to extensive regulations under the laws of the jurisdictions in which they are registered and in which they operate. As a result, certain aspects of our aircraft lease agreements will require licences, consents or approvals, including consents from governmental or regulatory authorities for certain payments under our leases and for the import, export or deregistration of the aircraft. Subsequent changes in the applicable law or administrative practices may increase the risk that such requirements and governmental consent, once given, could be withdrawn. Any of these events could adversely affect our ability to release or sell aircraft, which would materially and adversely affect our business and operating results.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by employees (such as unauthorised business transactions and breaches of our internal policies and procedures) or third-parties (such as breach of law) may be difficult to detect and prevent and could subject us to financial loss, sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems, and internal control procedures are designed to monitor our operations and overall compliance. However, we may not be able to identify non-compliance matters in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. Hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This could have a material adverse effect on our business reputation, operating results, and financial condition.

Changes in tax regimes globally may impact the Group's effective rate of tax in future periods.

The Group's effective tax rate in any period is impacted by the source and the amount of earnings among its different tax jurisdictions, including the PRC, Ireland and Hong Kong, etc. A change in the division of its earnings among its tax jurisdictions could have a material impact on the Group's effective tax rate and its financial results. In addition, the Guarantor or its subsidiaries may be subject to additional income or other taxes in these and other jurisdictions by reason of the management and control of its subsidiaries, its activities and operations, where its aircraft operate, where the lessees of its aircraft (or others in possession of its aircraft) are located or changes in tax laws, regulations or accounting principles. The imposition of such taxes on the Group could have a material adverse effect on its financial condition and results of operations.

The Organisation for Economic Cooperation and Development ("**OECD**") has undertaken the Base Erosion and Profit Shifting ("**BEPS**") project with the aim of addressing perceived flaws in international tax rules by recommending that OECD member states change domestic tax laws and introducing additional or amended provisions in double taxation treaties. It is the responsibility of OECD members to consider how the BEPS recommendations should be reflected in their national legislation. Several areas of tax law on which BEPS focuses are potentially relevant to our ability to efficiently realize and/or repatriate income and capital gains from the jurisdictions in which they arise. Depending on the extent to and manner in which relevant jurisdictions implement changes in those areas of tax law, our ability to do those things may be adversely impacted.

In response to the BEPS recommendations, certain jurisdictions have taken steps to change their tax legislation, tax treaties, and guidelines on tax interpretation including the application of tax treaty benefits to payments made to foreign companies. OECD also continues to develop further BEPS recommendations which are being released on an ongoing basis, including the proposed global minimum corporate tax rules which are intended to subject specified income of large multinational enterprises to a minimum corporate tax rate of at least 15%. As such, there are likely to be further significant changes in the tax legislation of the various OECD as well as non-OECD jurisdictions during the period of implementation of BEPS, and it is not clear precisely how such changes may ultimately impact us. It is possible that the implementation of BEPS in specific jurisdictions may have negative implications for us, including the proposed minimum corporate tax rules, the proposed transfer pricing rules, changes to the permanent establishment definition in tax treaties which in turn may expose us to foreign taxes on lease rental payments from airline customers, and the potential for a reduction in the tax deductibility of debt interest.

We may not be able to meet our targets for ESG or corporate social responsibility.

We have comprehensively and consistently implemented the new development philosophy of "green aviation", while taking full advantage of the aircraft full-value-chain business model, so as to expedite our corporate capacity in "environmental, social and governance" ("**ESG**") management. With the focus on the new industrial trend against the backdrop of "green aviation", we invested in the most popular new-generation aircraft with the world-class fuel efficiency, which help airlines optimise their fleet structure and improve the levels of energy savings and emission reduction. Meanwhile, counting on the two major fully-licensed domestic and overseas aircraft recycling facilities, we proactively optimised its industry chain deployment and initiated business innovation in the field of low-carbon and circular economy, which provided global customers with one-stop green solution with a fleet of higher quality, and further strengthened our empowerment and stimulation to the sustainable development of global aviation industry.

We attached high importance to our ESG efforts and made proactive exploration and innovation. CALC (Tianjin) under the Group has successfully issued the first low-carbon transition bond among the domestic aviation industry and aircraft operational leasing industry, which were oversubscribed, as a step to practice the philosophy of green finance and contribute to the construction of domestic civil aviation development system of green, recycled and low-carbon nature. Over the past years we have been awarded with various honours, which symbolised the continuous market recognitions to its ESG practices.

However, there can be no assurance that we will always be able to meet our ESG or Corporate Social Responsibility ("**CSR**") goals. External factors, such as market and macro-economic movements may have an impact on our ability to maintain compliance with our ESG policies or to achieve our ESG or CSR goals. Our failure to meet our ESG or CSR goals may adversely affect our reputation, business, financial condition and results of operations and, in particular, could create legal and reputational risks.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Economic, political and social conditions in the PRC and government policies could affect our business and prospects.

A meaningful proportion of our operating income is derived from our operations in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified, or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not benefit from some of these measures and there can be no assurance that the PRC government will continue to pursue these measures.

The PRC government has the power to implement macroeconomic measures affecting the PRC economy. For example, to mitigate the negative impact of the global financial crisis and economic downturn in 2008, the PRC government implemented a series of macroeconomic measures and a moderately loose monetary policy between September 2008 to the end of 2009, which included announcing an RMB4.0 trillion economic stimulus package and reducing benchmark interest rates. In 2010 and 2011, the PRC government introduced a number of monetary tightening measures to cool down the overheated real estate markets and increasing inflation in the PRC. Since 2012, the People's Bank of China (中國人民銀行) (the "**PBOC**") announced several decreases in benchmark interest rates for general lending and the deposit reserve ratio for commercial banks in the PRC. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Any further increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including us, by commercial banks in the PRC, which may limit our flexibility and ability to use bank loans or other forms of financing to finance our aircraft acquisitions and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The PRC government may also change its existing measures and policies, such as government grants to support the development of aircraft leasing industry currently received by the Group for its business in Tianjin and Shanghai. For the years ended 31 December 2022, 2023 and 2024, our other operating income from government grants are HK$212.0 million, HK$171.8 million and HK$316.2 million, respectively. In the event that the PRC government no longer provides such grants due to any changes in its existing measures and policies, our operating income will be adversely affected.

The PRC legal system is evolving and may have uncertainties that could limit the legal protection available to or against us.

We are generally subject to laws and regulations of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to market participants in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always clear and enforcement of these laws, regulations and rules may involve uncertainties, and may not be as consistent or predictable as in other more developed jurisdictions. These uncertainties may impede the ability to enforce the contracts we have entered into with our investors, creditors, customers, suppliers and business partners. We cannot predict the effect of future developments in the PRC legal system or the integration of such developments under the legal systems of the jurisdictions including Hong Kong, the jurisdiction of the governing law of the Bonds, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. These uncertainties may limit legal protections available to or against us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

It may be difficult to effect service of process upon, or to enforce against, the Issuer, the Guarantor or their respective directors or members of the Issuer's or the Guarantor's senior management who reside in the PRC in connection with judgments obtained in non PRC courts.

Most of our assets and our members are located in the PRC. In addition, most of the assets of the Issuer's and the Guarantor's directors and the members of the Issuer's and the Guarantor's senior management may be located within the PRC. Therefore, it may not be possible for investors to effect service of process upon or to enforce any judgement obtained from outside the PRC against, the Issuer, the Guarantor or their respective directors or members of the Issuer's or the Guarantor's senior management inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Choice of Court Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for resolving the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Issuer or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement took effect on 29 January 2024, and applies to judgments made by the courts of Hong Kong and the PRC. Upon

commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019 Agreement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The enforcement of the New Labour Contract Law and other labour-related regulations in the PRC may adversely affect our business and results of operations.

On 28 December 2012, the PRC government enacted a new labour law, namely, the New Labour Contract Law of the PRC (the "**New Labour Contract Law**"), which became effective on 1 July 2013. The New Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the New Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts. The employer must also pay compensation to employees if the employer terminates an unlimited term labour contract. Unless an employee refuses to extend the labour contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these protective labour measures or any additional future measures, our labour costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

Higher labour costs and inflation in the PRC may adversely affect our profitability.

Labour costs in the PRC have risen in recent years as a result of the enactment of new labour laws and social development. Rising labour costs and inflation may increase our operating costs and partially erode the cost advantage of our PRC-based operations and therefore negatively impact our profitability.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The Issuer is a special purpose financing entity with no operation of its own. Its ability to make payments under the Bonds will depend on timely payments under on-lent loans of the proceeds from the issue of the Bonds.

The Issuer is a special purpose vehicle used for the purpose of raising funds through issuances of bonds and will use the net proceeds from the issuances to on-lend to the Guarantor and/or its subsidiaries or associates. As such, the Issuer has limited assets as recourse for Bondholders. The Issuer does not and will not have any business activities other than raising indebtedness, and its ability to make payments under the Bonds will depend on its receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor will depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations under the Guarantee. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. There can be no assurance that the Guarantor's subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. In particular, the Guarantor does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments under the Guarantee. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Guarantee.

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

The Bonds and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries (other than the Issuer), and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds and the Guarantee will be structurally subordinated to any existing and future debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries (other than the Issuer), whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor is a creditor of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Bonds and the Guarantee are the Issuer's or the Guarantor's (as the case may be) unsecured obligations and will (i) rank at least equally in right of payment with all the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's or the Guarantor's (as the case may be) present and future subordinated obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will take priority with respect to those assets. In the event of the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Guarantee only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (other than a proposed modification related to the subject of certain reserved matters) of the Terms and Conditions of the Bonds or any provisions of the Trust Deed or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and (ii) any modification of the Terms and Conditions of the Bonds or any provisions of the Trust Deed or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any breach or proposed breach of the Terms and Conditions of the Bonds or any provisions of the Trust Deed or the Agency Agreement if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange, such listing can give no assurance as to the liquidity of, or trading market for, the Bonds. The Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is investors' obligation to ensure that offers and sales of the Bonds within any countries comply with applicable securities laws. Please see "*Subscription and Sale*". Neither the Issuer nor the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

The Bonds may be redeemed by the Issuer prior to maturity.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds), as further described in Condition 6(b) of the Terms and Conditions of the Bonds.

If the Issuer redeems the Bonds prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, as applicable, there could be a default under the terms of these agreements, or the Bonds, as applicable, which could cause repayment of the debt of the Guarantor or any of its subsidiaries to be accelerated.

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of those debt agreements and the Bonds contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of not only such but other debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of the Guarantor or any of its subsidiaries to repay in full all of their respective indebtedness, or that it would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor and its subsidiaries.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in government regulations and any adverse change in the results of operations could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Developments in the international financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009 and in more recent times, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Changes in interest rates may adversely affect the value of the Bonds.

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

Investment in the Bonds is subject to exchange rate risks.

The Bonds are denominated and payable in U.S. dollars. If a Bondholder measures its investment returns by reference to a currency other than U.S. dollars, an investment in the Bonds entails foreign exchange related risks, including changes in the value of U.S. dollars relative to the currency by reference to which an investor measures its investment returns, such risks arising from, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for Bondholders as a result of any foreign currency gains resulting from any investment in the Bonds.

The Issuer or the Guarantor may not be able to redeem the Bonds upon the due date for redemption thereof.

Following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Holder's Bonds at 101 per cent. of their principal amount, together with accrued interest. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There can be also no assurance that the Guarantor would have sufficient liquidity at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Guarantor's or our other indebtedness.

A change in English law which governs the Bonds may adversely affect holders of the Bonds.

The Terms and Conditions of the Bonds are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change of English law or administrative practice after the date of issue of the Bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There can also be no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken. Under the Choice of Court Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Bondholders' ability to initiate a claim outside Hong Kong will be limited.

Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the Mainland for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant People's Court of the Mainland consider that the enforcement of such judgment is contrary to the basic principles of law of the Mainland or the social and public interests of the Mainland. While it is expected that the relevant People's Courts of the Mainland will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that such courts will do so for all such judgments as there is no established practice in this area.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and the taking of any such steps and/or actions and/or the instituting of any such proceedings pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any such steps and/or actions and/or institutes any such proceedings on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take any such steps and/or actions and/or institutes any such proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Trust Deed contains provisions for convening meetings of holders of the Bonds to consider any matters affecting their interests. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of the holders of the Bonds may be adverse to the interests of the individuals.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 29 December 2018 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will perhaps apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

The insolvency laws of the British Virgin Islands and the Cayman Islands and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar. As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the Cayman Islands, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or Cayman Islands' insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Bonds the Issuer is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC, or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 11 August 2025.

A tax for withholding may be payable under the United States Foreign Account Tax Compliance Act ("FATCA") if an investor or custodian of the Bonds is unable to receive payments free of withholding.

Whilst the Bonds are in global form and held within the Clearing Systems, in all likely circumstances, it is not expected that FATCA, as currently implemented, will affect the amount of any payment received by the Clearing Systems on the Bonds (see "*Taxation – FATCA*"). However, FATCA may affect payments (including payments of principal, interest and any premium on Bonds and sales proceeds from Bonds) made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to, among others any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The obligations of the Issuer and the Guarantor under the Bonds or the Guarantee, as the case may be, are discharged once the Issuer or the Guarantor has made payments to, or to the order of, the common depositary for the Clearing Systems (as registered holder of the Bonds) and the Issuer and Guarantor have therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries. Further, while foreign financial institutions in a jurisdiction which has entered into a "Model 1" inter-governmental agreement with the United States (an "**IGA**") may generally not be expected to be required to withhold under current FATCA rules or an IGA (or any law implementing an IGA) from payments they make, there can be no assurances that FATCA withholding would not affect the payments received by an investor in respect of the Bonds. In the event that Bonds were to become issued in definitive form, additional FATCA considerations may apply. Furthermore, it is possible that the United States may subsequently introduce additional rules relating to FATCA that affect withholding, including with respect to "foreign passthrough payments". Prospective investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them and their investment in, and acquisition and sale of, Bonds.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The Issuer may issue additional securities in the future.

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds. The issue of any such debt securities may also reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

The Issuer and/or the Guarantor may be required to comply with PRC filing and registration requirements with respect to the Bonds in the future.

The National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會) (the "**NDRC**") issued the Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法) (國家發展和改革委員會令第56號) on 5 January 2023 and which came into effect on 10 February 2023 (the "**NDRC Administrative Measures**"). According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any foreign debt securities with a term not less than one year issued with the NDRC prior to the issue of the securities, and report the particulars of the relevant issues within the timeframe prescribed by the NDRC after the completion of the relevant issue, and to comply with the continuing obligations under the NDRC Administrative Measures. To the extent there is any requirement to register or make any filing with respect to the Bonds, the Issuer and/or the Guarantor have undertaken in the Trust Deed to duly and punctually comply with or procure that there is compliance with all filing, registration, reporting and similar requirements required in accordance with applicable law and regulations from time to time, including any PRC regulatory requirement, relating to the Bonds.

The Guarantor's corporate ratings may be downgraded or withdrawn in the future.

The Guarantor received a corporate rating of an investment-grade international rating of "Ag-" with a stable outlook from China Chengxin. The Bonds and the Guarantee have not been rated. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawn at any time. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. The Issuer or the Guarantor is not obliged to inform Bondholders of any such revision, downgrade or withdrawal. Each rating should be evaluated independently of any other securities of the Issuer or the Guarantor. A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Guarantor may adversely affect the market price of the Bonds.

USE OF PROCEEDS

The gross proceeds of the issue of the Bonds are estimated to be U.S.$160.0 million before deducting underwriting commission and expenses in relation to the offering. The net proceeds will be on-lent to the Guarantor for aircraft acquisitions, business expansion in aircraft and related business and general corporate purposes.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets out the Guarantor's consolidated capitalisation and indebtedness as at 31 December 2024 and as adjusted to give effect to the issuance of the Bonds. For additional information, see the Audited Consolidated Financial Statements and related notes thereto included elsewhere in this Offering Circular.

This table should be read in conjunction with the Audited Consolidated Financial Statements and related notes thereto included elsewhere in this Offering Circular. Except as disclosed in this Offering Circular as well as (i) the issuance of 5-year corporate bonds of RMB1.5 billion with coupon rate of 2.38% per annum by CALC (Tianjin), the Guarantor's onshore subsidiary, in February 2025; (ii) the upsize of our warehouse facilities from US$400 million to US$700 million in March 2025; and (iii) the issuance of perpetual medium-term notes of RMB500 million with coupon rate of 2.48% per annum by CALC (Tianjin) in April 2025, there has been no material adverse change to the capitalisation or indebtedness of the Guarantor since 31 December 2024.

	As at 31 December 2024			
	Actual		As adjusted	
	(HK$ million) *(Audited)*	*(U.S.$ million)*[1] *(Unaudited)*	*(HK$ million)* *(Unaudited)*	*(U.S.$ million)*[1] *(Unaudited)*
Interest-bearing debts – current portion				
Borrowings	12,732.7	1,639.2	12,732.7	1,639.2
Medium-term notes	10.5	1.4	10.5	1.4
Bonds and debentures	1,542.9	198.6	1,542.9	198.6
	14,286.1	1,839.2	14,286.1	1,839.2
Interest-bearing debts – non-current portion				
Borrowings	30,313.5	3,902.5	30,313.5	3,902.5
Medium-term notes	1,589.2	204.6	1,589.2	204.6
Bonds and debentures	2,387.8	307.4	2,387.8	307.4
Bonds to be issued[2]	–	–	1,242.8	160.0
	34,290.5	4,414.5	35,533.3	4,574.5
Total equity	5,328.2	685.9	5,328.2	685.9
Total capitalisation[3]	53,904.8	6,939.6	55,147.6	7,099.6

Notes:

(1) Translation of Hong Kong dollar amount to U.S. dollar amount were made at a rate of HK$7.7677 to U.S.$1.00, the noon buying rate in effect on 31 December 2024 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States.

(2) Representing the aggregate principal amount of the relevant series of Bonds to be issued, without taking into account and before deduction of any fees, commission or expenses.

(3) Total capitalisation comprises current and non-current interest-bearing debts and total equity.

(4) There may be a slightly discrepancy between the sum of individual items and the total as shown in the tables owing to rounding.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to the modification and other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates representing the Bonds:

The issue of the U.S.$160,000,000 6.0 per cent. guaranteed bonds due 2028 (the "**Bonds**" which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and to be consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of CALC Bonds Limited (the "**Issuer**") passed on 31 July 2025. The Bonds are constituted by a trust deed dated 14 August 2025 (the "**Trust Deed**") between the Issuer, China Aircraft Leasing Group Holdings Limited (the "**Guarantor**") and CNCBI Trustee Limited (the "**Trustee**", which expression shall include its successor(s) and all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. The Bonds are the subject of an agency agreement dated 14 August 2025 (the "**Agency Agreement**") between the Issuer, the Guarantor, the Trustee, China CITIC Bank International Limited as initial principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds and, together with any other paying agents appointed under the Agency Agreement, the "**Paying Agents**"), as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (the "**Transfer Agent**", which expression shall include any successor transfer agent appointed from time to time in connection with the Bonds) and any other agents named in it. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds.

The giving of the Guarantee (as defined in Condition 3(a)) was authorised by a resolution of the board of directors of the Guarantor passed on 17 December 2024. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of all those provisions applicable to them of the Agency Agreement. The statements in these Conditions (as defined below) include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available (i) for inspection by the Bondholders at all reasonable times during usual business hours (being between 9:00 am to 3:00 pm (Hong Kong time) from Monday to Friday (other than public holidays)) at the principal office of the Trustee (being at the Issue Date at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) and at the specified office for the time being of the Principal Paying Agent, and (ii) electronically to a requesting Bondholder, in each case upon prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1. FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1, 000 in excess thereof (the "**Authorised Denomination**").

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Forms".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2. TRANSFERS OF BONDS AND DELIVERY OF NEW CERTIFICATES

(a) Transfer

A holding of Bonds may, subject to the Agency Agreement and Conditions 2(d) and 2(e), be transferred in whole or in part in the Authorised Denomination upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent (as the case may be) may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding (which must be in an Authorised Denomination) not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

Transfers of interests in the Bonds represented by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

(b) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five business days of receipt by the Registrar or the Transfer Agent, as the case may be, of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In these Conditions, "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar, as the case may be.

(c) Transfer or Exercise Free of Charge

Transfer of the Bonds and Certificates shall be effected without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax or other governmental charges that may be levied or imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Agent being satisfied that the Regulations have been complied with.

(d) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Change of Control Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).

(e) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement (the "**Regulations**"). Each of the Issuer and the Registrar may by agreement change the Regulations from time to time, with the prior written approval of the Trustee or by the Trustee with the prior written approval of the Registrar. A copy of the current Regulations will be made available for inspection at all reasonable times during normal business hours (between 9:00 am to 3:00 pm (Hong Kong time) from Monday to Friday (other than public holidays)) upon prior written request and proof of holding to the satisfaction of the Registrar at the specified office of the Registrar.

3. GUARANTEE AND STATUS

(a) ***Guarantee:*** The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed (the "**Guarantee**") the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect are contained in the Trust Deed.

(b) ***Status of the Bonds and the Guarantee:*** The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and the obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively.

4. NEGATIVE PLEDGE AND OTHER COVENANTS

(a) Negative Pledge

So long as any Bond remains outstanding, neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of the Principal Subsidiaries will, create or permit to subsist any Security Interest (save for any Permitted Security Interest) upon any of its present or future undertakings, assets or revenues (including uncalled capital) to secure the repayment of, or any guarantee or indemnity in respect of, any Public External Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Public External Indebtedness, guarantee or indemnity or (ii) such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) Issuer's Activities

The Issuer undertakes that it will not, and the Guarantor shall procure that the Issuer will not, so long as any Bond remains outstanding, carry on any business activity whatsoever other than in connection with the issue of bonds and/or notes and any other activities in connection with or incidental thereto (such activities shall, for the avoidance of doubt, include (i) the establishment and maintenance of medium term note programme, (ii) the offering, sale or issuance of bonds and/or notes, and (iii) the on-lending of the proceeds of the issue of bonds and/or notes to the Guarantor or any other Subsidiaries of the Guarantor).

(c) Information Rights

In the case of the Guarantor, furnish the Trustee with (i) copies of the Guarantor Audited Financial Reports in English as soon as they are available, but in any event within 120 days after the end of each Relevant Period and (ii) copies of the Guarantor Unaudited Financial Reports in English as soon as they are available, but in any event within 90 days after the end of each Relevant Period; provided that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor shall furnish the Trustee, as soon as they are available but in any event not more than 14 days after any financial or other reports of the Guarantor are made publicly available, true and correct electronic copies of any published financial or other report in English filed with such stock exchange in lieu of the reports identified in (i) and (ii) above.

The Trustee shall not be required to review the Guarantor Audited Financial Reports, the Guarantor Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 4(c) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

Under the Trust Deed, so long as any Bond remains outstanding, the Issuer and Guarantor are obliged to furnish the Trustee with a Compliance Certificate (on which the Trustee may rely as to such compliance) (A) within 14 days after the Guarantor Audited Financial Reports or the Guarantor Unaudited Financial Reports, as the case may be, are made publicly available; and (B) within 14 days of any written request by the Trustee.

(d) Definitions:

In these Conditions:

"**Compliance Certificate**" means a certificate of the Issuer or the Guarantor (as the case may be) signed by any authorised signatory of the Issuer or the Guarantor (as the case may be) confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor (as the case may be), as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(i) no Event of Default (as defined in Condition 9) or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it;

(ii) each of the Issuer and the Guarantor has complied with all its obligations under the Trust Deed, the Agency Agreement and the Bonds or, if non-compliance has occurred, giving details of it; and

(iii) no Change of Control (as defined in Condition 6) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it;

"**Guarantor Audited Financial Reports**" means annual audited financial statements (on a consolidated basis) of the Guarantor, including a consolidated balance sheet, a consolidated statement of income, a consolidated statement of comprehensive income, a consolidated statement of changes in equity and a consolidated statement of cash flows, together with any statements, reports (including any auditors' reports) and notes attached to or intended to be read with any of them;

"**Guarantor Unaudited Financial Reports**" means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited financial statements (on a consolidated basis) of the Guarantor, including a consolidated balance sheet, a consolidated statement of income, a consolidated statement of comprehensive income, a consolidated statement of changes in equity and a consolidated statement of cash flows, together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, as prepared on a basis consistent with the Guarantor Audited Financial Reports;

"**Group**" means the Guarantor and its consolidated subsidiaries taken as a whole;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**National Export Credit Agency Guaranteed Capital Markets Instrument**" means any Public External Indebtedness issued by an entity (not being the Issuer, the Guarantor or a Principal Subsidiary) that is guaranteed by any National Export Credit Agency;

"**National Export Credit Agency**" means any of the Export-Import Bank of the United States or the Export Credits Guarantee Department of the U.K. or the Export Credit Guarantee Scheme of Germany or COFACE of France or any other agency of the government of any country that provides guarantees to support the financing of aircraft (or parts thereof) exported from that country;

"**Net Assets**" means total assets less total liabilities;

"**outstanding**" has the meaning ascribed to it in the Trust Deed;

"**Permitted Security Interest**" means:

(i) any Security Interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof or any substitute security created on such property or asset in connection with the refinancing of the indebtedness secured by the relevant property or asset (provided that the principal amount secured by any such security may not be increased without the approval by an Extraordinary Resolution of the Bondholders);

(ii) any lien arising by operation of law;

(iii) any Security Interest on any property or asset securing any Public External Indebtedness if (a) by the terms of such indebtedness it is expressly provided that recourse by the holders of such indebtedness is limited to the properties or assets of the issuer or, as the case may be, borrower of such Public External Indebtedness and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon and (b) such financing is not guaranteed by the Issuer, the Guarantor or any Principal Subsidiary; and

(iv) any Security Interest on any property or asset of the Issuer, the Guarantor or any Principal Subsidiary which is created pursuant to any securitisation (including, for the avoidance of doubt, securitisation in the form of rental realisation), repackaging or like arrangement in accordance with normal market practice;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfillment of any other requirement provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China (for the purposes hereof not including Hong Kong or the Macau Special Administrative Region of the People's Republic of China or Taiwan);

"**Principal Subsidiary**" means any Subsidiary of the Guarantor whose Net Assets, as shown by the consolidated accounts of such Subsidiary, based upon which the latest Guarantor Audited Financial Reports have been prepared, are at least 10.0 per cent. of the Net Assets of the Group as shown by such Guarantor Audited Financial Reports, provided that if any such Subsidiary (the "**Transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to the Guarantor or another Subsidiary of the Guarantor (the "**Transferee**") then (a) if the whole of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall thereupon cease to be a Principal Subsidiary and the Transferee (unless it is the Guarantor) shall thereupon become a Principal Subsidiary; and (b) if only a substantial part of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall remain a Principal Subsidiary and the Transferee (unless it is the Guarantor) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (a) above or which remains or becomes a Principal Subsidiary by virtue of (b) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of (i) the first Guarantor Audited Financial Reports prepared as at a date later than the date of the relevant transfer which show the Net Assets as shown by the consolidated accounts of such Subsidiary, based upon which such Guarantor Audited Financial Reports have been prepared, to be less than 10.0 per cent. of the Net Assets of the Group, as shown by such Guarantor Audited Financial Reports or (ii) a report by the Group's auditors dated on or after the date of the relevant transfer which shows the Net Assets of such Subsidiary on a consolidated basis to be less than 10.0 per cent. of the Net Assets of the Group. A certificate (on which the Trustee may rely conclusively without further enquiry and without liability to any Bondholders or any other person) by the Guarantor that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive;

"**Public External Indebtedness**" means any indebtedness represented by bonds, notes, debentures, debenture stock, loan stock, certificates or other similar instruments which (i) has an original maturity in excess of one year and (ii) is, or is capable of being, quoted, listed or traded on any stock exchange or over-the-counter or other similar securities market outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements), provided that any amounts owed in relation to a National Export Credit Agency Guaranteed Capital Markets Instrument will not constitute Public External Indebtedness notwithstanding that such amounts are guaranteed directly or indirectly by the Issuer, the Guarantor or any Principal Subsidiary;

"**Relevant Period**" means (i) in relation to the Guarantor Audited Financial Reports, each period of 12 months ending on the last day of the Guarantor's financial year (being as at the Issue Date, 31 December of that financial year; (ii) in relation to the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of the Guarantor's first half financial year (being as at the Issue Date, 30 June of that financial year);

"**Security Interest**" means any mortgage, charge, lien, pledge, encumbrance or other security interest of any kind (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, charge, lien, pledge, encumbrance or other security interest of any kind); and

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5. INTEREST

The Bonds bear interest on their outstanding principal amount from and including 14 August 2025 (the "**Issue Date**") at the rate of 6.0 per cent. per annum (the "**Rate of Interest**"), payable semi-annually in arrear in equal instalments of U.S.$30.0 per Calculation Amount (as defined below) on 14 February and 14 August in each year (each an "**Interest Payment Date**") commencing on 14 February 2026.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date, and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the Rate of Interest, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 14 August 2028. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable), and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with interest accrued to the date fixed for redemption, if (i) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 11 August 2025, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or, if the Guarantee were called, the Guarantor) shall deliver to the Trustee (A) a certificate signed by any director of the Issuer or, as the case may be, the Guarantor, stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and (B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion (without further investigation or enquiry and without liability to the Issuer, the Guarantor, the Bondholders or any other person) as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders. All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date and in such manner as specified in such notice in accordance with this Condition 6(b).

(c) Redemption for Change of Control

At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Change of Control Put Settlement Date at a redemption price equal to 101 per cent. of their principal amount, together with accrued interest to but excluding the Change of Control Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Certificate representing the Bonds to be redeemed, by not later than 30 days following a Change of Control, or, if later and provided that the Issuer shall have given notice of a Change of Control to Bondholders in accordance with Condition 16 within 14 days of such Change of Control, 30 days following the date upon which such notice is given to Bondholders. The "**Change of Control Put Settlement Date**" in respect of any Bond shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 6(c).

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Settlement Date.

The Issuer shall give notice to Bondholders (in accordance with Condition 16) and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

None of the Trustee or any of the Agents shall be required to take any steps to ascertain whether a Change of Control has occurred and shall not be responsible for or liable to the Bondholders, the Issuer or the Guarantor for any loss arising from any failure to do so.

For the purposes of this Condition 6:

"**Affiliate**" means, with respect to any person, any other person (i) directly or indirectly Controlling, Controlled by, or under direct or indirect common Control with, such person or (ii) who is a spouse or child of any person described in (i) above; or (iii) any trust established for the benefit of any person described in (i) and (ii) above;

a "**Change of Control**" occurs when:

(i) China Everbright Limited and any of its Affiliates collectively cease to be the single largest shareholder of the Guarantor;

(ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer;

"**Control**" means (where applicable): (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise, and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing; and

a "**person**" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity).

(d) Notices of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Change of Control Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 6 has occurred or for calculating or verifying any calculations of any amounts payable under any notice of redemption or Change of Control Put Exercise Notice and none of them shall be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(e) Purchase

The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders or for the purposes of Condition 9, Condition 12(a) or Condition 13 or when the Trustee is determining prejudice or material prejudice to Bondholders. Any Bonds purchased by the Issuer, the Guarantor or any of their respective Subsidiaries may, at the Issuer's or the Guarantor's discretion, be held, resold or surrendered to the Registrar for cancellation.

(f) Cancellation

All Bonds redeemed by the Issuer or surrendered by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

7. PAYMENTS

(a) Method of Payment

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Interest on each Bond shall be paid on the due date for such payment to the person shown on the Register at the close of business on the Payment Business Day before the relevant due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made by transfer to a U.S. dollar account of the Bondholder maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the relevant Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(b) Payments Subject to Fiscal Laws

All payments will be subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto but no commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day) or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar, the Transfer Agent and any other Agents appointed from time to time act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any stock exchange on which the Bonds may be listed, in each case, as approved by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer or the Guarantor to the Bondholders in accordance with Condition 16.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date for a payment is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) , or if a wire transfer made in accordance with Condition 7(a) arrives in the registered account of the Bondholder after the due date for payment.

(f) Payment Business Days

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business in New York, Hong Kong and the place in which the specified office of the Principal Paying Agent is located and, if surrender of the relevant Certificate is required, the relevant place of presentation.

8. TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee (as the case may be) shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 11 August 2025 (the "**Applicable Rate**"), the Issuer or the Guarantor (as the case may be) will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or the Guarantor, as the case may be, is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate, or (ii) by the British Virgin Islands, the Cayman Islands or Hong Kong, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or under the Guarantee, as the case may be):

(a) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC other than the mere holding of the Bond; or

(b) presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Tax Amounts on presenting it for payment on the 30th day.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No Additional Tax Amounts shall be paid to a holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income declarable under the laws of the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Tax Amounts had that beneficiary, settlor, member or beneficial owner been the holder thereof.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

If the Issuer and/or the Guarantor become subject at any time to any taxing jurisdiction other than the British Virgin Islands, the Cayman Islands, Hong Kong and the PRC, references in these Conditions to the British Virgin Islands, the Cayman Islands, Hong Kong and/or the PRC shall be construed as references to the British Virgin Islands, the Cayman Islands, Hong Kong, the PRC and/or such other jurisdiction (as the case may be).

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessments, charges, withholding or other payment referred to in this Condition 8 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, assessments, charges, withholding or other payment and shall not be responsible to provide any notice or information in relation to the Bonds in connection with payment of such taxes, duties, charges, assessments, governmental charges, withholding or other payment imposed by or in any jurisdiction, including without limitation any notice or information to the Trustee or any Agent or any person that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, assessment, governmental charge, withholding or other payment imposed by or in any jurisdiction.

9. EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs the Trustee at its absolute discretion may, and if so requested by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided that in any such case the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

(a) **Non-Payment**: there is a failure to pay the principal of or any premium (if any) or interest on any of the Bonds when due and such failure continues for a period of 7 days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed, which default is in the opinion of the Trustee incapable of remedy or, if such default is in the opinion of the Trustee capable of remedy, such default is not remedied within 45 days after notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness of the Issuer, the Guarantor or any of the Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of the Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Unsatisfied Judgment**: one or more judgment(s) or order(s) for the payment of any amount exceeding U.S.$60,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(d) operates) is rendered against the Issuer, the Guarantor or any of the Principal Subsidiaries, such judgment continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment and no further appeal or judicial review from such judgment is permissible under applicable law; or

(e) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a substantial part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or

(f) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries over the whole or a substantial part of the assets of the Issuer, the Guarantor or the Principal Subsidiaries, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or

(g) **Insolvency**: the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or commences a voluntary case or proceeding under any applicable bankruptcy law, consents to the entry of judgment, decree or order for relief against it in an involuntary case or proceeding under any applicable bankruptcy law, consents to the appointment of a receiver of it or for a substantial part of its property and assets, consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, or takes any corporate action to authorise or effect any of the foregoing, or a moratorium is agreed or declared in respect of or affecting all or a substantial part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries, except, in the case of a bankruptcy or an insolvency proceeding only, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in (A) the Issuer or the Guarantor, as the case may be, or another Subsidiary of the Guarantor, or (B) any other person on an arms' length basis, where the proceeds resulting from such transfer are transferred to or otherwise vested in the Issuer or the Guarantor, as the case may be, or another Subsidiary of the Guarantor; or

(h) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries, or the Issuer, the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or disposal (A) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders or (B) in the case of a Principal Subsidiary, (x) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor, as the case may be, or another Subsidiary of the Guarantor or (y) any disposal or sale of a Principal Subsidiary to any other person on arms' length terms for market consideration, where the proceeds resulting from such disposal or sale are transferred to or otherwise vested in the Issuer or the Guarantor, as the case may be, or another Subsidiary of the Guarantor; or (ii) a members' voluntary solvent winding-up of any Principal Subsidiary; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds and the Trust Deed; (ii) to ensure that those obligations referred to in (i) are legally binding and enforceable and (iii) to make the Bonds, the Certificates, the Register and the Trust Deed admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for any of the Issuer and the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Trust Deed, the Guarantee and/or the Agency Agreement; or

(k) **Unenforceability of Guarantee**: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force or effect by the Guarantor; or

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(a) to 9(k) (both inclusive).

A certificate in English (substantially in the form scheduled to the Trust Deed) signed by any Authorised Signatory of the Issuer or the Guarantor (as the case may be) addressed to the Trustee, that in its opinion (making such adjustments (if any) as it shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall be conclusive and binding on the Issuer, the Guarantor and the Bondholders, and the Trustee shall be entitled to rely conclusively upon such certificate without further investigation or enquiry and without liability to the Issuer, the Guarantor, the Bondholders or any other person.

10. PRESCRIPTION

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, destroyed or defaced or alleged to be lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders in accordance with Condition 16, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee, if requested to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and if it is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing holders of more than fifty per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest or premium (if any) is payable in respect of the Bonds or alter the method of calculating the amount of any payment in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to effect the exchange, conversion or substitution of the Bonds for other obligations or securities, (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (vi) to modify or cancel the Guarantee (subject to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing holders of not less than 66 2/3 per cent., or at any adjourned meeting not less than 33 1/3 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present or voted at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. A resolution passed in writing as aforesaid and/or passed by Electronic Consent will be binding on all Bondholders whether or not they participated in such resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) Modification of Agreements and Deeds

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer or the Guarantor to the Bondholders as soon as practicable.

(c) Entitlement of the Trustee

In connection with the performance and exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13. ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may (but shall not be obliged to), at its absolute discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement and/or the Bonds (as the case may be), but it need not take any such steps and/or actions and/or institute such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction and for the Trustee to be paid or reimbursed for any fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of the Bondholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, any subsidiary of the Issuer and/or the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible or liable for the performance (financial or otherwise) by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with any instruction, direction, request or resolution of the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or certification, or giving any such direction or clarification of any direction, to seek directions or instructions from the Bondholders by way of an Extraordinary Resolution (as defined in the Trust Deed), and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, Bondholders, or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction as a result of seeking such directions or instructions from the Bondholders or in the event that no directions or instructions are given to the Trustee by the Bondholders.

The Trustee shall not be under any obligation to monitor or supervise compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to monitor or take any steps to ascertain whether an Event of Default or a Potential Event of Default or a Change of Control has occurred, and it shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for not doing so.

The Trustee may rely conclusively without further enquiry and without liability to the Issuer, the Guarantor, the Bondholders or any other person on any report, confirmation or certificate or information or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively without further enquiry on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders. The Trustee and the Agents shall not be responsible or liable to the Issuer, the Guarantor and the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor or any of their respective Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and no party (including any Bondholder) shall rely on the Trustee in respect thereof.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds either having the same terms and conditions as the Bonds in all respects or in all respects except for the issue date and the first payment of interest on them, and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall, and any other bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

16. NOTICES

Notices to the holders of Bonds shall be in English and mailed to them at their respective addresses in the Register and deemed to have been given on the fourth business day (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing and, so long as the Bonds are listed on a stock exchange and the rules of that exchange so require, published by the Issuer at the Issuer's expense in a manner that complies with the rules and regulations of that stock exchange. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made, as provided above.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held in its entirety on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A., any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and Clearstream Banking S.A. for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Agency Agreement, the Bonds, the Guarantee and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed or the Agency Agreement ("**Proceedings**") shall be brought in the courts of Hong Kong. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Service of Process

The Issuer has irrevocably appointed the Guarantor (whose principal place of business in Hong Kong is currently at 32nd Floor, Far East Finance Centre, 16 Harcourt Road), to receive service of process in any Proceedings in Hong Kong, and the Guarantor has accepted such appointment. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer). If for any reason such agent ceases to be able to act as such or no longer has an address in Hong Kong, each of the Issuer and the Guarantor irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong to accept service of process on behalf of the Issuer and the Guarantor and deliver to the Trustee and the Agents a copy of the process agent's acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

(d) Waiver of Immunity

Each of the Issuer and the Guarantor has, pursuant to the Trust Deed, waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which a Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be evidenced by a Global Certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream.

Promise to Pay

Under the Global Certificate, the Issuer promises to pay such principal, interest and such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a Monday to Friday, inclusive except 25 December and 1 January.

Exchange of Bonds Represented by Global Certificate

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions.

Meetings

For the purposes of any meeting of Bondholders, each holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in nominal amount of Bonds for which the Global Certificate is issued.

Bondholder's Redemption

The Bondholder's redemption option in Condition 6(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent within the time limits specified in the Terms and Conditions of the Bonds, in accordance with the rules and procedures of Euroclear and Clearstream or any Alternative Clearing System, and stating the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

Issuer's Redemption

The Issuer's redemption option provided for in Condition 6(b) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

Transfers

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond represented by the Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) shall be effected by a reduction in the aggregate principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the Schedule to the Global Certificate.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (i) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (ii) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Certain information and statistics set out in the section below is for information purposes only and is based on, or derived or extracted from, among other sources, government publications, market data providers, communications with various PRC government agencies or other independent third party sources unless otherwise indicated. Such information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any market study and statistical survey. None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them or any other party involved in the offering has independently verified such information. The information may not be consistent with other information compiled within or outside the PRC. Accordingly, such information should not be unduly relied upon.

The global aviation industry has proven resilient and regains growth momentum

The development of the global aviation industry is driven by the market demand for air transportation, which is largely dependent on global economic growth. Over the 10 years from 2010 to 2020, global real gross domestic product grew at an average annual rate of approximately 3.1% according to the International Monetary Fund while global RPK grew at an annual rate of approximately 6.4% between 2010 and 2019. In fact, 2019 presented the super-cycle of growth in aviation, with a record tenth consecutive year of global airline profitability and the fifth highest level of profits recorded. The factors which have led to this increase include emerging economies, increased tourism and continued liberalization of air travel. The COVID-19 pandemic posted unprecedented disruptions to the industry. The International Air Transport Association ("**IATA**") reported that collective airline profit and loss fell from a profit USD 26.4 billion to a loss of USD126.4 billion in 2020, with global RPK shrunken by 66%.

Nevertheless, air travel is returning to pre-pandemic rates as the aviation industry has proven resilient over the past decades. There has been a robust rebound in aviation demand as travel restrictions were lifted and the COVID-19 pandemic subsided. In 2022, air passenger traffic gained momentum globally and recovered substantially to 68.5% of 2019 RPK. This recovery continued through 2023, with global air traffic reaching 94.1% of pre-pandemic levels and entering a new growth cycle in 2024.

According to the data from the IATA, total global air traffic (measured in RPKs) in 2024 increased by 10.4% year-on-year while the overall load factor reached a historical high of 83.5%.

In June 2025, IATA announced updates to airline industry financial outlook, showing improved profitability in 2025 over 2024. With 4.99 billion total traveller numbers projected, industry revenues for 2025 are expected to reach a historical high of U.S.$979 billion while the industry's net profits were expected to reach U.S.$36 billion.

The Chinese aviation market has bounced back significantly after the COVID-19 pandemic

As China eased its COVID-19 pandemic control and reopened its border in the beginning of 2023, air traffic in China has continued its strong rebound ever since. Civil Aviation Administration of China ("**CAAC**") data showed robust demand with passenger volume reached historical high of 730 million in 2024, up 17.9% year-on-year. Airlines returned to profitability, recording RMB4.47 billion in net profit, a RMB10.2 billion increase compared with that in 2023.

Both Airbus and Boeing predicted that the world's largest traffic flow in the years from 2019 to 2043 will be in domestic PRC market, with CAGR of 5%. Airbus predicted that 9,520 new passenger aircraft would be delivered to the PRC market in the next 20 years, accounting for 22.4% of global new deliveries of passenger aircraft between 2024 and 2043, marking China the single largest country for new deliveries. Airbus is building its second final assembly line at its factory in Tianjin, China, which will effectively double its production capacity of the A320 family at Tianjin factory. This demonstrates the significance of the Chinese market.

Supply-demand dynamic manifests single-aisle shortage with rising market values and lease rates

On the demand side, single-aisle aircraft dominates global passenger fleet and is expected to further increase its market share in the foreseeable future. Airbus predicts in the "Global Market Forecast 2024" that the world will need 33,510 new single-aisle aircraft in the next 20 years, accounting for 81% of global new passenger aircraft demand, similar to Boeing's forecasts in "Commercial Market Outlook 2024-2043".

On the supply side, while Airbus missed its annual delivery target for 2024, Boeing's full-year deliveries declined by over 30% year-on-year. The continuing supply shortage further pushed up aircraft lease rates and values. The rising demand amid ongoing supply chain issues, coupled with high inflation and interest rates, has driven up market value and lease rates, especially for single-aisle aircraft in the past two years. It is generally expected that the narrowbody aircraft shortage would likely persist for a couple of years, contributing to higher market values and lease rates.

Aircraft lessors' role to be more dominant post-pandemic

As opposed to direct ownership, aircraft leasing requires less capital investment and provides more fleet planning flexibility. Instead of owning a commercial aircraft for more than 20 years, an airline can lease an aircraft for 4 to 15 years depending on its business and operational needs. Operating leases allow airlines to maintain the operation of aircraft while lowering their operating costs at the same time. They also enable airlines to arrange their fleet and manage their balance sheets with greater flexibility and to avoid the residual value risk of the aircraft.

Leasing penetration rate has steadily climbed up from low single digits to around 46% before the on-set of the COVID-19 pandemic. There has been increased purchase and leaseback activities since 2020 for both new and used aircraft, driving leasing penetration past 50% in the passenger single-aisle and twin-aisle markets. With airlines striving to protect cash and generate liquidity, leasing proved to be increasingly popular during this special period. Meanwhile, airlines, emergent low-cost carriers in particular, are now more prone to turn to aircraft lessors for aircraft asset management as they reiterate their focus towards passenger service in the midst of a fiercely competitive landscape.

The aircraft leasing market in China has also grown significantly. Previously, the market was dominated by foreign leasing companies, however, the market share of Chinese aircraft leasing companies has increased substantially since the then China Banking Regulatory Commission relaxed its regulations on aircraft leasing in January 2007. In addition, under the current tax regime, Chinese airlines are exempted from paying withholding tax when leasing aircraft from Chinese leasing companies, which sharpens the competitiveness of the Chinese aircraft leasing companies on their home turf. Nowadays, demand from Chinese airlines are becoming more complex as their fleet start to age, increasing demand not only for sources of capital, but also for professional aircraft asset management. Therefore, they are more inclined to work with professional aircraft asset managers to develop more comprehensive lease structures and provide one-stop services to realize integrated fleet management to accomplish better cost efficiency.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a BVI business company incorporated with limited liability on 26 October 2017 in the British Virgin Islands under the Business Companies Act, 2004 (as amended) of the British Virgin Islands (BVI Company Number 1958966). It is a direct wholly-owned subsidiary of the Guarantor. The Issuer has no material assets and will conduct no business except in connection with the establishment of the issuance of the Bonds. The Issuer's registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

BUSINESS ACTIVITY

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation; and in connection with the issue of debt securities and any other activities in connection therewith or incidental thereto (such activities shall, for the avoidance of doubt, include the offering, sale or issuance of the debt securities (including the Bonds), and (ii) the on-lending of the proceeds of the issue of the debt securities (including the Bonds) to the Guarantor or any other Subsidiaries of the Guarantor).

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is required to file a financial annual return with its registered agent in the British Virgin Islands within nine months after the end of each year to which the financial annual return relates.

DIRECTORS

The directors of the Issuer are Xie Zhihuan and Lau Wai Shing. Tang Yu Ping is appointed as alternative director to Lau Wai Shing. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares each with no par value of a single class and one share has been issued to and held by the Guarantor. The register of members of the Issuer is maintained at its registered office in British Virgin Islands at the offices of its registered agent. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this Offering Circular, the Issuer does not have any debt outstanding.

DESCRIPTION OF THE GROUP

OVERVIEW

We are an independent international aircraft leasing company as well as a one-stop aircraft solutions provider engaging in two major segments, aircraft leasing and aviation aftermarket services. Unlike traditional aircraft lessors, we are a one-stop aircraft full life-cycle solutions provider for global airlines and aircraft asset owners. The Group's conventional business includes provision of aircraft operating leasing, purchase and leaseback, portfolio trading and asset management. The Group also covers core value-added services such as fleet upgrades, MRO, aircraft disassembly and component sales through our associate company ARI and airline operations services through our joint venture, TAM.

Established in 2006, we are the first operating aircraft lessor in China and has been a pioneer in pushing forward the development of aircraft leasing industry in China. In 2010, we became the first wholly foreign owned aircraft lessor registered in China. In 2014, we became the first Chinese lessor to place a bulk order for 100 A320s with Airbus and is currently China's largest lessor with direct orders with original equipment manufacturers. In 2015, we were the first operating lessor allowed to form a cross-border foreign currency fund pool. As we implement our full value chain strategy, we built up the first large-scale aircraft disassembly facility in Asia which commenced operation in 2018. We are the first Chinese enterprise with licenses spanning across aircraft leasing, MRO, disassembly and parts trading. We have been listed on the Hong Kong Stock Exchange since 11 July 2014 and we are the first listed aircraft lessor in Asia. Furthermore, we were named as the "Aircraft Lessor of the Year" for four consecutive years from 2015 to 2018 by Global Transport Finance. We were named as the "Asia-Pacific Lessor of the Year" for two consecutive years in 2017 and 2018 and won the "Editor's Deal of the Year for Innovation" award in 2018 presented by Airline Economics. With a strong order book, we were listed as one of the top three global lessors from 2020 to 2022 by Airfinance Journal. We won "Asia-Pacific Lease Deal of the Year" award in both 2022 and 2024, "Sustainability Debt Deal of the Year" in 2023 and "Asia-Pacific Structured Finance Deal of the Year" in 2024, all presented by Airline Economics. While we keep consolidating our leading position in China, we have also implemented our globalisation strategy since 2015 and have established a presence in Asia Pacific, the Middle East, Europe, North America, Latin America and Africa.

Throughout our business development history, we have established our business model for direct aircraft purchase and lease transactions, aircraft purchase and leaseback transactions with leading airline operators, and portfolio trading with third-party lessors and investors. Our business model allows us to provide different aircraft leasing transaction structures through our SPCs. Our aircraft leasing business is focused on generating long-term and stable cash inflows of lease income to match the cash outflows for the repayment instalments of associated aircraft loans.

We use SPCs to enter into aircraft lease agreements with airline operators. The lease terms of our long-term aircraft lease agreements are sufficiently long to cover the repayment terms of our aircraft loans (other than the balloon payment, which is covered by the residual value of the aircraft). This arrangement is designed to reduce our liquidity risk associated with short-term aircraft acquisition financing. Upon the expiration of the aircraft lease agreements, we require our airline lessees to return to us the leased aircraft in full-life condition or such other condition as stipulated in the relevant lease agreements. As at 31 December 2024, our lease agreements in respect of aircraft purchased from original equipment manufacturers were of an average original lease term of approximately 8 to 12 years.

Pursuant to the aircraft lease agreements, our airline lessees enjoy the exclusive right to use the leased aircraft during the term of the aircraft lease agreements. Our airline lessees are required to settle the lease payments on a monthly or quarterly basis, and are also responsible for most costs, expenses and insurance involved in the maintenance and operation of the aircraft during the lease term. We also require our airline lessees to maintain valid insurance against all liabilities involved in the operation of the leased aircraft in compliance with the applicable laws and regulations in the place where the aircraft operates.

Prior to December 2010, we used our SPCs established in the Cayman Islands and Ireland as the lessors for aircraft leased to airline operators in China. Since December 2010 and October 2012, we have started using our SPCs in Tianjin Dongjiang Free Trade Port Zone and Shanghai Pudong Airport Free Trade Zone, respectively, as lessors to enter into aircraft leasing transactions with airline operators in China. In August 2011, we first gained recognition in the Chinese aircraft leasing market following the successful delivery of an aircraft to Shandong Airlines through our SPCs established in Tianjin Dongjiang Free Trade Port Zone. In March 2013, we successfully completed a novation of the lease of an aircraft to China Southern Airlines to our SPC established in Shanghai Pudong Airport Free Trade Zone. Leveraging the transaction structure involving our SPCs in China, we can assist our airline customers to reduce their overall leasing cost and withholding tax obligation and thereby enhance their competitiveness. Our transaction structure together with our value-adding services provide incentives to both of our existing and potential airline customers in China to use our aircraft leasing services.

We lease, deliver and manage aircraft to leading airlines in China and globally, such as Air China, China Eastern Airlines, China Southern Airlines, Chengdu Airlines, Sichuan Airlines, Shenzhen Airlines, Xiamen Airlines, Air Macau, China Airlines, United Airlines, Frontier Airlines, Hawaiian Airlines, Lufthansa Group, Iberia, LATAM Airlines, Korean Air, Air India, Royal Jordanian, Cebu Pacific Air, Virgin Australia, DAT Airlines, etc. Our airline customers also include airline operators, such as China Eastern Airlines, to whom we provide value-adding services including trading and marketing of used aircraft.

We have been very selective in the type of aircraft assets to be included in our portfolio. We have a modern and narrowbody-dominant aircraft fleet. Our owned fleet size was 159 aircraft as at 31 December 2024, 90% of which are narrowbody aircraft by number of aircraft. The narrowbody aircraft types include Airbus A320 family aircraft and Boeing 737 family aircraft, and the wide-body aircraft types include Airbus A330 family aircraft and Boeing 787 aircraft. The average age of our aircraft fleet was 8.5 years as at 31 December 2024. Other than the 159 aircraft owned by us, an additional 30 aircraft are managed by us as at 31 December 2024.

As at 31 December 2024, by number of aircraft, 68.6% of our owned fleet were on lease to Chinese airline customers (including Hong Kong, Macau and Taiwan), most of which are state-owned airlines with financial strength. Our self-owned fleet had an average remaining lease term of approximately 6.1 years as at 31 December 2024. We continued to pursue our long-standing strategy of investing in modern aircraft that are the most fuel-efficient and sought-after category as we prepare ourselves for recovery and growth in the future. As of 31 December 2024, we had 124 aircraft in our order book, to be delivered in stages by 2028, comprising 97 Airbus A320neo aircraft, and 27 COMAC C909 aircraft.

The overall operating environment of the industry continues to improve. On the demand side, market growth remained robust. According to the data from IATA, total global air traffic (measured in RPKs) in 2024 increased by 10.4% year-on-year while the overall load factor reached a historical high of 83.5%. China's civil aviation market achieved equally encouraging performance with a record 730 million passengers transported, marking a 17.9% year-on-year growth. On the supply side, multiple challenges persisted including capacity constraints, labour and engine shortages. While Airbus missed its annual delivery target for 2024, Boeing's full-year deliveries declined by over 30% year-on-year. The continuing supply shortage further pushed up aircraft lease rates and values. Meanwhile, following the US dollar interest rate cuts during the year, the scale of the consecutive reductions surprised the market, lowering funding costs for the industry while boosting global aircraft trading market activities. Against this backdrop, we fully leveraged our advantages in full value chain operations and quality fleet assets to capture the opportunities arising from the growing demand, the rising aircraft values and the rate cuts cycle.

We are an essential invested company of CEL and we adhere to the mission and vision of "integrating industries and financing, and contributing to China's rising aviation strength", while deepening and optimising the model of "integrating industries and financing in aviation", and continuously strengthening our capacity in aircraft full life-cycle value chain. We strive to become the globally leading aircraft full-value-chain solution supplier.

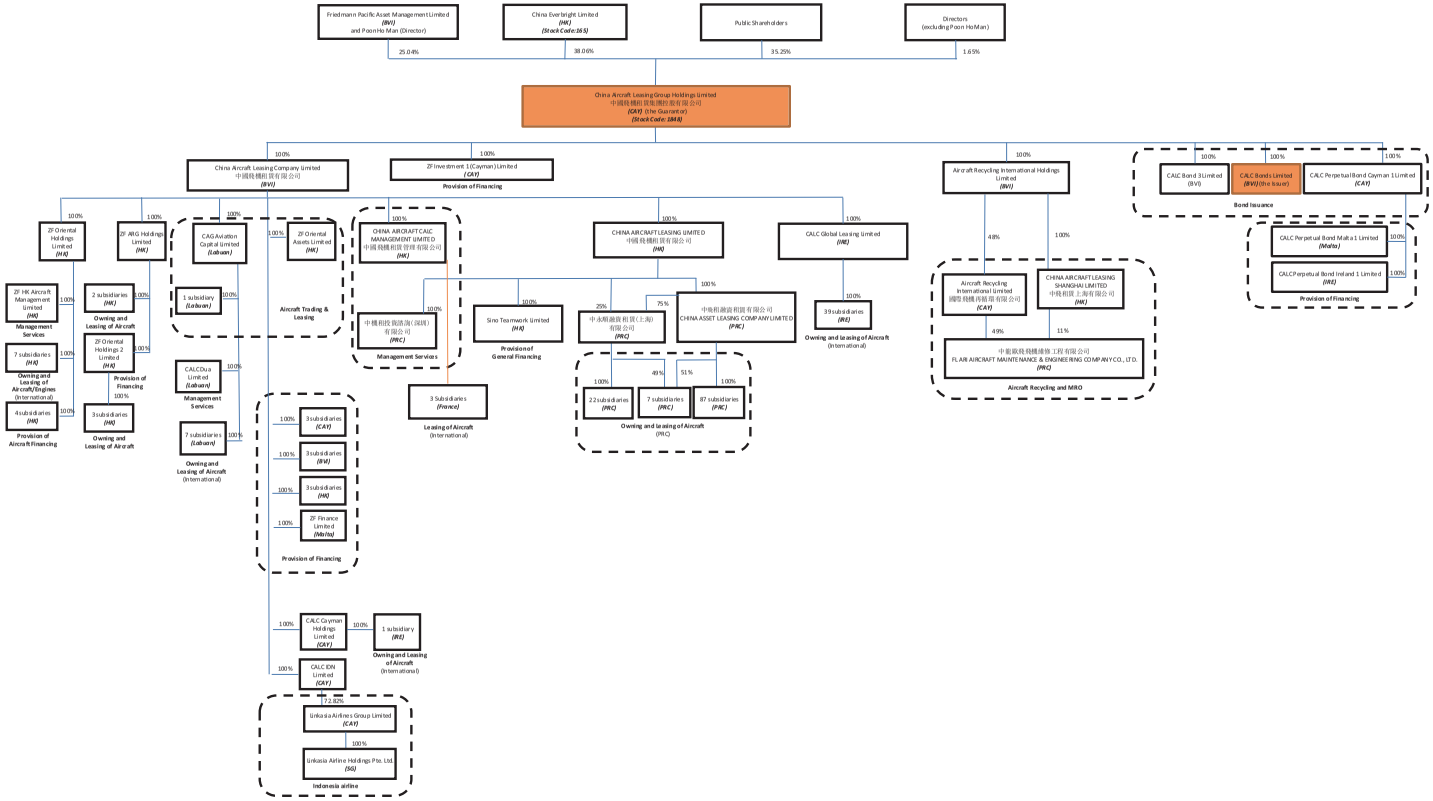
In our consistent pursuit of high-quality sustainable development, we have become an indispensable part of the aviation industry chain by expanding its global partner network and exploring diverse business models, while strengthening our one-stop solutions and asset management capabilities. During 2024, we further optimised our global customer base and achieved breakthroughs in the leasing business. On one hand, we deepened long-term cooperation with state-owned airlines in China's domestic market, represented by the "Top Three" airlines (三大航) and their subsidiaries, continuously extending cooperation scope with flexible fleet solution offerings. On the other hand, we actively expanded our quality clientele globally. We achieved our first cooperation with global top-tier airlines such as Lufthansa Group and Cebu Pacific Air, by repossession and redelivery as well as re-marketing upon first lease expiry. This has further enhanced and diversified the geographical mix of our customer base.

During 2024, we proactively seized the opportunities popped up in the industry's upward cycle where aircraft market value continued to rise, achieving scaled growth in our ordinary course of aircraft trading business, with annual transaction volume hitting a record high. Through diversified asset portfolios and transaction structures, we responded to various preferences of both domestic and overseas investors in asset allocation and management. While successfully adding eight new aircraft trading partners to our global network, we also expanded our managed fleet size, further enhancing its asset trading and management capabilities.

We also made innovative breakthroughs in financing during 2024, continuously expanding and optimising our onshore and offshore funding sources. This included successful issuance of our first perpetual medium-term notes in the PRC market and closing our inaugural warehouse facility for aircraft project financing in the international market. These efforts further widened our innovative financing channels and highlighted our commitment to strategic growth and financial innovation.

CORPORATE STRUCTURE

The following chart sets forth our simplified corporate and shareholding structure as at 31 December 2024.



KEY CORPORATE MILESTONES

The following table sets forth our business development since our date of commencement of our business:

Month/Year	Development milestones
March 2006	Establishment of China Aircraft Leasing Company Limited, a company incorporated in the British Virgin Islands with limited liability.
December 2010	CALC (Tianjin) was established as a wholly-foreign owned aircraft leasing company in Tianjin Dongjiang Free Trade Zone, the PRC.
May 2011	China Everbright Aerospace Holdings Limited ("**CE Aerospace**") purchased 14,400,000 shares of China Aircraft Leasing Holdings Limited ("**CALH**") from Friedmann Pacific Asset Management Limited ("**FPAM**"), representing 48.0% of the then shares in issue of CALH, for a total purchase price of U.S.$17,292,000. CE Aerospace has become one of our controlling shareholders with participation in our major management and investment decisions.
July 2014	Listing on the Hong Kong Stock Exchange.
May 2016	First international issuance of unsecured US$300.0 million three-year bonds.
December 2017	Establishment of a U.S.$3 billion first senior unsecured medium-term note programme.
October 2019	Set up a joint venture with HNCA Aviation & Equipment Leasing for investment in aircraft portfolio (October). FL ARI Aircraft Maintenance & Engineering Company Ltd ("**FL ARI**") obtained accreditations for aircraft disassembly from CAAC, making it China's first accredited aircraft disassembler under the CAAC's CCAR 145 Civil Aircraft Maintenance Organization Certificate Regulations.
March 2020	FL ARI obtained EASA Part 145 Maintenance Organization certification for line maintenance in China.
August 2020	Received the highest AAA credit rating from Dagong Global Credit Rating Co., Ltd.
June 2021	Received first-time Ba1 corporate family rating from Moody's with a stable outlook. Received first-time Long-Term Issuer Default Rating ("**IDR**") of 'BB+' and a Short-Term IDR of 'B' from Fitch with a stable long-term outlook.

Month/Year	Development milestones
March 2022	ARI's aircraft recycling facility in Harbin approved to be included in the flight zone of Harbin Taiping International Airport.
	FL ARI obtained CAAC Part 145 Maintenance Organization Certification for Base Maintenance.
April 2022	CALC (Tianjin) issued RMB1.5 billion medium term notes at 4.5% coupon.
July 2022	Placed the first B737-800SF freighter conversion order.
October 2022	CALC (Tianjin) issued RMB1 billion debut low-carbon transition bond in China's aviation market at 3.56% coupon.
	Signed Aircraft Leasing Ireland's Sustainability Charter.
December 2022	Delivered COMAC C909 aircraft to TransNusa of Indonesia, the first China-made regional passenger jet to an overseas market.
April 2023	TransNusa's first C909 officially launched commercial flight in Indonesia.
May 2023	CALC (Tianjin) receives AAA ratings from major Chinese credit rating agencies.
June 2023	CALC (Tianjin) issued RMB1.5 billion low-carbon transition corporate bond at 3.85% coupon.
	Set foot in Oceania with the first Boeing 737 Max 8 aircraft delivery.
July 2023	FL ARI obtained base maintenance license from CAAC for the A320 3C-check.
	TransNusa's first C909 operated its first international flight.
August 2023	Made the Novation Arrangement with DAE Aviation Group Ltd.
November 2023	CALC (Tianjin) issued RMB0.5 billion low-carbon transition corporate bond at 3.58% coupon.
December 2023	FL ARI obtained base maintenance license from CAAC for the B737NG 3C-check.
	Signed and drawn a US$360 million five-year unsecured revolving syndicated loan facility for aircraft PDP, which is also the first sustainability-linked loan facility of the Guarantor.
May 2024	Delivered the third C909 to TransNusa and achieved China's first cross-border leasing of a China-made aircraft settled in offshore Chinese Yuan.

Month/Year	Development milestones
September 2024	CALC (Tianjin) issued its first RMB1.0 billion sustainability-linked perpetual medium-term notes with a fixed coupon rate of 2.7%.
October 2024	TransNusa completed inaugural flight between Manado and Guangzhou, marking the first international flight to China operated by C909 as well as the longest commercial route flown by C909 to date. Secured its inaugural US$400 million warehouse facility for aircraft financing (which was subsequently upsized to US$700 million in March 2025).
December 2024	Received its first investment-grade international rating of Ag- with a stable outlook from China Chengxin (Asia Pacific) Credit Ratings Company Limited.
February 2025	CALC (Tianjin) issued RMB1.5 billion 5-year corporate bonds with a fixed coupon rate of 2.38%.
April 2025	CALC (Tianjin) issued perpetual medium-term notes of RMB500 million with coupon rate of 2.48%.

OUR COMPETITIVE STRENGTHS

Our core competence lies in our distinctive and resilient business model, which gives us the competitive strengths to grasp the opportunities brought by the robust growth in aviation demand post-COVID-19 pandemic and to capitalise on the growth opportunities in the high-growth China aircraft leasing industry. Our key strengths include:

Positioning ourselves as a full life-cycle aircraft solutions provider

We have been continuously enhancing our aircraft full value chain operations and extending our service coverage to all major segments of the aircraft aftermarket.

ARI operates a global life-cycle solutions platform to support our value chain ecosystem with our dual aircraft recycling bases in Harbin, PRC and in the United States, which is managed by its wholly-owned subsidiary, UAM, who specialised in aircraft disassembly, full recycling solutions, component sales, warehousing and third-party logistics headquartered in the United States. ARI and its subsidiaries have provided various aircraft inspection, consultancy and aircraft technical related services to the Group from time to time and have generated stable income for the Group. Through CAAM, ARI's associate company, we completed comprehensive solutions for five old aircrafts acquired from Air China Limited to assist the airline's fleet retirement plan, successfully maximizing the residual value of these assets through a series of complex sustainability solutions including parts swap, P2F conversions, portfolio trading, aircraft disassembly, component repair and sales. We have further strengthened customer loyalty and strengthened business opportunities with our strategic cooperation with UAM, where we identified LATAM's airframe retirement need during a new aircraft leasing discussion and UAM engaged with LATAM to purchase six A320 airframe for disassembly.

We have continued to develop ourselves as a full life-cycle aircraft solutions provider for the global aviation airlines and aircraft asset owners. Such business model has been effective as we have been able to leverage off the respective resources and synergies among our member companies and affiliated companies, enabling us to offer services, through ourselves and/or together with such companies, covering every stage of an aircraft life-cycle, including (a) aircraft ordering and procurement; (b) aircraft leasing, purchase and leaseback, and portfolio trading; and (c) aircraft disassembly and component sales, and MRO. Our business model also made us one of the rare few that could provide customers with one-stop fleet upgrade solutions as we not only have a large order book comprised of new-generation fuel-efficient aircraft that can help airline customers optimize their fleets and reduce carbon emissions, but also could provide professional old aircraft solutions and services to assist airlines' fleet retirement. This also puts us in a better position in the global trend of green aviation.

We also extended downstream along the aviation value chain into the end-user segment to further enhance our business synergies. In March 2020, we acquired a 72.82% interest in Aviation Synergy Ltd., which holds a 49% indirect equity interest in the Indonesian regional airline, TAM. In January 2021, we placed a firm order for 30 C909 aircraft and, together with CEG and CEL, furthered our strategic cooperation with COMAC in the fields of aircraft asset management, MRO and aviation aftermarket services. In December 2022, we successfully delivered a COMAC C909 aircraft to Indonesia carrier TransNusa, marking the first time for a China-made regional passenger jet to enter the overseas market. The aircraft was officially put into commercial operation in April 2023, and we have delivered a total of three COMAC C909 aircraft to TransNusa by end of 2024.

Narrowbody-dominant aircraft fleet leased to top class clients

As at 31 December 2024, 90% of our owned fleet, by number of aircraft, are narrowbody aircraft. The average age of our aircraft fleet was 8.5 years and we had a total order commitment of 124 narrowbody aircraft and regional jet to be delivered by 2028. Narrowbody aircraft is a highly liquid asset class and the most popular aircraft type mainly serve domestic routes and short-haul flights, which had led recovery in the aviation industry from the pandemic. With undergoing low-carbon transition of the aviation industry and rising fuel price, demand for our modern fleet have been increasing amongst the airlines globally for its fuel efficiency and low cost of maintenance as compared with the older models of aircraft.

The Group's aircraft fleet is mainly leased to top class clients. As at 31 December 2024, by number of aircraft, 68.6% of the Group's owned fleet were leased to Chinese airline customers (including Hong Kong, Macau and Taiwan), most of which are state-owned airlines with financial strength. As at 31 December 2024, the Group's overall customer base (including both owned and managed aircraft) covers 40 airlines in 21 countries and regions globally.

With the implementation of increasingly stringent environmental regulations on carbon emission level by aircraft, older models of aircraft are costlier to maintain, operate and modify to bring it in compliance with the environmental standards. In addition, there is an increasing demand for airlines in China to upgrade their fleets with new models because of fuel efficiency and ease of operations and maintenance. In light of all these factors and favourable governmental policies, our modern fleet gives us the strength of having a sustainable business model with constant cash flow of lease income.

The lease expiry profile and delivery pipeline are well-positioned to capture rising lease rate

We have a strong track record of placing our aircraft, both new deliveries and returned aircraft, in advance, achieving consistently high utilisation rate of our owned fleet, even during the COVID-19 pandemic. As at 31 December 2024, excluding one aircraft involving a Russian airline, the Group's owned fleet maintained a 100% utilisation rate.

The current market dynamics further support our positioning. Post-pandemic supply chain disruptions have exacerbated aircraft shortages, driving lease rates upward over the past two years. With a concentrated wave of lease expiries coinciding with scheduled new deliveries between 2025 and 2027, we are strategically positioned to place or remarket these aircraft at higher lease rates. The overall rental yield of our owned fleet is expected to trend up.

Ready access to diverse and flexible funding sources across both PRC onshore and offshore platforms

Given the challenging business environment, managing liquidity is vital to the aviation industry for its recovery. We will continue to advance our onshore and offshore platforms to flexibly tap opportunities to access quality funding sources, including actively exploring green financing opportunities, and the diversity of funding channels have enabled us to readily access various banks, financial institutions and investors with multiple financing products.

Bank loans remain the main source of funding for our fleet and banks have given adequate credit lines to support our business development. With the long-term lease agreements with our airline customers, we are able to secure aircraft loans from commercial banks for aircraft acquisitions, thereby allowing us to manage our liquidity risk by matching the cash inflows and outflows through the receipt of lease income and the payment of regular loan repayments, respectively. As we have established our SPCs in China, we also have the flexibility to secure acquisition financing in China, which is an advantage we have over foreign lessors outside China. For the year ended 31 December 2024, total new facilities and renewed facilities were around HK$24 billion, including aircraft loans, PDP financing, working capital facilities, RMB bonds etc.

In view of the lower interest rate environment in the PRC domestic market, the Group strove to reduce its overall financing costs by proactive debt management through increasing RMB debt financing. During 2024, 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. As at 31 December 2024, RMB and USD debts accounted for approximately 28% and 72% of the Group's interest-bearing debts respectively. During 2024, the Group completed refinancing of its perpetual capital securities to optimise capital structure while effectively reducing funding costs. Following the voluntary redemption of the expensive USD perpetual bonds in December 2023 and July 2024, the Group later issued RMB1 billion perpetual medium-term notes in PRC market through its subsidiary, CALC (Tianjin), with a coupon rate of only 2.7%. In February 2025, CALC (Tianjin) successfully issued RMB1.5 billion 5-year corporate bonds with a fixed coupon rate of 2.38%.

In May 2023, CALC (Tianjin) received an AAA issuer rating from Dagong Global Credit Rating Co., Ltd, and an upgrade to AAA rating from China Cheng Xin International Credit Rating Co., Ltd, both with a stable outlook. In December 2024, we received our first investment-grade international rating of Ag- with a stable outlook from China Chengxin (Asia Pacific) Credit Ratings Company Limited, marking an important step towards becoming an international investment-grade issuer.

We have also received strong support from the associate companies under CEG, providing us with standby credits and committed working capital facilities in addition to liquidity provided by commercial banks.

As at 31 December 2024, the Group had cash and bank balances of HK$4,079.4 million and undrawn borrowing facilities of HK$9,624.6 million, and the Group's total balance of cash and bank balances with undrawn borrowing facilities was HK$13,704.0 million. In view of the foregoing measures, despite the backdrop of a challenging environment, the Group has gathered rich ammunition to tap opportunities from the imminent recovery of its key aviation markets in China and the region.

Strong support received from China Everbright Group

We have received strong support from CEG, which is provided through CEL, our largest shareholder as well as the associate companies under CEG. CALC is the key investee company of CEL and the flagship unit of CEG in the aircraft leasing segment. In January 2021, we signed a tripartite project investment cooperation memorandum with CEL and COMAC to cooperate in the areas of overseas operation of aircraft made in China, aircraft asset management and aviation aftermarket. This is part of CEG's wider strategic framework with COMAC as they explore cooperation in aviation field. China Everbright Bank is also currently one of the CALC's key relationship banks and provides us with access to diversified range of short-term and long-term financing funding channels.

Being one of the forerunners in the high-growth China aircraft leasing industry with a distinctive business model and a proven successful operating track record.

China's domestic and international air travel has demonstrated strong resilience and recovery during and after the COVID-19 pandemic. Prior to the COVID-19 pandemic, China's aircraft leasing industry has been growing rapidly as a result of the continuous expansion of the airline industry, favourable government policies, and the fact that aircraft leasing affords airline companies relatively low initial capital investment and fleet planning flexibility. Post-COVID-19 pandemic, the aviation market in China has fully recovered and been back to growth with passenger traffic hit record high. With our established business model, we are well-positioned to capitalise on the growing aircraft leasing opportunities from the airlines in China.

Our business model, which is a combination of an offshore platform for aircraft acquisition and financing and an onshore platform for different leasing structures, together with our asset management capabilities, distinguishes us from other domestic and foreign lessors in China in the following aspects:

Aircraft acquisition

We distinguish ourselves from our competitors in China aircraft leasing industry by our ability to source new and used aircraft from the overseas aircraft manufacturers and the international secondary aircraft market. Our aircraft acquisition capability allows us to engage in direct purchase of aircraft for leasing purposes and as such, we can manage our overall aircraft portfolio in terms of aircraft model, aircraft age, and residual value. As of 31 December 2024, we had total order commitments of 124 aircraft to be delivered by 2028, exceeding 70% of the Group's owned fleet size, providing strong support for future growth.

We have established SPCs in Tianjin Dongjiang Free Trade Port Zone and Shanghai Pudong Airport Free Trade Zone, and they are our wholly-owned subsidiaries in China.

Under the current tax laws in China, airlines in China are required to withhold tax up to 10.0% on lease payments paid to international leasing companies outside China. Since December 2010, following the establishment of CALC (Tianjin) as the first wholly-foreign owned aircraft leasing company in Tianjin Dongjiang Free Trade Port Zone, we offer our airline customers an onshore leasing platform in China which can assist our airline customers to reduce their overall leasing cost and thereby, enhance their competition.

We are therefore able to offer competitive lease terms and deliver aircraft to our airline customers within a relatively short period of time, thereby reducing the time and the uncertainties involved in the aircraft procurement process for our airline customers.

Flexible lease structures

Our onshore leasing platform in China could attract potential airline customers to enter into business with us, as compared with the leasing of aircraft from other foreign lessors. We lease our aircraft to airline operators in China under aircraft lease agreements, pursuant to which the airline operators only require the approval from the NDRC before entering into the aircraft lease agreements with us.

Asset management capabilities

We have also been able to provide one-stop-shop solutions to our Chinese customers, which usually encounter difficulties in managing and disposing of their aged fleet. For example, CAAM, has recently acquired five old aircraft from Air China and completed comprehensive solutions to maximise their residual value through a series of sustainability solutions including parts swap, P2F conversions, portfolio trading, aircraft disassembly, component repair and sales. Such asset management capabilities have enabled us to enhance our relationships with Chinese airline customers; and stand out from our competitors in the Chinese leasing market. We are also actively exploring opportunities to expand our asset management business through portfolio trading activities. During 2024, we successfully secured asset management mandates for five of the aircraft sold.

Stable and attractive growth through our order book with Airbus, with whom we have strong relationship

We have a high-quality and growing airline customer base for aircraft leasing services. Since 2014, we have expanded our business into overseas markets in Asia, Africa, Europe and Americas. As at 31 December 2024, we had a fleet of 159 owned and 30 managed aircraft. Our clientele extended to 40 airlines in 21 jurisdictions and regions throughout the world, including Air China, China Eastern Airlines, China Southern Airlines, Chengdu Airlines, Sichuan Airlines, Shenzhen Airlines, Xiamen Airlines, Air Macau, China Airlines, United Airlines, Frontier Airlines, Hawaiian Airlines, Lufthansa Group, Iberia, LATAM Airlines, Korean Air, Air India, Royal Jordanian, Cebu Pacific Air, Virgin Australia, DAT Airlines, etc. We have long-standing business relationship with our airline customers, some going back of 17 years and hence part of our existing airline customers are repeating customers which may be retained because of our favourable lease terms and our value-adding services. We successfully delivered 17 new aircraft from order book to airline customers and purchased 2 used aircraft, for the year ended 31 December 2024. We have also signed new lease agreements or letters of intent for 48 aircraft during the year 2024, including order book placement, repossession and remarketing, as well as lease extensions, addressing airline customers' needs for capacity expansion and future pipeline.

Our fleet is expanding to cope with the increasing demand from our existing and potential airline customers for aircraft leasing services. As at 31 December 2024, we had total order commitments of 124 aircraft to be delivered by 2028. These lease commitments will provide us with constant cash inflows of lease income in the future and that our strong aircraft delivery pipeline enables us to provide our airline customers with quick delivery schedule under leasing arrangements.

Operational and financial flexibility due to our independent status

We are an independent international aircraft leasing company focusing as well as a one-stop aircraft solutions provider on the aircraft leasing market. Our independent status from major commercial banks, aircraft manufacturers, and airline operators gives us the flexibility in selecting the aircraft that matches our growth strategies and structuring lease agreements tailoring for the specific business needs of our airline customers.

Aircraft lessors in China may be divided into four categories, namely independent aircraft lessors and aircraft lessors affiliated with commercial banks, aircraft manufacturers and airline operators, respectively. Compared to aircraft lessors affiliated with commercial banks, we enjoy the flexibility in selecting different acquisition financing solutions on the best commercial terms offered by different banks and financial institutions within and outside China. We are also not subject to the restrictions on leverage and equity applicable to banking industry in China. Compared to aircraft lessors affiliated with aircraft manufacturers, we have the flexibility in choosing different aircraft models from different aircraft manufacturers and sourcing aircraft from the secondary aircraft market. Compared to aircraft lessors affiliated with airline operators, we can provide services to all airlines with no customer base limitations. Hence, as an independent aircraft lessor, we have access to a wider customer base and have greater flexibility in structuring leasing and financing transactions.

Stable and experienced management team with a proven track record

We are led by experienced professionals with extensive experience in aircraft asset management and aircraft leasing industries in China. Our Mr. An Xuesong, Chairman of the Board and Non-executive Director, was appointed on 22 October 2024. He is also an executive director of CEL, the vice president of CEL group (as defined below) in charge of finance, and a non-executive and non-independent director of Ying Li International Real Estate Limited. He is responsible for formulating the Group's overall strategic planning and directions. Our Mr. Poon Ho Man, Mike, Executive Director and Chief Executive Officer, is an entrepreneur and a pioneer of aviation sector in China. He founded the company in 2006. Our Ms. Liu Wanting, President and Chief Commercial Officer, has more than 15 years of experience in the aircraft leasing industries in China. Our Mr. Li Guohui, Executive Director, Chief Financial Officer and Chief Strategy Officer, has over 30 years of experience working as a senior executive in blue chip and large-scale companies and arranged over U.S.$10 billion of corporate financing facilities. Our executive directors and senior management team are experienced in structuring lease transactions, risk management, aircraft acquisition financing, selection and delivery of aircraft, technical review, monitoring and compliance, and aircraft trading and marketing within and outside China. See "*Management*".

Our business operations are managed collaboratively by our risk management team, financing team, sale and marketing team and technical supports team. Mr. Jon Howey is the Deputy Chief Operating Officer and Head of Aviation Risk and is responsible for the risk management of our Group. Our sales and marketing team, with the collaborative efforts by Mr. Luis Ayala, our Chief Development Officer, Mr. Donald Liu, our Deputy Chief Commercial Officer, Greater China, Mr. Matt Corley, our Regional Head of Sales & Marketing – the Americas, Mr. Christopher Dennis-Meyer, our Regional Head of Sales & Marketing – EMEA and Mr. Qing Fang, our Head of Sales and Marketing – Asia Pacific & Greater China, provides access to potential aircraft acquisition and marketing opportunities. Our sales and marketing team also focuses on maintaining close contact with the airlines in China and globally and developing transaction structures in line with their business needs and the latest market and regulatory environment. Our technical supports team led by Mr. Richard Luo, our Head of Technical & Asset Management, Asia Pacific & Greater China, possesses extensive experience in technical aspect of aircraft operations. They regularly monitor the usage condition of our leased aircraft and provide technical supports and marketing service of used aircraft to our airline customers as part of our value-adding services. In respect of aircraft acquisition, our technical supports team also conducts technical reviews on the aircraft condition and the maintenance records for the used aircraft and to ensure that the specifications and modifications are met for the new aircraft.

Throughout our business development history, our senior management demonstrates proven capability to successfully implement different leasing transaction structures for new and used aircraft and for major airlines under different market conditions.

OUR GROWTH STRATEGIES

The overall operating environment of the industry continues to improve. On the demand side, market growth remained robust. According to the data from the IATA, total global air traffic (measured in RPKs) in 2024 increased by 10.4% year-on-year while the overall load factor reached a historical high of 83.5%. China's civil aviation market achieved equally encouraging performance with a record 730 million passengers transported, marking a 17.9% year-on-year growth.

On the supply side, multiple challenges persisted including capacity constraints, labour and engine shortages. While Airbus missed its annual delivery target for 2024, Boeing's full-year deliveries declined by over 30% year-on-year.

The rapid growth of air travel amid ongoing supply chain issues, coupled with high inflation and interest rates, had been and is expected to continue pushing up lease rates. It is generally expected that the aircraft shortage would likely persist for a couple of years, contributing to high market value and lease rates. Moreover, global wave of carbon neutrality as well as fuel price hike urges airlines to speed up upgrading their fleets to new generation fuel-efficient aircraft.

Taking into account our outlook of this sector, we intend to pursue the following growth strategies:

Continue our development as a full life-cycle aircraft solutions provider

We will continue our development as a full life-cycle aircraft solutions provider for the global aviation industry and to exploit further synergies in the aviation and aircraft leasing ecosystem.

Through CAAM, we completed comprehensive solutions for five old aircrafts acquired from Air China Limited to assist the airline's fleet retirement plan, successfully maximizing the residual value of these assets through a series of complex sustainability solutions including parts swap, P2F conversions, portfolio trading, aircraft disassembly, component repair and sales. As the business of ARI continues to develop and take shape, ARI shall seek strategic investors to further support its growth and explore, among others, the possibility of listing on a stock exchange in the future, thereby enabling ARI to raise more capital for growth. We have also entered into a co-investment memorandum of understanding with a reputable PRC state-owned enterprise to develop the aviation aftermarket business.

We continued to enhance the Group's strengths in aircraft operating leasing around the world. The utilisation rate of our owned fleet (excluding one aircraft involving a Russian airline) remained 100%, benefitting from a relatively high proportion of 90% of narrowbody aircraft among the peer listed lessors. We not only provide aircraft leasing services customised to client requirements, but also unleash edges in its full value chain foothold to integrate professionally solutions for old and retiring aircraft and complete purchase-and-lease back transactions and disposals of retiring aircraft for major airlines, thereby helping them to mitigate residual risk. Such one-stop fleet upgrade services well positioned us to grasp opportunities emerging from airlines' accelerated fleet renewal and optimization demand in response to the trend of green aviation.

Expanding our narrowbody dominant fleet of aircraft

We continue to apply prudent principles in optimizing our fleet portfolio. As at 31 December 2024, we had 124 narrowbody aircraft and regional jet in our order book, to be delivered in stages by 2028. In making decisions on aircraft acquisition, we consider various factors such as the aircraft type and model, aircraft age, and the appetites of the airlines. We plan to focus on narrowbody aircraft which are suitable for domestic routes and short-haul regional flights. The Group continues to pursue its long-standing strategy of investing in new generation and fuel-efficient aircraft which are proven to have long useful lives, more likely to be in compliance with the stringent environmental protection standards and less costly to maintain and operate. The Group has been, and will continue to be, selective in the type of aircraft assets to be included in its portfolio. As of 31 December 2024, by number of aircraft, 90% of the Group's owned fleet, by number of aircraft, were narrowbody aircraft, a highly liquid asset class and the most popular aircraft type mainly serving domestic routes and short-haul flights, which led recovery in the aviation industry from the pandemic.

Global expansion with top-tier clientele

Starting from 2015, CALC had started to add international lessees to its client list. In recent years, the Group continued to strengthen its leading position in China market while actively expanding its global footprint with top-tier clients to enhance diversity in the geographical distribution of its customer base. In 2024, with overseas customers accounted for more than 30%, the Group has successfully achieved its first cooperation with global top-tier airlines such as Lufthansa Group and Cebu Pacific Air. As at 31 December 2024, by number of aircraft, 68.6% of CALC's owned fleet were leased to Chinese airlines customers (including Hong Kong, Macau and Taiwan), most of which are state-owned airlines with financial strength. Going forward, global diversification will remain one of the focuses of CALC. In fact, more than half of the aircraft scheduled for delivery before December 2025 have been leased to overseas airline customers. The improvement in overall client profiles has driven the Group's overall rent collection ratio exceeding 100% for past three years, reaching 101% in 2024. The Group has also achieved an adjusted average rental yield of 11.6%.

Enhance Portfolio Trading and Asset Management Capabilities

In June 2018, we collaborated with four leading state-owned enterprises as mezzanine investors to roll out our global aircraft investment vehicle, CAG. With the establishment of CAG, we have made great strides in building up our asset management capabilities. Perfecting our portfolio trading and asset management capabilities is instrumental in our long term strategy of increasing our presence in the aviation industry chain as a lessor playing heavier roles, with broader business opportunities. This is particularly important given the earth-breaking changes in the industry ecosystem in response to the pandemic. Active portfolio trades and asset management ensures our fleet portfolio to be optimized with discipline, capital efficiency at high levels and low gearing and strengthens of our core businesses.

Following the full operation of CAG, we rolled out ARG in December 2019 together with ARI and other investors, another aircraft investment vehicle focusing on mid-age and older aircraft portfolios primarily in the PRC domestic market and trading of used parts and components disassembly. During 2020, we injected four aircraft into ARG while its associate ARI served as the servicer to advance its asset management strengths. ARG has successfully concluded its operation in December 2024, with all investors having exited their positions.

During 2020, we injected two aircraft to a joint venture we established with HNCA Aviation & Equipment Leasing Co., Ltd. Furthermore, we joined forces with Moutai Financial Leasing Co., Ltd. in a strategic cooperative partnership for the investment in lease-attached aircraft portfolio in May 2020 and two aircraft had been injected therein by June 2023. We also completed the disposal of nine aircraft in 2021 and four aircraft in 2022, mainly to third-party lessors, so as to seek win-win cooperation where we optimise our fleet and asset portfolio while the latter expands its business presence.

In 2024, we completed the sale of 25 owned aircraft and 2 managed aircraft, reaching a record high. Meanwhile, we successfully secured asset management mandates for five of the aircraft sold. We also integrated and extended our global aviation partnership network and established first-time trading cooperation with 8 domestic and overseas lessors during 2024. As at 31 December 2024, the number of our global aircraft trading and asset management partners has reached approximately 30. Since 2014, we have traded in aggregate over 200 aircraft and related component and parts and approximately 110 aircraft engines.

Through the establishment of various aviation industry fund platforms and joint ventures, we have fostered industrial cooperation ecosystems, accreting value and realizing returns for financiers, investors and other aircraft asset owners in our capacity as an aircraft asset manager.

Diversifying our financing source and capital optimisation to improve our credit ratings

Since 2018, we have been actively tapping into both the onshore and offshore capital markets by issuing equity and debt instruments. In 2022, we issued the first low-carbon transition bond in China's aviation industry with principal amount of RMB1 billion at a coupon of 3.56%, as well as RMB1.2 billion corporate bonds. In 2023, we issued three-year RMB1.5 billion corporate bonds at a coupon rate of 3.85% and another RMB500 million corporate bonds with a coupon rate at 3.58%. During 2024, we completed refinancing of our perpetual capital securities to optimize capital structure while effectively reducing funding costs. Following the voluntary redemption of the expensive USD perpetual bonds in December 2023 and July 2024, we, in September 2024, issued RMB1 billion perpetual medium-term notes in PRC market through its subsidiary, CALC (Tianjin), with a coupon rate of only 2.7%. In February 2025, CALC (Tianjin) successfully issued RMB1.5 billion 5-year corporate bonds with a fixed coupon rate of 2.38%.

We will continue using aircraft loans and PDP financing to support our aircraft acquisitions. Through the use of project financings, we match our regular loan repayments for the aircraft loans with our lease income, thereby generating constant cash inflows of lease income and reducing our liquidity risk. In October 2024, we secured our inaugural US$400 million warehouse facility for aircraft financing, which provides enhanced flexibility to facilitate our aircraft acquisition, sale and leasing. The facility had subsequently been upsized to US$700 million in March 2025 with significant over-subscriptions.

We will closely monitor changes in onshore and offshore markets and business development needs to select markets and financing instruments flexibly while continuing to reduce overall financing costs through proactive financial management. We will also actively explore equity or equity-like financing and other innovative financing instruments to improve our capital strength and upgrade our international credit rating.

Cooperation with COMAC

In January 2021, the Group procured C909 series aircraft with 30 firm orders and 30 intended orders from COMAC, and signed a tripartite project investment cooperation memorandum with CEL and COMAC in respect of deep and pragmatic cooperation in the areas of overseas operation of aircraft made in China, aircraft asset management and aviation aftermarket, etc.

We successfully delivered a COMAC C909 aircraft to Indonesia carrier TransNusa in December 2022, marking the first time for a China-made regional passenger jet to enter the overseas market. It was officially put into commercial operation in April 2023 and successfully completed its debut flight, and later flew its first international flight in July 2023. Our second COMAC C909 was delivered to TransNusa in June 2023, steadily pacing up our effort to promote commercial operation of China-made aircraft in overseas market. In 2024, we delivered the third COMAC C909 to TransNusa. In April 2024, C909 base was opened in Manado and we launched three domestic scheduled flight routes in the eastern Indonesian archipelago.

When Chinese aircraft becomes popular in the global aviation market, we will enjoy the upside by being the first mover in leasing and exporting Chinese aircraft to overseas.

RECENT DEVELOPMENTS

Acquisition of two aircraft

On 21 January 2025, we (through our wholly-owned subsidiary, as buyer) entered into aircraft sale and purchase agreements with two wholly-owned subsidiaries of Cinda Financial Leasing Co., Ltd (an independent third party) in relation to the acquisition of two Boeing B737-800 aircraft. The transactions are expected to be completed by end of August 2025.

Onshore issuance

In February 2025, CALC (Tianjin) issued 5-year onshore corporate bonds of RMB1.5 billion with coupon rate of 2.38%.

In April 2025, CALC (Tianjin) issued perpetual onshore medium-term notes of RMB500 million with coupon rate of 2.48%.

Upsize of Warehouse Facility from US$400 million to US$700 million

On 12 March 2025, we successfully upsized our inaugural warehouse facility to US$700 million. The expanded facility was substantially oversubscribed, with total commitments more than doubling the targeted accordion amount. The syndicate comprises a diverse group of 16 banks across China, Europe, and other Asian markets, bringing the total number of lenders (including the 4 Mandated Lead Banks) to 20.

Portfolio trade – Sale of six lease-attached aircraft

On 13 March 2025, in order to enhance the Group's credit profile and pursue long-term sustainable growth, a wholly-owned special purpose vehicle of the Group (the Seller) entered into the Aircraft Portfolio and Asset Sale and Purchase Agreement with a wholly-owned indirect subsidiary of Dubai Aerospace Enterprise (DAE) Ltd, an independent third party, (the Purchaser) in relation to the sale of six leased-attached aircraft (two Airbus A320NEO aircraft and four Airbus A321NEO aircraft with lease-attached). The sale transactions are expected to be completed by the end of October 2026.

Sale of one aircraft

On 15 April 2025, a wholly-owned special purpose vehicle of the Guarantor (the Seller) entered into the Aircraft Sale and Purchase Agreement with NEOSKY AIRCRAFT AND REQUISITES CHARTERING DWC-LLC (the Buyer), pursuant to which the Seller agreed to sell and the Buyer agreed to purchase one Boeing 737-800 aircraft. This sale transaction will increase the Group's income from aircraft trading, satisfy the market's demand for aircraft and maintain the good relationship between the Group and its clients.

OUR BUSINESS MODEL

Overview

We conduct the aircraft leasing business through our SPCs. Under a direct aircraft purchase and lease transaction, we place purchase orders for aircraft with the aircraft manufacturers, such as Airbus, and identify the appropriate airline lessees for leasing of the aircraft. Under an aircraft purchase and leaseback transaction, our airline lessees select the appropriate aircraft and transfer the relevant aircraft purchase commitment to us for leasing the aircraft back to our airline lessees.

The structure of these lease transactions allows our airline lessees to enjoy the exclusive right to use the aircraft during the lease term. In most cases in relation to new aircraft, we enter into long-term aircraft lease agreements with our airline lessees with the lease term that cover a significant portion of the entire economic useful lives of the aircraft. These arrangements will ensure that the long-term aircraft lease agreements can generate constant cash inflows of lease income that match the cash outflows for the repayment instalments of our aircraft loans, other than the balloon payment which is covered by the residual value of the aircraft.

We are also developing ourselves as a global aircraft full-value chain aircraft solutions provider.

The following sets forth a detailed description of each component of the principal steps involved:

Identifying potential aircraft acquisition opportunities

We acquire new aircraft directly from the aircraft manufacturers or through aircraft purchase and leaseback arrangement with airlines; and we also acquire used aircraft from airline operators (such as China Eastern Airlines, China Southern Airlines and China Airlines), third-party lessors or investors in the secondary aircraft market. In pursuing aircraft acquisitions, we consider whether the specific aircraft fits the specific needs and requirements of our airline customers and our prospective customers. We evaluate the reliability of an aircraft model and whether it is generally suitable for the business needs by the airlines in the market in terms of the aircraft type and model, age and fuel-efficiency level.

Pairing aircraft with appropriate lease arrangements

We may or may not secure lease placements at the time of confirming our aircraft acquisition commitments. We will assess the market condition and the likely demand for the relevant aircraft model. If we have not entered into any leasing letter of intent by the time of our aircraft acquisition, we will, prior to the delivery of such aircraft, identify prospective lessees based on our industry knowledge and business relationships. Our strategy is to lease our aircraft under long-term aircraft lease agreements which can provide us with constant cash inflows of lease income during the lease term. We also evaluate the creditworthiness of new airline customers.

Our sales and marketing team is responsible for maintaining close contacts with existing airline customers and explore leasing opportunities with new/prospective airline customers. This process includes the preparation of proposals in response to the requests from airline operators. We may also initiate the process if we know that an airline operator is planning to expand its fleet or implement a fleet restructuring plan.

We use SPCs in China, Dublin, Hong Kong or overseas as aircraft owners. We structure detailed terms of each lease on a case-by-case basis.

We manage lease expirations in our fleet over different periods of time in order to reduce concentrated lease expirations within a short time period. This arrangement will reduce the risks associated with fluctuations in the airline industry.

Direct aircraft purchase and lease transactions

We purchase aircraft from aircraft manufacturers, other airline operators or lessors in PRC or international secondary aircraft markets for leasing to the airline operators. The lease terms of which are generally the same as the lease terms in aircraft purchase and leaseback transaction. The only differences are that, under the direct aircraft purchase and lease transactions, we are able to negotiate with the aircraft manufacturers directly on the terms and the delivery time. We can also select the desirable aircraft models and types that can enhance our own fleet with better cost control.

Aircraft purchase and leaseback transactions

We purchase aircraft or accept the transfer of the relevant purchase commitment from the airline operators and lease the aircraft back to them. The airline operators select the appropriate aircraft, and we provide the leasing services to the airline operators.

Leasing and delivering aircraft to our airline customers

Following finalisation of all the lease terms, the definitive documents will normally be entered into within two to three months and the delivery of the aircraft will be taken place at such place as agreed with the relevant airline operator.

We will monitor the delivery schedule of the aircraft. If there is any delay, we will further discuss with our airline customers and the relevant banks on the terms and the commencement date of the related leasing and financing arrangements.

Technical inspection and reviews

For delivery of new aircraft, we will assist our airline customers in the sourcing of components, such as engines, seats, avionics, cabin finishes, safety equipment, and galleries. Our technical supports team will inspect the aircraft conditions at delivery centres to ensure that the required specifications and modifications are duly installed to meet our airline customers' requirements.

For delivery of used aircraft, we focus on the review of the maintenance history and records. Our technical supports team will undertake a detailed review of the maintenance history and the overall operating records of the aircraft to ensure that the aircraft is free from any material defects and service issues. A physical inspection will also be carried out at the time of delivery.

We closely monitor whether maintenance works of our aircraft have been duly performed and whether the required maintenance standards are duly compiled with by our airline customers. Our airline customers are required to produce utilization reports on a regular basis and maintenance reports on the conditions and maintenance of the leased aircraft every year. In addition, we also monitor the operating and credit condition of our airline customers regularly in order to assess their creditworthiness and to identify any potential default in advance.

Portfolio trading

Portfolio trading is an extension of our current businesses, through which we sell lease-attached or naked aircraft to third party lessors or investors which are with limited aircraft acquisition and leasing capabilities. Depending on the need of our buyers, we may or may not retain the role as asset manager subsequent to the sale. Such trading of aircraft enhances our profitability as well as cashflow, allowing us to re-capitalise ourselves for further business growth.

OUR VALUE-ADDING (USED AIRCRAFT TRADING AND MARKETING) SERVICES

In addition to the aircraft leasing business, we also provide our airline customers with value-adding services which include trading and marketing of used aircraft and other advisory services on fleet management.

Through the provision of these value-adding services, we will have a better understanding of our airline customers' operational needs and their business expansion plans, which would help us to explore future aircraft leasing opportunities.

We distinguish ourselves from other aircraft leasing companies in China in our ability to source new and used aircraft both from the aircraft manufacturers and other international airlines, aircraft operators, sellers or lessors in the international secondary aircraft markets. There are only a few domestic aircraft leasing companies in China that have the capability to purchase aircraft, both new and used aircraft, from overseas. Most aircraft leasing companies in China are engaged in aircraft purchase and leaseback transactions with the airlines in China or purchase aircraft portfolios with leases directly from other aircraft leasing companies. Our capability to place direct aircraft purchase orders with overseas aircraft manufacturers allows us to provide quick delivery of the desirable aircraft to our airline customers. We may also purchase aircraft from PRC or international secondary aircraft markets if our airline customers in China request that the aircraft be leased and delivered to them within a relatively short period of time.

Our aircraft trading team and technical supports team help us with capitalising on acquisition and disposal opportunities for used aircraft in PRC or international secondary aircraft markets. Our aircraft trading team has good understanding of aircraft value and has experience and expertise in the trading of used aircraft. In addition, our business contacts with various buyers and sellers also provide us with access to diverse channels for the sourcing of used aircraft from PRC or international aircraft markets with good value and maintenance history. Back in September 2010, we structured our first aircraft purchase and lease transaction, pursuant to which we acquired an A320 aircraft from a European airline operator for leasing to Chengdu Airlines. We also entered into purchase-and-leaseback agreements with China Eastern Airlines for a total of 12 Airbus A321 aircraft aged 13-17 years in 2021, and with China Southern Airlines for a total of 10 Boeing B737-700 aircraft aged 10-18 years in 2022 in support of the airlines' fleet retirement and optimization plan.

We anticipate that there would be an increasing demand from airlines in China for aircraft retirement and replacement services in view of the stringent regulations on aircraft operation, environmental requirement on emission level, the restrictions on flight hours of the existing fleet, and the limitation of the total number of years that an aircraft can be in service.

OUR FLEET OF AIRCRAFT

Our fleet of aircraft and related leasing status

We have a modern aircraft fleet which enables us to build a high-quality and growing airline customer base. As at 31 December 2024, we had 189 aircraft in our fleet, including 159 owned and 30 managed aircraft. As at 31 December 2024, 90% of our aircraft are narrowbody aircraft, including Airbus A320 family aircraft and Boeing 737 NG aircraft. The average age of our owned fleet was 8.5 years as at 31 December 2024.

The following table sets forth certain information on our fleet and aircraft on order as at 31 December 2024:

	Number of owned aircraft as at 31 December 2024	Number of managed aircraft as at 31 December 2024	Number of aircraft to be delivered after 31 December 2024	Total
Aircraft type				
Aircraft A320 CEO series	71	21	–	92
Aircraft A320 NEO series	51	5	97	153
Aircraft A330 CEO series	12	1	–	13
Boeing 737 NG series	19	2	–	21
Boeing 737 MAX series	2	–	–	2
Boeing 787	1	1	–	2
COMAC C909 series	3	–	27	30
Total	159[(1)]	30	124	313

Note:

Including one aircraft remained in Russia as at 31 December 2024.

For the year ended 31 December 2024, the Group delivered 17 new aircraft from its order book to airline customers and purchased 2 used aircraft. As at 31 December 2024, the Group had 124 aircraft in its order book, comprising 97 Airbus A320neo aircraft and 27 COMAC C909 aircraft, to be delivered in stages by 2028. We procured COMAC C909 aircraft with 30 firm orders and 30 optional orders from COMAC in January 2021; of which three had been delivered as of 31 December 2024.

We plan to focus on narrowbody aircraft which are suitable for inter-city routes in China and short-haul regional flights. Demand for narrowbody aircraft continued its strong growth momentum post-COVID-19 pandemic. Their large user base, as measured by the number of airlines that operate narrowbody aircraft, allows for the relatively simple transition of aircraft to another operator at lease end.

Warranties given by us in respect of our leased aircraft

The relevant aircraft manufacturer warrants to us that each aircraft and its warranted parts at delivery are free from defects in material, workmanship, design and arising from failure to conform to the agreed specifications. Acting as the lessor, we would not provide any warranty as to aircraft frame and the engines. For used aircraft, we and the airline lessees will principally rely on the maintenance records to ensure that the aircraft is in the required condition. Our technical supports team will also inspect the aircraft at the time of delivery of a used aircraft, but we will not undertake technical review and detailed inspection of the configuration of the relevant aircraft which are to be responsible by the airline lessees.

During the full lease term, we, as the lessor, will require the airline lessees to undertake the required maintenance procedures and maintain full value insurance extending to the aircraft and its installed parts.

Our aircraft purchase commitment and related lease commitment from airline operators

Aircraft purchase commitment

We continue to apply prudent principles in optimizing our fleet portfolio. We pursue our long-standing strategy of investing in modern aircraft that are the most fuel-efficient and sought-after category as we prepare ourselves for recovery and growth in the future. As of 31 December 2024, we had 124 narrowbody and regional jet aircraft in our order book, comprising 97 Airbus A320neo family and 27 COMAC C909, to be delivered in stages by 2028.

As at 31 December 2024, the majority of the Group's capital commitments is aircraft purchase commitment, which amounted to HK$45.1 billion, representing the estimated total purchase costs of the aircraft contracted to be purchased and delivered net of PDP paid.

Such aircraft purchase commitment was expected to be financed by (a) PDP financing, (b) aircraft loans, (c) unsecured working capital facilities, (d) issuance of debt capital instruments, (e) equity/equity-like financings, (f) disposal of aircraft; and/or (g) internally generated financial resources.

OUR AIRLINE CUSTOMERS

Since 2014, we have expanded our business into overseas markets, such as Asia, Africa, Americas and Europe. Our customers included lessees of our leased and delivered aircraft and purchasers of the aircraft sold by us. China saw rapid recovery momentum for domestic routes during and after the pandemic, and as a result domestic routes and short-haul flights which were less impacted by the pandemic. As at 31 December 2024, by number of aircraft, out of the Group's owned fleet, 68.6% were leased to Chinese airline customers (including Hong Kong, Macau and Taiwan), 15.1% were leased to airline customers in Asia Pacific region (ex-China), 5.0% were leased to airline customers in EMEA region and 10.7% were leased to airline customers in North and South America. Our overseas clients are mainly flag-carriers or backed by strong shareholders. As at 31 December 2024, the Group's overall customer base (including both owned and managed aircraft) covers 40 airlines in 21 countries and regions. The following table sets forth the number of aircraft in our (both owned and managed) fleet leased to each jurisdiction as at 31 December 2024:

Lessees Jurisdiction	**Number of aircraft in our fleet leased**
Australia	2
Chile	15
China	112
Denmark	1
Egypt	2
Germany	2
Iceland	2
India	9
Indonesia	11
Japan	1
Jordan	2
Macau, China	2
Malaysia	2
Mexico	3
Philippines	1
South Africa	3
Spain	3
Taiwan, China	6
Thailand	2
USA	6
Uzbekistan	1
Total	**188**[(1)]

Note:

(1) excluding the one aircraft that involve Russian airlines and was written-off from the book.

LEASE COMMITMENT FROM OUR AIRLINE CUSTOMERS

We actively seek and confirm lease commitment for the aircraft that are currently planned to be delivered in 2025 and 2026. The future lease commitment from airline customers consists of aircraft lease agreements and letters of intent.

We usually enter into letters of intent with airline operators before entering into the definitive lease agreements. For the year ended 31 December 2024, we have delivered 17 new aircraft from our order book to airline customers and purchased two used aircraft. In addition, as at 31 December 2024, we have signed new lease agreements or letters of intent for 48 aircraft during the year, including order book placement, repossession and remarketing, as well as lease extensions, addressing airline customers' needs for capacity expansion and future pipeline. 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.

OUR SALES AND MARKETING

Throughout years of development, with our professional team possessing extensive international aviation market experience and our globalised sources of financing, we have developed into a full value-chain aircraft solutions provider.

We were named as the "Aircraft Lessor of the Year" for four consecutive years from 2015 to 2018 by Global Transport Finance for our expertise in delivering outstanding services and providing effective financing solutions to a diverse range of customers. We are the first ever Chinese lessor to obtain this international accreditation. We were also named as the "Asia-Pacific Lessor of the Year" for two consecutive years in 2017 and 2018 and won the "Editor's Deal of the Year for Innovation" award in 2018 as well as "Asia-Pacific Lease Deal of the Year" awards in 2022 and 2024 presented by Airline Economics.

Our sales and marketing activities focus on strengthening the business relationship with airline operators, airline manufacturers, banks and financial institutions in order to achieve long-term mutually beneficial cooperation.

As a full-value chain aircraft solutions provider, we will continue to utilise our expertise to create innovative and value-added fleet management solutions for airlines worldwide, as well as contribute to the future development of the global aviation finance sector.

OUR FINANCING STRATEGIES

Source of financing

Financing cost is our largest operating cost. We have been focusing on maintaining a competitive debt funding cost, and have achieved this by adopting prudent financial policies and maintaining a diverse range of financing sources.

We continue to advance our onshore and offshore financing platforms to flexibly tap opportunities to access quality funding sources, including actively exploring green financing opportunities. Diversified funding sources and financing instruments provide us with sufficient liquidity. Despite the prevailing challenging times, we have successfully arranged project loan facilities for our new deliveries and our outstanding project loan balance was HK$21.5 billion as at 31 December 2024. We have also received strong support from the associate companies under CEG. Together with liquidity provided by other commercial banks, we have been granted US$2,432.8 million of standby credits and working capital facilities as at 31 December 2024.

In August 2020, we received the highest AAA credit rating from Dagong Global Credit Rating Co., Ltd, an accolade conducive to future financings in the domestic market in China.

In June 2021, we received a first-time corporate family rating (CFR) of Ba1 from Moody's, with a stable outlook, and a first-time long-term IDR of BB+ from Fitch with a stable long-term outlook, which served as a good indication of our credibility and hence financing capability. In May 2023, CALC (Tianjin) received an AAA issuer rating from Dagong Global Credit Rating Co., Ltd, and an upgrade to AAA rating from China Cheng Xin International Credit Rating Co., Ltd, both with a stable outlook. In May and June 2024, we opted to withdraw our Moody's and Fitch ratings in view of the low chance of offshore issuances (arising from the high-interest-rate environment) as well as cost-saving considerations. In December 2024, we received our first investment-grade international rating of Ag- with a stable outlook from China Chengxin (Asia Pacific) Credit Ratings Company Limited. The ratings fully reflect our leading industry position and the high recognition of our stable business, premium creditworthiness and strong shareholder support from an internationally renowned ratings agencies.

In 2022, 2023 and 2024, aircraft loans and PDP financing remained the main source of funding to support our aircraft acquisitions. The aircraft loans were arranged for individual aircraft purchased, and the PDP financing was used for the settlement of PDPs.

As at 31 December 2022, 2023 and 2024, our aircraft loans amounted to HK$19.1 billion, HK$23.3 billion and HK$21.5 billion, respectively.

As at 31 December 2022, 2023 and 2024, the balances of our PDP financing were HK$7.2 billion, HK$6.1 billion and HK$6.3 billion, respectively.

The determination of the interest rates for our aircraft loans and PDP financing are based on commercial negotiations between us and the relevant banks and financial institutions and are principally subject to floating interest rates. The amount of lease payments under our aircraft lease agreements are determined with reference to a number of factors on top of interest rates including market value of the relevant aircraft and lease terms and rates offered by other aircraft leasing companies. Hence, we may not be able to pass all the increase in our costs to our airline customers.

Since 2015, we have further diversified our source of financing by obtaining export credit agencies' guaranteed project financing and Japanese Operating Lease with a Call Option ("**JOLCO**") financing. Also, capitalising on the relative abundance of liquidity in the domestic market in China, we have issued a number of RMB Bonds, medium-term-notes and perpetual bonds onshore at appealing interest rates since 2020. We also managed to issue private bonds and perpetual bonds offshore amidst the difficult times of the COVID-19 pandemic. Our dual financing platforms (onshore & offshore) have allowed us to tap fundings with appropriate structures and terms; as well as control our funding costs at appealing levels.

For the years ended 31 December 2022, 2023 and 2024, we incurred interest expenses of HK$1,610.5 million, HK$2,244.5 million and HK$2,710.6 million, respectively.

In 2018, we have transited into asset-light models through aircraft disposals to CAG, ARI and third parties. For the years ended 31 December 2022, 2023 and 2024, we received net income from aircraft transaction and aircraft components trading of HK$207.1 million, HK$124.5 million and HK$212.7 million, respectively, from disposal of aircraft to joint ventures and third parties and novation of aircraft purchase agreements.

Financing channels

We possess a wide range of financing channels, both onshore and offshore. In selecting the appropriate banks or financial institutions to provide us with aircraft loans and PDP financing, we may consider a number of factors such as interest rates, percentage of the aircraft valuation covered (Loan-To-Value), and the collaterals required.

Apart from secured aircraft loans and PDP financing, we also seek corporate loans with various banks which may provide better flexibility and less restrictions as well as more appealing commercial terms including interest rate, loan amount, tenor, etc. We may also re-finance our loans from time to time so as to lower our interest costs amidst the challenging interest-rate environment.

Our source of funding also extends to investors in the debt capital market who subscribe for our bonds, and those engaged in special financing structures such as JOLCO.

We will continue to diversify our financing channels and alternatives to support our finance needs for fleet expansion and business growth, including active aircraft portfolio management which involves portfolio trading to adjust the composition of our fleet of aircraft, with a view to monetise the assets to capitalise future fleet expansion and business growth opportunities.

Aircraft loans

We finance our aircraft acquisitions through PDP financing and aircraft loans. For our aircraft loans, the interest rate is principally determined with reference to one-month, three-month or six-month floating rates and will be adjusted at regular intervals according to the market conditions. The average effective interest rate as at 31 December 2024 of bank and other borrowings was 5.74%, compared to 6.12% for the year ended 31 December 2023.

Before entering into any aircraft loan transaction, we will review the terms in detail and will ensure that the repayment instalments under the aircraft loan match the expected cash inflows of lease income over the entire lease term from the aircraft. We will only secure and confirm the aircraft loans for aircraft acquisitions about three months before the scheduled delivery date of the aircraft. This is intended to reduce the finance cost for standby but unused facilities involved.

Each aircraft loan is usually secured by a legal charge over the leased aircraft, an assignment of the leases, a pledge of the shares of the SPC being the registered owner of the relevant aircraft, corporate guarantees provided by certain members of our Group, and pledge of bank deposits. As at 31 December 2022, 2023 and 2024, pledged bank deposits amounted to HK$288.4 million, HK$56.3 million and HK$53.6 million, respectively.

PDP financing

We need to pay PDPs for certain aircraft agreed to be purchased and delivered to us. PDP financing is a specific purpose bank borrowing, obtained by us solely for the purpose of settling PDPs, either in form of bilateral or syndicated loans. Unlike many other peers or airlines who are usually required to finance their PDPs on secured basis, we have managed to finance our PDP without security. As at 31 December 2022, 2023 and 2024, the balances of our PDP financing were HK$7,180.3 million, HK$6,127.8 million and HK$6,294.1 million, respectively. As the PDP financing is attributable to the acquisition of aircraft under construction, the interest incurred by us on the PDP financing will not be charged to our profit and loss, but treated as capitalised interest cost as part of our prepayments. The amount of interest will then be re-classified to property, plant, and equipment under operating leases or finance lease receivables under finance leases.

Other unsecured bank borrowings

As at 31 December 2022, 2023 and 2024, we have unsecured other bank borrowings in the amount of HK$6,067.5 million, HK$8,490.3 million and HK$11,021.8 million, respectively. These facilities are provided to us on unsecured basis with initial loan tenors range from within one year to three years. As at 31 December 2024, HK$5,690.6 million of these unsecured other bank borrowings were guaranteed by certain companies of the Group. We obtained these facilities through various banks in China, Hong Kong and the rest of Asia Pacific Region.

Export credit agencies' ("ECA") guaranteed project financing

In March 2015, we obtained our first guarantee arrangement from the Export Credit Guarantee Department of the United Kingdom for the financing of three aircraft delivered to Air India in 2015. The three aircraft had subsequently been sold and the facility had been substituted with a brand new aircraft also leased to Air India in 2024. This is the first-ever-aircraft substitution transaction approved by the ECAs, setting a new standard in the aviation industry and demonstrating the innovative and flexible nature of our financing channels.

JOLCO

Partnering with two JOLCO houses in Japan, we have arranged JOLCO financings for our two aircraft leased to Pegasus in 2016, and another two aircraft leased to AirAsia Berhad and Thai AirAsia respectively in 2017. The Pegasus transaction was in fact the first-ever Lessor JOLCO transaction in Turkey. This financing structure shall remain an important alternative for our global expansion strategy.

Debt capital market financing

We obtained financings in both onshore and offshore debt capital markets through the issuances of medium-term notes, bonds and debentures.

As at 31 December 2024, after deducting the issuing cost, the total carrying amount of our medium-term notes (excluding the September Perpetual MTN) was HK$1,599.7 million.

For the year ended 31 December 2024, we have incurred HK$61.2 million on interest expenses in relation to the medium-term notes (excluding the September Perpetual MTN).

As at 31 December 2024, the total carrying amount of bonds and debentures was HK$3,930.7 million.

For the year ended 31 December 2024, we have incurred HK$230.5 million on interest expenses in relation to such bonds and debentures.

Onshore debt capital market financings

In July 2015, our wholly-owned subsidiary, CALC (Tianjin), issued senior unsecured RMB340.0 million medium-term notes, becoming the first aircraft lessor to obtain approval and the first member of Tianjin Dongjiang Free Trade Port Zone to be approved for note issuance. The notes bear interest at 6.5% per annum with tenor of five years. In July 2020, we have fully repaid these medium-term notes.

In November 2016, CALC (Tianjin), issued RMB330.0 million medium-term notes. The notes bear interest at 4.19% per annum with tenor of five years. In November 2021, we have fully repaid these medium-term notes.

In June 2019, one of our wholly-owned subsidiaries in the PRC issued three-year RMB1.0 billion unsecured bonds due in 2022, bearing coupon rate of 5.2% per annum. These bonds were listed on the Shanghai Stock Exchange. These bonds were fully repaid at maturity.

In August 2019, CALC (Tianjin), issued RMB800.0 million medium-term notes. The notes bear interest at 4.93% per annum with tenor of three years. In August 2022, we have fully repaid these medium-term notes.

In March 2020, one of our wholly-owned subsidiaries in the PRC issued one-year RMB1.0 billion unsecured debentures at the coupon rate of 3.65% per annum and were listed on the Inter-Bank Bond Market of China. These debentures were fully repaid at maturity.

In June 2020, one of our wholly-owned subsidiaries in the PRC issued one-year RMB300.0 million unsecured debentures at the coupon rate of 4% per annum and were listed on the Inter-Bank Bond Market of China. These debentures were fully repaid at maturity.

In July 2021, the Group issued RMB1.0 billion super short-term debentures with a term of 270 days at the coupon rate of 3.98%. These debentures had been fully repaid on maturity.

In August 2021, the Group issued three-year unsecured bonds, with coupon rate adjustment option for the Group and sell-back option for investors exercisable at the end of the second year, in a principal amount of RMB100.0 million due in 2024, bearing coupon rate of 4.2% per annum. These bonds were listed on the Shanghai Stock Exchange. The sell-back option for investors was exercised in August 2023 and the bonds were fully repaid.

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 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 at coupon interest at 4.5% per annum. In April 2024, we have repurchased a principal amount of RMB1.49 billion from the investors.

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

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 a coupon rate of 3.58% per annum. These bonds were listed on the Shanghai Stock Exchange.

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.

In September 2024, our subsidiary (CALC (Tianjin)) issued RMB1.0 billion perpetual medium-term notes ("**September Perpetual MTN**").

Offshore debt capital market financings

In August 2016, our wholly-owned subsidiary, CALC Bond 2 Limited, issued five-year senior unsecured US$300.0 million bonds due in 2021 which were listed on the Hong Kong Stock Exchange and guaranteed by the Guarantor. These bonds bear coupon interest at 4.9% per annum. The bonds had either been repurchased or fully repaid at maturity.

In March 2017, our wholly-owned subsidiary, CALC Bond 3 Limited, issued five-year US$300.0 million senior unsecured bonds due in 2022 which are listed on the Hong Kong Stock Exchange and guaranteed by the Guarantor. These bonds bear coupon interest at 4.7% per annum. The bonds had either been repurchased or fully repaid at maturity.

In March 2017, our wholly-owned subsidiary, CALC Bond 3 Limited, issued seven-year US$200.0 million senior unsecured bonds due in 2024 which are listed on the Hong Kong Stock Exchange and guaranteed by the Guarantor. These bonds bear coupon interest at 5.5% per annum. The bonds had either been repurchased or fully repaid at maturity.

In November 2020, the Guarantor 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 another 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 Guarantor and were listed on the Hong Kong Stock Exchange. The bonds had either been repurchased or fully repaid at maturity.

Residual value insurance

In addition to the insurance coverage required to be maintained by our airline customers over the aircraft leased to them, historically, we also maintain residual value insurance in respect of our leased aircraft as part of our risk management measures. The purpose of maintaining the residual value insurance is to protect us against future risks associated with the value of the aircraft, including the risk of diminution of value of the insured aircraft resulting from changing market conditions. Hence, our residual value insurance are arranged with reputable insurers which are independent third parties.

Hedging transactions

Because of the exposure to the floating interest rates, we entered into interest rate swaps contracts for managing our exposure on our aircraft loans to interest rate fluctuations. As at 31 December 2024, we had 16 outstanding interest rate swap contracts which will expire at various dates from 3 April 2025 to 25 March 2031, to exchange floating rates from SOFR into fixed interest rates in a range of 0.4% to 4.1%. As at 31 December 2024, this arrangement was secured by initial deposits of HK$5.4 million.

We are not engaged in any interest hedging activity for the PDP financing and working capital loan as PDP financing and working capital loan are of short term of approximately one to five years, and one to three years respectively. We have not been involved in any speculative activities in 2022, 2023 and 2024.

We closely monitor currency exchange risks and hedge the exposure where necessary and appropriate. In order to mitigate RMB exchange rate risks, we may use the currency forward contracts to hedge our currency exchange risk. We will continue to monitor currency exchange risk through matching the currencies of lease receivables and borrowings to the greatest extent possible.

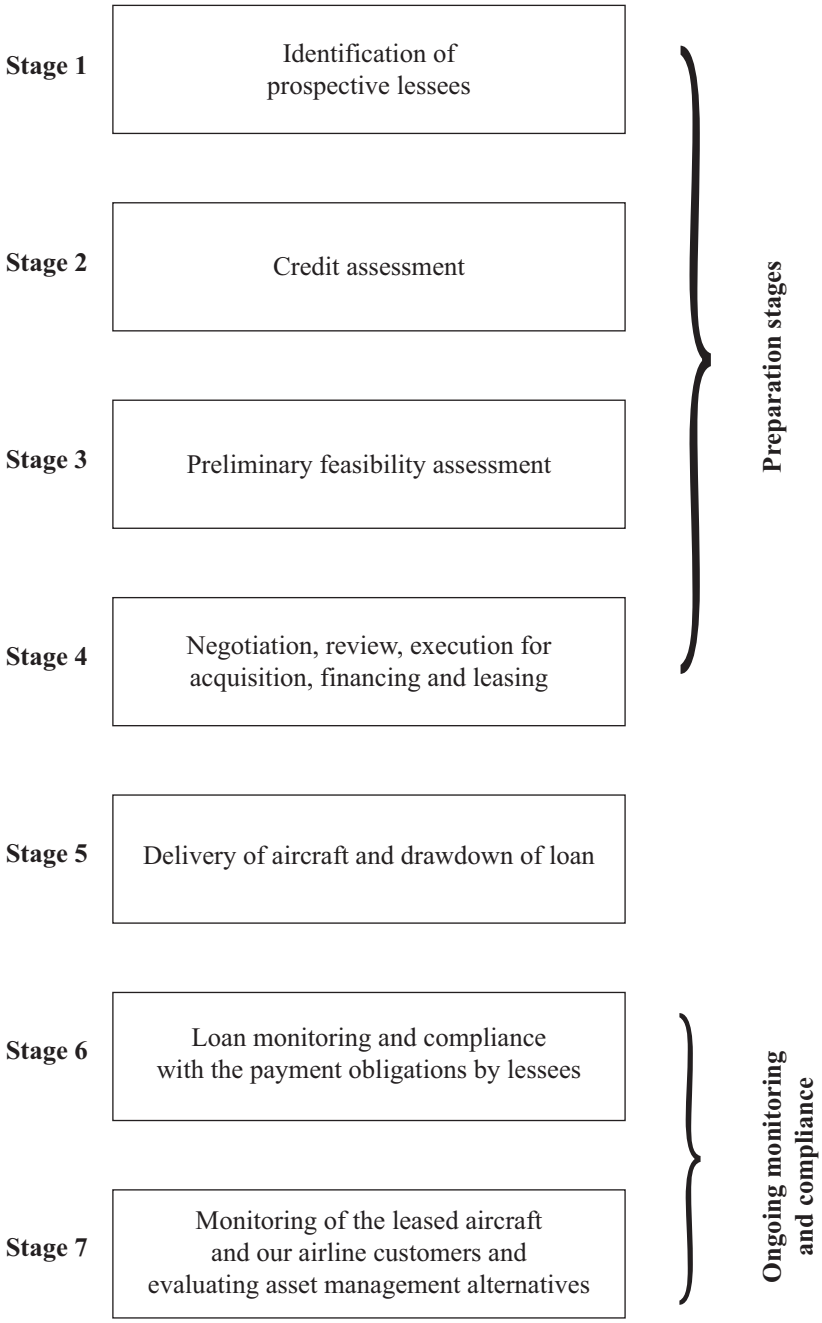
Managing our liquidity risk

As at 31 December 2022, 2023 and 2024, our gearing ratio (calculated by dividing borrowings, medium-term notes, bonds and debentures by total assets) was 81.5%, 84.4% and 83.4%, respectively. Most of our liabilities are aircraft loans incurred by us for aircraft acquisitions. We manage our liquidity risk by arranging aircraft loans such that their debt service payments match our cash inflow of lease income under the relevant lease in terms of repayment schedules, type of interest (fixed or floating rate) and/or currency (U.S. dollar and Renminbi). Where there is a mismatch between the type of interest, we have retained the flexibility to enter into interest rate swap arrangements. Through such matching and hedging arrangements, we have implemented effective measures to limit our liquidity risk.

In December 2020, our wholly-owned subsidiary CALC Perpetual Bond Cayman 1 Limited issued a US$200.0 million perpetual bond in Hong Kong. In September 2024, our wholly-owned subsidiary CALC (Tianjin) issued RMB1.0 billion perpetual medium-term notes in PRC market, both of which were classified as equity and improved our gearing ratio. We will continue to explore further financing options both within and outside China by leveraging any financing opportunities then arise.

OUR BUSINESS OPERATIONS IN AIRCRAFT LEASING BUSINESS

We have a clear segregation of business departments with delineation of roles and responsibilities to execute our business model. We have established different departments responsible for procurement, sales and marketing, technical review, finance and accounting, project management and legal and compliance. We set forth below the operational workflow in our aircraft acquisition and leasing transactions:



Prior to the preparation stages, we will assess the overall market conditions and forecasted demand on various aircraft types, as well as review our fleet composition and hence gauge the commercial merits in making any aircraft acquisitions. Our procurement team, together with senior management where appropriate, will then negotiate commercial terms and place orderbooks with aircraft manufacturers. Regular meetings and discussions are also held from time to time so as to improve such purchase terms and conditions in accordance with the then-market-situation.

It may then take several months to complete the preparation stages for our leasing depending on the complexity of the transaction and whether the airline is a new customer. For any new aircraft delivery, we usually place the aircraft with a lessee 12 to 18 months prior to its scheduled delivery.

Stage 1: Identification of prospective lessees

We prepare on an ongoing basis, a demand forecast for aircraft by our existing airline customers and prospective airline customers in the next 6 to 12 months according to the published market data, analysis performed by our sales and marketing department, and our close contacts with our airline customers. We contact our existing airline customers from time to time to explore any potential business opportunities.

Stage 2: Credit assessment

We have internal assessment procedures to evaluate the background and the credit worthiness of any new airline customers by considering its financial position, market share, background of shareholders and business reputation. We also take into consideration their business strategies in future and their fleet expansion plan.

Stage 3: Preliminary feasibility assessment

For any potential transactions identified, our transaction management team and banking and financing team will perform a preliminary feasibility assessment.

The preliminary feasibility assessment covers different aspects. We study and analyse the background of the airline customer including its operating history and shareholders, the routes operated by it, and other financial information. Specific needs of the airline in respect of the type and specification requirements will also be studied and compared with our aircraft ordered or to be ordered.

We will also evaluate different transaction structures and the relevant leasing and financing options. Lease terms including time frame, the amount of the lease payment, the payment schedule, and potential financing terms including interest rate, duration and the amount of loan will also be considered for the purpose of making an overall assessment of the legal and operational risks of a particular transaction. Interest rate risk, counterparty and credit risk, our level of debt, and the residual value risk of the aircraft. Cash flow analysis will also be performed to access the financial impact of the transaction.

In evaluating an aircraft purchase and leaseback transaction, we will assess the profitability and the return on investment, our counter-party risk, leverage risk, and the residual value risk.

After completing the feasibility assessment and if we are satisfied that the proposed transaction is commercially viable, we will commence further discussions and negotiations on the leasing letter of intent with the prospective airline customer.

Stage 4: Negotiation, review, and execution for acquisition, leasing and financing

We will proceed to obtain preliminary indications from banks for the financing arrangements. Generally we will require indications from at least two banks for each project financing; and will provide mandate to the one offering us with the best terms and conditions.

We will then proceed to prepare documentation based on the negotiated and approved terms of the relevant aircraft acquisition (for purchase and leaseback), leasing and financing.

Stage 5: Delivery of aircraft and drawdown of loan

We will proceed to coordinate with different parties for aircraft delivery and drawdown of the aircraft loan(s). The process represents the collaborative efforts of our different departments to ensure that all the related arrangements will be completed according to the planned schedule.

Our banking and financing team monitors the drawdown of loan pursuant to the time schedule stipulated in the aircraft loan agreement.

Stage 6: Loan monitoring and compliance with the payment obligations by lessees

Our accounting department monitors the receipt of the lease income from our airline customers, and ensures adequate fund would be available for repayment of loan interest and principal of bank loans to the financiers. We will closely monitor if there is any delay in the lease payment by our airline customers and follow-up actions to be taken promptly in case of such delay.

Compliance review will be conducted from time to time on our compliance with the loan covenants (including information regarding the financial ratios and capital requirements as stipulated under the covenants in the financing agreement) under the bank loan agreement. We will monitor any breach of covenant and any likely impact as a result.

Stage 7: Monitoring of the leased aircraft and our airline customers and evaluating asset management alternatives

Our sales and marketing team and asset management team will closely monitor the condition of our leased aircraft. We monitor whether the maintenance is duly performed and whether the required maintenance standards are duly compiled with by our airline customers. Our airline customers are required to produce utilization reports regularly and maintenance reports annually in respect of the operation, condition and maintenance of the leased aircraft. The purpose of these regular reviews is to ensure that the aircraft is operated under the prescribed conditions set forth in the relevant aircraft lease agreements.

In addition, we also closely monitor the operating and credit condition of our airline customers in order to assess the creditworthiness of our airline customer and to identify any potential risk of default. We have a delinquent lessee policy in place and lease rent receivables are monitored on a daily basis by our risk department. We also have an aircraft repossession process to follow whenever appropriate.

COMPETITION

We are an independent and fast-growing aircraft leasing company. We compete with aircraft leasing companies domestically and internationally. The aircraft leasing industry has high entry barriers, which include licences, initial capital, continuous funding capabilities, adequate risk management measure, and strong technical support capability.

Competition in the aircraft leasing industry is keen. Our competitors are mainly aircraft leasing companies which are affiliates of commercial banks, leasing divisions or subsidiary leasing arms owned and operated by airlines and aircraft manufacturers and independent aircraft leasing companies. Our competitors include domestic aircraft leasing companies in China, such as CDB Leasing, BoComm Leasing and ICBC Leasing Co., and international leasing companies, such as Air Lease Corporation, GE Capital Aviation Services, SMBC Aviation Capital, Avolon, AerCap Holdings N.V. BOC Aviation, and bank-affiliated aircraft leasing companies. Leasing divisions or subsidiaries operated by aircraft manufacturers generally focus on providing alternative financing options to their airline customers in the sale of aircraft and equipment, and as such the business demand of these leasing subsidiaries is largely to support and satisfy the business need and expansion of their parent companies. Leasing businesses affiliated with airline operators may only serve their affiliated airlines. Independent aircraft leasing companies have wider customer base owing to their independence and greater flexibility to structure leasing and financing options and the accessibility to diversified funding options. Competition in the aircraft leasing business is based on a number of aspects, including the lease rates, lease terms, delivery dates, availability of the aircraft model in the market, aircraft specifications, condition of the aircraft, and other lease provisions. Competition in aircraft re-marketing focuses principally on the availability of suitable aircraft at appropriate prices.

Our ability to compete against our competitors depends on our ability to distinguish ourselves from other aircraft leasing companies in the industry by way of our innovative business model and comprehensive tailored services to be provided to our airline customers. Our positioning as a full life-cycle aircraft solutions provider gives us competitive advantages over our competitors as we are able to provide our airline customers with a solution at 'both ends' – we take up the airlines' existing aircraft, often being mid-aged and/or matured aircraft, therefore releasing our airline customers' demand for capacity, which then allows us to provide these airline customers with leases of younger aircraft satisfying such demand. With this vision, ARI has been committed to strengthening its capability in fulfilling the global demand for mid-aged and/or matured aircraft solutions and asset management by operating a global life-cycle solutions platform to support our value chain ecosystem with its dual aircraft recycling bases in Harbin, the PRC and in the U.S. Combining with the strong support by UAM (the world's leading global aviation services provider based in the US, which was fully acquired by ARI in March 2017) and CAAM, together with the integrated resources and customer base provided by us, ARI can provide a state-of-art global platform of mid-aged and/or matured aircraft solutions, which form an integral part of our overall business strategy as a full life-cycle aircraft solutions provider.

INTELLECTUAL PROPERTY

We conduct our business under the trade names of "CALC" in English and "中國飛機租賃" in Chinese. We have registered various trademarks in China and Hong Kong to ensure that we have the right to use the trade names and the registered trademarks. The trade names and the trademarks are important in recognising us as a Chinese aircraft leasing company.

We confirm that we are not involved in any proceedings in respect of, and we have not received notice of any claim for infringement of, any intellectual property rights of any third party.

EMPLOYEES (EXCLUDING ARI GROUP)

As at 31 December 2024, we had over 184 employees across 10 offices worldwide.

Our staff management and recruitment policies, working environment, and career development opportunities have contributed to good staff relationship and retention of our staff members.

We provide regular training to our staff members to keep them informed of the latest information on the market and industry. We recruit such number of staff based on our business development. We recruit employees from a number of sources, including universities, internal referral, and career fairs, social media and job advertising portal.

We have established effective employee incentive systems to remunerate our employees with outstanding performance.

With regard to our employees in China, we have complied with the applicable laws and regulations on employees' benefits. As at the date of this Offering Circular, we have also fully complied with the provident fund requirements and other statutory requirements for our employees in Hong Kong. We have not experienced any major dispute with any of our employees which have a material adverse impact on our business and operating results. Our relations with our employees are good.

INSURANCE

Our operations involve a number of inherent risks, such as risks associated with the value of the aircraft, business interruption, hostilities and labour strikes. We and certain of our aircraft are covered by insurance policies by reputable insurance companies in the relevant jurisdictions and with commercially reasonable deductibles and limits on coverage. The insurance coverage in place is in line with industry and market standards and is adequate and sufficient for the conduct of our business.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, we and our subsidiaries have not been involved in any legal or administrative proceedings or arbitration that could have a material adverse effect on our respective financial condition or results of operations, nor are we aware of any potential legal or administrative proceedings or arbitration involving us or any of our subsidiaries that would have a material adverse effect on our financial condition or results of operations. We and our subsidiaries however may from time to time be involved in certain legal proceedings arising in the ordinary course of business.

DIRECTORS

Our board of directors consists of seven directors, comprising two executive directors, two non-executive director, and three independent non-executive directors. The powers and duties of our board of directors include:

- convening shareholders' meetings and reporting at shareholders' meetings our board of directors' responsibilities and work done;
- implementing the resolutions passed at shareholders' meetings;
- determining our business plans and investment plans;
- formulating our annual budget and final accounts;
- formulating our proposals for profit distributions and for the increase or reduction of our share capital; and
- exercising other powers, functions and duties as conferred by our memorandum and articles of association.

The table below sets forth the age and designation of each of our directors as at the date of this Offering Circular:

Name	Age	Position
Mr. AN Xuesong	54	Chairman of the Board and Non-executive Director
Mr. PAN Jianyun	55	Non-executive Director
Mr. POON Ho Man	52	Executive Director and Chief Executive Officer
Mr. LI Guohui	53	Executive Director, Chief Financial Officer and Chief Strategy Officer
Mr. CHEOK Albert Saychuan	74	Independent Non-executive Director
Mr. FAN Chun Wah, Andrew, *J.P.*	46	Independent Non-executive Director
Dr. HONG Wen	50	Independent Non-executive Director

Non-executive Directors

Mr. AN Xuesong, aged 54, is our Chairman of the Board and a Non-executive Director. He has been appointed as a Director since October 2024.

Mr. AN is currently an executive director of CEL (stock code: 165.HK), the vice president of CEL group in charge of finance, and a non-executive and non-independent director of Ying Li International Real Estate Limited (stock code: 5DM.SGX).

Mr. AN was the executive director, vice president and chief financial officer of China Everbright Environment Group Limited (stock code: 257.HK) from October 2021 to March 2024. He was the executive director and chief executive officer of China Everbright Water Limited (stock code: U9E.SG, 1857.HK) from December 2014 to October 2021. Prior to that, Mr. AN worked at the Municipal General Office of Jingzhou, Hubei Province and Guangdong Technology Venture Capital Group Ltd. Mr. AN has comprehensive experience in mergers and acquisitions, project investment and management, financial management and risk management.

Mr. AN holds a Master's degree in Business Administration from Jinan University. He is a Certified Public Accountant in the People's Republic of China and a Certified International Internal Auditor.

Mr. PAN Jianyun, aged 55, is our Non-executive Director, a member of each of Remuneration Committee and Sustainability Steering Committee on Environmental, Social and Governance Issues and chairman of Strategy Committee of the Guarantor. He has been appointed as a Director since March 2025.

Mr. PAN is currently an executive director of CEL (stock code: 165.HK) and the vice president of CEL group, the chairman of China Asset Leasing Company Limited, a wholly-owned subsidiary of the Guarantor, the non-executive and non-independent chairman of Ying Li International Real Estate Limited (stock code: 5DM.SGX), a non-executive director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK) and the chairman of Aircraft Recycling International Limited. He was a non-executive director of China Everbright Environment Group Limited (stock code: 257.HK) from March 2024 to April 2025. Prior to joining the Group, Mr. PAN had served as a director and vice president of China Everbright Holdings Company Limited and a deputy general manager of each of the listing office and integrated development department of China Everbright Group Ltd., the controlling shareholders of the Guarantor. He had also served as a business line director and general manager of the investment banking management headquarters of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK). He previously worked as a lawyer at Ningbo Beilun Law Firm, a project manager, an assistant to general manager, a director of legal affairs office and a general manager of investment banking headquarters of Skyone Securities' investment banking division.

Mr. PAN holds a bachelor degree in law from China University of Political Science and Law, a master degree in economics from Zhejiang University, and an executive master degree in business administration from Fudan University.

Executive Directors

Mr. POON Ho Man, aged 52, is our Executive Director and the Chief Executive Officer. Mr. POON is the chairman of the Sustainability Steering Committee on Environmental, Social and Governance Issues and a member of each of our Strategy Committee and Remuneration Committee. He is also a director of certain subsidiaries of the Guarantor and holds indirectly 14.13% equity interest in Linkasia Airlines Group Limited, a non-wholly-owned subsidiary of the Guarantor. He is responsible for formulating the Group's overall strategic planning and managing overall business operations. Mr. POON has over 25 years of experience in direct investment, structured financing and aviation financing, of which over 15 years has been spent focusing on aircraft leasing. He has been appointed as a Director since January 2017.

Mr. POON founded China Aircraft Leasing Group, which has been developed into an aircraft full life-cycle solutions provider under his leadership. Mr. POON also oversaw the founding of ARI, which is the first in Asia to provide solutions for mid-to-end life aftermarket aircraft. ARI is indirectly owned by FPAM, a substantial shareholder of the Guarantor, as to 18% which is in turn beneficially owned by Mr. POON as to 50%. Mr. POON serves as the chief executive officer and a director of ARI as well as certain subsidiaries of ARI.

Mr. POON obtained the degree of Bachelor of Engineering from the University of Hong Kong in 1995, and obtained the degree of Executive Master of Business Administration from Tsinghua University in 2005. Mr. POON has been a CFA charterholder of the Association for Investment Management and Research (now known as the Chartered Financial Analysts Institute).

Mr. POON was a member of the eleventh and twelfth Heilongjiang Province Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and the Vice Chairman of HKCPPCC (Provincial) Members Association Foundation Limited. Mr. POON also obtained the World Outstanding Chinese Award from World Chinese Business Investment Foundation in 2006.

Mr. LI Guohui, aged 53, joined our Group in January 2023 and is our Executive Director, Chief Financial Officer and Chief Strategy Officer. He also acts as a director of a number of subsidiaries of the Guarantor. He has been appointed as a Director since March 2024. He is responsible for managing the strategic planning, financing, investor relations, company secretarial matters, listing rules compliance and accounting matters of the Group.

Prior to joining the Group, he has a track record in serving senior positions in the blue-chip and large-scale companies. Mr. LI is currently an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066), and an independent director of Zhongshan Public Utilities Group Co., Ltd. (stock code: 00685.SZ). He has served as senior manager in investment, merger and acquisition/financial analysis of International Maritime Carriers Group in Singapore and Hong Kong from 2005 to 2009 and accounting director of finance department of China Resources (Group) Co., Ltd from 2009 to 2013 Mr. LI has served as an executive director, the chief financial officer, the vice president and the authorised representative under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited of China Resources Pharmaceutical Group Limited (stock code: 03320.HK) from 2013 to 2019, a non-executive director of Dong-E E-Jiao Co., Ltd. (stock code: 000423.SZ) and China Resources Double Crane Pharmaceutical Co., Ltd. (stock code: 600062.SH) and a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (stock code: 000999.SZ). He was an executive director and joint chief financial officer of Zhongsheng Group Holdings Limited (stock code: 881.HK) from 2019 to 2022 and an independent non-executive director of Space Group Holdings Limited (stock code: 2448) from August 2022 to June 2025.

Mr. LI received a Master's degree in Financial Management from Nanyang Technological University in Singapore in 2005 and a Master's degree in Business Administration from Wuhan University in 2003 and obtained professional qualifications as a Chartered Financial Analyst qualified by the CFA Institute and a Certified Public Accountant (Singapore) qualified by the Singapore Institute of Chartered Accountants.

Independent Non-executive Directors

Mr. CHEOK Albert Saychuan, aged 74, is our Independent Non-executive Director. Mr. CHEOK is also the chairman of our Nomination Committee, and a member of each of our Audit Committee and Remuneration Committee. Mr. CHEOK has been appointed as a Director since May 2015.

Mr. CHEOK graduated from the University of Adelaide, Australia with First Class Honours in economics. Mr. CHEOK is a fellow of CPA Australia. He is a banker with over 40 years of experience in banking and business consultancy in the Asia-Pacific region.

Between May 1979 and February 1982, Mr. CHEOK was an advisor to the Australian Government Inquiry into the Australian Financial System which introduced comprehensive reforms to the Australian banking system. He was the chief manager at the Reserve Bank of Australia from October 1988 to September 1989 before becoming the deputy commissioner of Banking of Hong Kong for about three and a half years. He was subsequently appointed as an executive director in charge of banking supervision at the Hong Kong Monetary Authority from April 1993 to May 1995. Mr. CHEOK was the chairman of Bangkok Bank Berhad in Malaysia, a wholly-owned subsidiary of Bangkok Bank of Thailand, from September 1995 to November 2005. Mr. CHEOK was formerly the vice chairman of Export and Industry Bank, Inc., which is listed on The Philippine Stock Exchange, from February 2006 to April 2012. Mr. CHEOK was the vice president of the board of governors of the Malaysian Institute of Corporate Governance until the end of 2020.

Mr. CHEOK is the non-executive non-independent chairman of Amplefield Limited (listed in Singapore) and an independent non-executive director of Supermax Corporation Berhad (listed in Malaysia). He was the non-executive chairman of Forbidden Food Limited (listed in Australia).

Outside his various board capacities, Mr. CHEOK is a well accomplished personal investment banker and financial adviser to select clients in Hong Kong, China and South East Asia. In this capacity he has been involved in several high profile mergers and acquisitions, asset acquisitions, corporate restructuring, corporate strategies, brand image and building and private fund management. He has also been an adviser to governments in various capacities.

Mr. FAN Chun Wah, Andrew, *J.P.,* aged 46, is our Independent Non-executive Director. Mr. FAN is also the chairman of our Audit Committee, and a member of each of our Nomination Committee and Remuneration Committee. Mr. FAN has been appointed as a Director since March 2023. Mr. FAN is a practicing certified public accountant in Hong Kong with over 19 years of experience. He holds a Bachelor Degree of Business Administration (Accounting and Finance) from The University of Hong Kong and a Bachelor Degree in Laws from the University of London.

Mr. FAN is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also the Vice Chairman of the Tenth to the Twelfth Committees of the Zhejiang Province United Young Association, and a member and a Standing Committee member of the Eleventh to the Thirteenth Committees of the All-China Youth Federation and a member of the Fourteenth National Committee of the CPPCC.

Mr. FAN is currently an independent non-executive director of Sing Tao News Corporation Limited (stock code: 1105), Nameson Holdings Limited (stock code: 1982), Chuang's China Investments Limited (stock code: 298), China Overseas Grand Oceans Group Ltd. (stock code: 81) and China Unicom (Hong Kong) Limited (stock code: 762), all shares of which are listed on the Main Board of the Stock Exchange.

Mr. FAN was an independent non-executive director of certain companies which shares are listed on the Main Board of the Stock Exchange, namely, Space Group Holdings Limited (stock code: 2448) from January 2018 to August 2022 and Culturecom Holdings Limited (stock code: 343) from April 2015 to May 2024.

Dr. HONG Wen, aged 50, our Independent Non-executive Director. Dr. HONG is also the chairman of our Remuneration Committee and a member of each of our Audit Committee and Nomination Committee. Dr. HONG was appointed as an Independent Non-executive Director of the Guarantor since March 2025.

Dr. HONG is an incumbent member of the 7th Legislative Council of the Hong Kong Special Administrative Region and general manager of the public affairs and research department at New World Development Company Limited (stock code: 0017.HK). Prior to this, she served as vice president of Fung Business Intelligence, a senior researcher at the Central Policy Unit of the Hong Kong SAR Government, a visiting scholar at Brookings Institution in Washington, D.C., and a research officer at One Country Two Systems Research Institute.

Dr. HONG brings extensive expertise in economic and public policy, supported by significant experience in public service. She currently serves as a member of the Guizhou Provincial Committee of the Chinese People's Political Consultative Conference and deputy director of its Hong Kong, Macao, Taiwan, Overseas Chinese and Foreign Affairs Committee. Dr. HONG is also vice-chairman of the Hong Kong Huajing Society, a non residential fellow at the Centre on Contemporary China and the World at the University of Hong Kong, and vice-president of the Hong Kong Association of Overseas-Returned Scholars. Additionally, she contributes as a member of the Hong Kong General Chamber of Commerce's Belt & Road working group and GBA working group, a member of the Chinese Association of Hong Kong and Macao Studies, and a part-time professor at the Belt and Road Research Institute of Hainan University. Previously, Dr. HONG served as a member of the Constitutional and Basic Law Promotion Steering Committee, further underscoring her commitment to public policy and governance.

Dr. HONG graduated with a bachelor's degree in urban planning and a master's degree in urban planning and design from Tongji University, respectively, and obtained her Doctor of Philosophy degree from the University of Hong Kong.

SENIOR MANAGEMENT

The table below sets forth the age and designation of our key senior management as at the date of this Offering Circular:

Name	Age	Current position
Ms. LIU Wanting	43	President and Chief Commercial Officer
Mr. TANG Yu Ping, Pitney.	55	Chief Operating Officer

Ms. LIU Wanting, aged 43, is our President and Chief Commercial Officer. Ms. LIU is also a member of each of Strategy Committee and Sustainability Steering Committee on Environmental, Social and Governance Issues of the Guarantor. She was an Executive Director of the Guarantor from August 2013 to May 2024. She also acts as director of a subsidiary of the Guarantor. She holds indirectly 13.05% equity interest in Linkasia Airlines Group Limited, a non-wholly owned subsidiary of the Guarantor.

Ms. LIU is responsible for the Group's overall strategic planning and implementation, as well as managing overall commercial operations. Ms. LIU joined the Group in June 2006 and is the founding member of the Group.

Ms. LIU is a founding member of Chinese Financial Association of Hong Kong (香港中國金融協會). Ms. LIU holds an EMBA at the PBC School of Finance at Tsinghua University in China and a master's degree in communication management from Hong Kong Baptist University.

Mr. TANG Yu Ping, aged 54, is our Chief Operating Officer, is overall responsible for all aspects of transaction-related functions including technical asset management and risk, and in particular oversees transaction planning and closing, OEM and critical procurement affairs, pricing and business analysis, deal structure and tax planning, structured finance as well as special corporate projects such as contingency tasks. Mr. TANG joined the Group in 2011 as financial controller who was responsible for financial management and accounting as well as listing preparation and pre-IPO investment management. Mr. TANG is also a director or an alternate director of certain subsidiaries of the Guarantor and ARI.

Prior to joining the Group, Mr. TANG held senior financial positions in various companies listed in Hong Kong. He has over 30 years of experience in corporate development, financial management and consulting for various industries including aircraft leasing, aviation logistics, manufacturing, corporate finance advisory and e-media. By profession, Mr. TANG is a certified public accountant in Hong Kong and a chartered accountant in England and Wales. He is also a fellow member of the HKICPA, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. TANG graduated with the degree of Bachelor of Arts in economic and social studies from the University of Manchester, and obtained the degree of master of science in operational research and information systems from the London School of Economics and Political Science, University of London.

SUBSTANTIAL SHAREHOLDERS

Based on the information available to our directors as at 31 December 2024 (including such information as was available on the website of the Hong Kong Stock Exchange) or so far as they are aware of, as at 31 December 2024, the entities and/or persons who had interests or short positions in our shares or underlying shares which fall to be disclosed by us under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by us under Section 336 of the SFO or had otherwise notified to us were as follows:

Name of shareholders	Capacity/nature of interest	Number of Shares (L)[1] held	Total interests	Approximate percentage of Shares in issue[2]
CEL Aviation Investment Holdings Limited ("**CEL Aviation**")	Beneficial owner	244,065,373[3]	244,065,373	32.78%
China Everbright Limited ("**CEL**")	Interest of controlled corporation	283,417,693[3]	283,417,693	38.06%
China Everbright Holdings Company Limited ("**CE Hong Kong**")	Interest of controlled corporation	283,417,693[4]	283,417,693	38.06%
China Everbright Group Ltd ("**CE Group**")	Interest of controlled corporation	283,417,693[5]	283,417,693	38.06%
Central Huijin Investment Limited ("**Central Huijin**")	Interest of controlled corporation	283,417,693[5]	283,417,693	38.06%
Friedmann Pacific Asset Management Limited ("**FPAM**")	Beneficial owner	176,496,672[6]	176,496,672	23.70%
Capella Capital Limited ("**Capella**")	Interest of controlled corporation	176,496,672[6]	176,496,672	23.70%
POON Ho Man	Interest of controlled corporation	185,827,261[7]&[8]	–	–
	Beneficial owner	600,000	186,427,261	25.04%
Christina NG	Interest of controlled corporation	176,496,672[7]	–	–
	Beneficial owner	7,500,000	183,996,672	24.71%

Notes:

(1) The letter, "L" denotes the entity/person's long position in the securities.

(2) Based on 744,648,542 share(s) with par value of HK$0.10 each in the share capital of the Guarantor ("**Shares**") in issue as at 31 December 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 are 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 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 the SFO.

(5) Central Huijin held 63.16% equity interest in CE Group which in turn held 100% of the issued share capital of CE Hong Kong. Accordingly, CE Group and Central Huijin were deemed to be interested in all Shares mentioned in notes (3) and (4) above.

(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 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 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 31 December 2024, our Directors are not aware of any person (other than a Director or chief executive of the Guarantor) who had an interest or short position in the Shares or underlying Shares of us which would be required to be disclosed to us and the Hong Kong Stock Exchange 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 us under Section 336 of the SFO or had otherwise notified to us.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of the purchase, ownership and disposition of the Bonds under the laws of their country of citizenship, residence or domicile.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a person other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business;

(c) Interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) Interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the "**FSIE Amendments**"), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

The following summary describes the principal PRC tax consequences of ownership and disposition of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this "Taxation – PRC" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law (the "**EIT Law**") and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau Special Administrative Region and Taiwan) but whose "de facto management body" are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25% in respect of their taxable income. Although the rules are not entirely clear, dividends from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law, and the Issuer may be subject to PRC enterprise income tax at the rate of 25% on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law.

However, the Issuer may be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10% for non-resident enterprise Bondholders and 20% in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. The Issuer has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

In addition, if the Guarantor is regarded as a PRC tax resident enterprise and if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold PRC income tax on payments with respect to the interest accrued on the Bonds to non-resident enterprise holders generally at the rate of 10% (and possibly at a rate of 20% in the case of payments to non-resident individual holders), subject to the provisions of any applicable tax treaty.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

BRITISH VIRGIN ISLANDS

The following is a discussion on certain British Virgin Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under British Virgin Islands law.

Under existing British Virgin Islands laws:

(i) The Issuer and all payments of interest and principal on the Bonds and other amounts made by the Issuer to persons who are not persons resident in the British Virgin Islands and any capital gains realised with respect to the disposal of the Bonds by persons who are not persons resident in the British Virgin Islands are exempt from all provisions of the Income Tax Ordinance in the British Virgin Islands.

(ii) No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligation or other securities of the Issuer.

(iii) All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Issuer and all instruments relating to other transactions relating to the business of the Issuer are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer and its subsidiaries do not hold an interest in real estate in the British Virgin Islands.

(iv) There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer or its shareholders may make under the transaction documents relating to the Bonds.

CAYMAN ISLANDS

Under existing Cayman Islands laws, payments on Bonds to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Bonds, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax. On 8 January 2013, the Guarantor received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (as amended) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Guarantor or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Guarantor or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (as amended) of the Cayman Islands. No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Bonds. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is made up of the PRC Constitution national laws, regulations, directives and local laws, laws of Special Administrative Regions, laws resulting from international treaties entered into by the PRC government and judicial interpretations. In general, PRC court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing state agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council of the PRC (中華人民共和國國務院) (the "**State Council**") is the highest organ of the state administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in an effective judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures. A party which deems that an effective judgement is erroneous may also apply for retrial.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017 and 1 January 2024, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant domicile. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years after the enforcement period stipulated in the judgement by the court. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless (1) the court finds that the foreign court has no jurisdiction over the case; (2) the respondent has not been legitimately summoned or the respondent has been legitimately summoned but has not been given a reasonable opportunity to make a representation and debate, or the litigant without litigation capacity has not been assigned appropriate agent; (3) the judgment or ruling is obtained by fraud; (4) the people's court has made a judgment or ruling on the same dispute, or has recognised the judgment or ruling made by a court of a third country for the same dispute; or (5) the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The PRC State Administrative of Foreign Exchange ("**SAFE**"), under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local the SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by the SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE.

On 28 December 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System, effective from 1 January 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Provisional Regulations**"), effective from 1 April 1994, which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, the PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated the Regulations of the People's Republic of China on the Administration of Foreign Exchange ("**Control of Foreign Exchange Regulations**") which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by the SAFE to do so, while capital account items are still subject to the SAFE approval directly. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Control of Foreign Exchange Regulations was further amended pursuant to a resolution of the State Council of China and came into effect on 5 August 2008 (the "**New Forex Regulation**"). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from the SAFE or its competent branch.

On 20 June 1996, the PBOC promulgated the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (the "**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by the SAFE. Domestic entities may apply to the SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of the SAFE.

On 25 October 1998, the PBOC and the SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swap Business pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of Renminbi on the following business day.

On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate for the last trading date. It is possible that the PRC government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of Renminbi against the U.S. dollar or any other foreign currency. Any future exchange rate volatility relating to Renminbi or any significant revaluation of Renminbi may materially and adversely affect our cash flows, revenue, earnings and financial position, as well as the value of any distributions payable to the Guarantor by its PRC subsidiaries.

EIT LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33% EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period not less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50% reduction in its tax rate in the third, fourth and fifth years ("**two-year exemption and three-year reduction by half**").

On 16 March 2007, the NPC enacted the EIT law, which, together with its related implementation rules issued by the State Council on 6 December 2007 and amended on 23 April 2019, became effective on 1 January 2008 and amended on 29 December 2018. The new EIT law imposes a single uniform income tax rate of 25% on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a Notice on the Implementation of the Transitional Preferential Tax Policies, or Circular 39. Further, as at 1 January 2008, the enterprises that previously enjoyed "two-year exemption and three-year reduction by half" of EIT and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the new EIT law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers with effect from 11 August 2025 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Guarantor has agreed to guarantee and the Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Managers	**Principal amount of the Bonds to be subscribed**
	U.S.$
China CITIC Bank International Limited	24,000,000
BNP PARIBAS	24,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	12,800,000
Industrial Bank Co., Ltd. Hong Kong Branch	12,800,000
CMBC Securities Company Limited	12,800,000
CLSA Limited	12,800,000
China Industrial Securities International Brokerage Limited	12,800,000
Guoyuan Securities Brokerage (Hong Kong) Limited	8,000,000
Guotai Junan Securities (Hong Kong) Limited	8,000,000
China International Capital Corporation Hong Kong Securities Limited	8,000,000
China Securities (International) Corporate Finance Company Limited	8,000,000
ICBC International Securities Limited	8,000,000
CNCB (Hong Kong) Capital Limited	8,000,000
Total	160,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Issuer (failing whom the Guarantor) will pay to the Managers' customary commissions in connection with the offering and will reimburse the Managers for certain fees and expenses incurred in connection with the offering.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase the Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Managers and/or their respective affiliates or affiliates of the Issuer or the Guarantor, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any of the Managers (except China CITIC Bank International Limited who shall not act as a stabilisation manager) appointed or acting as Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, subject to all applicable laws, over-allot the Bonds or effect transactions with a view to supporting the market price(s) of the Bonds at a level above that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Managers shall act as principal and not as agent of the Issuer. However, there can be no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of allotment of the Bonds. Such stabilisation shall be in compliance with all applicable laws, regulations and rules. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Managers.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: TMG_Syndicate@cncbinternational.com and dl.asia.syndicate@asia.bnpparibas.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Managers. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of the Bonds or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Managers has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

BRITISH VIRGIN ISLANDS

Notwithstanding that Part II of the Securities and Investment Business Act, 2010 (as amended) of the British Virgin Islands ("**SIBA**") is not, as at the date of this Offering Circular, in force, none of the Offering Circular and other offering documents relating to the Bonds (collectively, the "**Offering Documents**") shall be distributed to, or received by, any person in the British Virgin Islands if the distribution of any of the Offering Documents to, or receipt of any of the Offering Documents by, that person shall constitute a public offer within the meaning of the SIBA. Each of the Managers has represented, warranted and agreed that none of the Offering Documents have been and shall be distributed to, or received by, any person in the British Virgin Islands if the distribution of any of the Offering Documents to, or receipt of any of the Offering Documents by, that person shall constitute a public offer within the meaning of the SIBA.

HONG KONG

Each of the Managers has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than:

   (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or

   (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

Each of the Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

THE PRC

Each of the Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Bonds and this Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any of the Bonds. Each of the Managers has represented, warranted and agreed that it has not made and will not make any offer or invitation (whether directly or indirectly) to the public in the Cayman Islands to subscribe for any of the Bonds.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

CLEARING SYSTEM AND SETTLEMENT

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 314719409 and the International Securities Identification Number for the Bonds is XS3147194099.

LISTING OF BONDS

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 15 August 2025.

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by written resolutions of the directors of the Issuer dated 31 July 2025. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving of the Guarantee and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the board of directors of the Guarantor dated 17 December 2024.

LITIGATION

None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened. The Issuer or the Guarantor may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.

NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the financial or trading position, prospects or results of operations of the Issuer, the Guarantor and the Group since 31 December 2024.

DOCUMENTS AVAILABLE

For so long as any of the Bonds are outstanding, copies of the Trust Deed and the Agency Agreement will be available (i) for inspection by the Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. to 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), at the principal office of the Trustee, being at the date of this Offering Circular, at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, and at the specified office for the time being of the Principal Paying Agent, and (ii) electronically to a requesting Bondholder, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent.

FINANCIAL STATEMENTS

The consolidated financial information of the Guarantor as at and for the years ended 31 December 2022, 2023 and 2024 included in this Offering Circular has been extracted from the Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular. The 2023 Audited Consolidated Financial Statements have been audited by PwC and the 2024 Audited Consolidated Financial Statements have been audited by Deloitte, each the independent auditor of the Guarantor for the financial years ended 31 December 2023 and 2024 respectively. The Audited Consolidated Financial Statements were prepared and presented in accordance with HKFRS.

LEGAL ENTITY IDENTIFIER

The Issuer's Legal Entity Identifier number is 254900UVKL8TG019VC95.

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Note:

The consolidated financial statements of the Guarantor set out herein are reproduced from the Guarantor's annual reports for the years ended 31 December 2023 and 2024. These reports were not specifically prepared for the purpose of reproduction in this circular. Pages references included in the consolidated financial statements as at and for the years ended 31 December 2023 and 2024 set out herein refer to pages set out in the relevant annual reports.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 96 to 195, which comprise the consolidated balance sheet as at 31 December 2024, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter

Assessment on working capital sufficiency

We have identified the assessment of working capital sufficiency performed by management of the Group as a key audit matter as it requires the management to make significant judgements and estimations.

As at 31 December 2024, the Group's current liabilities exceeded its current assets by HK$4,983.7 million, and in addition, the Group had total capital commitments amounting to HK$45,137.9 million mainly relating to acquisition of aircraft, of which HK$11,061.6 million was forecasted to be incurred and payable within one year. As at 31 December 2024, the Group had cash and bank balances of HK$4,079.4 million.

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 to fulfil its financial obligations and its capital commitments as they fall due within the next twelve months from 31 December 2024.

The management has prepared cash flow forecasts which takes into account the plans and measures undertaken by the Group as set out in Note 3.1 to the consolidated financial statements. The management's forecasts are based on a number of significant judgements and estimations including the forecasted aircraft delivery and leasing schedules, availability of existing and new source of financing resources, forecasted aircraft portfolio trading schedules and projected capital expenditure.

The directors are of the opinion that the Group has sufficient working capital for the Group's present requirements within the next twelve months from 31 December 2024 and therefore the directors considers 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.

Please refer to Note 3.1 to the consolidated financial statements for details.

Our procedures in relation to the director's assessment of working capital sufficiency included:

- Obtaining an understanding of the management's working capital sufficiency assessment, including the preparation of cashflow forecast within the next twelve months from 31 December 2024 and the plans and measures undertaken by the Group;
- Evaluating the key assumptions made in the cash flow forecasts, in particular the forecasted aircraft delivery and leasing schedules, and forecasted aircraft portfolio trading schedules;
- Examining the aircraft purchase agreements entered into between the Group and aircraft manufacturers; a selection of the forecasted aircraft delivery schedules provided by the aircraft manufacturers; and a selection of the signed lease agreements and/or letters of intent entered into between the Group and airline companies;
- Evaluating the availability of existing and new source of financing resources with facility letters, loan agreements or letters of intent issued by banks or financial institutions;
- Evaluating a selection of the projected capital expenditure with the aircraft purchase agreements entered into between the Group and aircraft manufacturers;
- Evaluating the cash flow forecasts prepared by management in prior year with the actual results in current year;
- Performing sensitivity analysis on key assumptions in the cash flow forecasts to ascertain the extent and likelihood of adverse changes; and
- Assessing the appropriateness and adequacy of the disclosures relating to the use of the going concern basis of accounting in the preparation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter

Impairment assessments of aircraft and engines

We have identified the impairment of aircraft and engines as a key audit matter as aircraft and engines is quantitatively significant to the consolidated balance sheet of the Group and significant judgements and estimations were made in the impairment assessment by the management of the Group.

The Group conducted impairment assessments of aircraft and engines with impairment indicators and engaged an independent external valuer to assist the management in performing aircraft and engine valuation as at 31 December 2024.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The Group determined the fair value of aircraft and engines by referencing market value published by a third party appraiser, and the Group considered expected future cash flows based on the key assumptions mainly including the follow-on lease assumptions, residual values of aircraft and engines published by the third party appraiser, and discount rates.

Based on the impairment assessments performed, the carrying amount of the Group's owned aircraft and engines under property, plant and equipment and right-of-use assets was HK$28,791.9 million as at 31 December 2024, in which the Group recognised a net reversal of impairment of HK$55.0 million for the year ended 31 December 2024.

Please refer to Notes 5.1 and 6 to the consolidated financial statements for details.

Our procedures in relation to impairment of aircraft and engines included:

- Obtaining an understanding and evaluating the relevant controls of the assessment process of impairment of aircraft and engines;
- Assessing the degree of complexity, subjectivity and uncertainty related to the significant management judgements and estimations involved in impairment assessment;
- Obtaining an understanding and evaluating management assessment of impairment indicators;
- Assessing the competence, capabilities and objectivity of the independent external valuer engaged by the Group and the third party appraiser; and
- Evaluating the management's impairment assessments of a selection of aircraft and engines by performing the following procedures:
  - comparing the fair value of a selection of aircraft and engines with the corresponding market values published by the third party appraiser;
  - evaluating the reasonableness of the follow-on lease assumptions with actual lease rates recently contracted by the Group based on the signed lease agreements and/or letters of intent entered into between the Group and airline companies;
  - comparing the residual values of a selection of aircraft and engines with the corresponding residual values published by the third party appraiser;
- involving our internal valuation specialist to evaluate the appropriateness of the discount rates used in the impairment assessment; and
- checking the arithmetic accuracy of the calculation in the impairment assessment.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of shareholder's loan to CAG Bermuda 1 Limited ("CAG") and its subsidiaries (collectively as "CAG Group") We have identified the fair value measurement of shareholder's loan to CAG Group as a key audit matter as significant judgements and estimations were made in the fair value measurement by the management of the Group. The fair value assessment of shareholder's loan to CAG Group was measured at level 3 fair value hierarchy as at 31 December 2024, the management worked together with an independent external valuer engaged by the Group in performing the valuation, by using discounted cash flow model with unobservable inputs including discount rate, expected rental collection and expected aircraft disposal prices. The carrying amount of shareholder's loan to CAG Group was HK$576.1 million as at 31 December 2024. Please refer to Note 5.1 to the consolidated financial statements for details.	Our procedures in relation to the fair value measurement of shareholder's loan to CAG Group included: • Obtaining an understanding and evaluating the relevant controls of the measurement process of the fair value of shareholder's loan to CAG Group; • Assessing the degree of complexity, subjectivity and uncertainty related to the significant management judgements and estimations involved in fair value measurement; • Examining the relevant legal documents, investment agreements and lending agreements of CAG Group and assessing the implications of the key terms as set out in these documents/ agreements to the fair value measurement of shareholder's loan to CAG Group; • Assessing the competence, capabilities and objectivity of the independent external valuer engaged by the Group; • Involving our internal valuation specialist to evaluate the appropriateness of the valuation method used and the reasonableness of discount rate used; • Evaluating the reasonableness of expected rental collection with the lease agreements, legal documents and other supporting evidence; • Evaluating the reasonableness of expected aircraft disposal prices with market available information; and • Checking the arithmetic accuracy of the valuation model.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of exchangeable bonds issued by Aircraft Recycling International Limited ("ARI") and its subsidiaries (collectively as "ARI Group") We have identified the fair value measurement of exchangeable bonds issued by ARI Group as a key audit matter as significant judgements and estimations were made in the fair value measurement by management of the Group. On 1 January 2024, the exchangeable bonds with principal amount of HK$850.0 million was issued by ARI, an associate of the Group. The Group is entitled to exchange the bonds into ordinary shares of China Aviation Aftermarket Holdings Limited ("CAAM"), which is a subsidiary of ARI. The Group's exchangeable bonds issued by ARI Group was recognised as financial assets at fair value through profit or loss. The management worked together with an independent external valuer engaged by the Group in performing the valuation, by using binomial options pricing model and discounted cash flow approach with unobservable inputs, including a five-year performance projection, discount rate, terminal growth rate and financial information of CAAM. The carrying amount of exchangeable bonds issued by ARI Group was HK$850.0 million as at 31 December 2024. Please refer to Note 5.1 to the consolidated financial statements for details.	Our procedures in relation to the fair value measurement of exchangeable bonds issued by ARI Group included: • Obtaining an understanding and evaluating the relevant controls of measurement process of the fair value of exchangeable bonds issued by ARI Group; • Assessing the degree of complexity, subjectivity and uncertainty related to the significant management judgements; • Examining the relevant legal documents and subscription agreements of exchangeable bonds and assessing the implications of the key terms as set out in these documents/agreements to the fair value measurement of exchangeable bonds issued by ARI Group; • Assessing the competence, capabilities and objectivity of the independent external valuer engaged by the Group; • Involving our internal valuation specialist to evaluate the appropriateness of the valuation methods used, and the reasonableness of discount rate and terminal growth rate used; • Evaluating the reasonableness of the five-year performance projection by comparing the historical performance and future business plan of CAAM with the management's projection and assessing the growth assumptions in the five-year period; • Examining the financial information of CAAM provided by CAAM's management, assessing the reliability of the financial information of CAAM and evaluating the appropriateness of the adjustments made by management of the Group; and • Checking the arithmetic accuracy of the valuation model.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 19 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Wai Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18 March 2025

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2024 HK$'000	2023 HK$'000
ASSETS			
Property, plant and equipment and right-of-use assets	6	**28,860,008**	33,493,826
Pre-Delivery Payments ("PDP") and other prepayments and receivables relating to aircraft acquisition	10(a)	**7,855,333**	7,626,274
Investments in and loans to associates and joint ventures	7	**491,697**	1,529,629
Finance lease receivables – net	8	**9,185,457**	8,577,339
Deferred income tax assets	17	**36,058**	–
Financial assets at fair value through profit or loss	9	**1,476,076**	621,749
Prepayments and other assets	10(b)	**683,835**	647,166
Assets classified as held for sale	11	**5,555,238**	1,425,254
Aircraft components trading assets		**3,177**	1,934
Derivative financial assets	21	**13,381**	61,157
Restricted cash	12	**301,110**	544,524
Cash and cash equivalents	13	**3,778,318**	5,295,875
Total assets		**58,239,688**	59,824,727
EQUITY			
Share capital	14	**74,465**	74,436
Reserves	15	**1,986,750**	2,173,544
Retained earnings		**2,168,242**	2,081,560
Equity attributable to shareholders of the Company		**4,229,457**	4,329,540
Perpetual capital securities and other non-controlling interests	16	**1,098,740**	810,422
Total equity		**5,328,197**	5,139,962
LIABILITIES			
Deferred income tax liabilities	17	**1,303,752**	1,191,479
Borrowings	18	**43,046,205**	42,911,870
Medium-term notes	19	**1,599,726**	1,656,173
Bonds and debentures	20	**3,930,722**	5,943,499
Derivative financial liabilities	21	**233,712**	147,735
Income tax payables		**133,162**	66,056
Interest payables		**292,538**	392,690
Other liabilities and accruals	22	**2,371,674**	2,375,263
Total liabilities		**52,911,491**	54,684,765
Total equity and liabilities		**58,239,688**	59,824,727

The consolidated financial statements on pages 96 to 195 were approved and authorised for issue by the Board of Directors on 18 March 2025 and are signed on its behalf by:

POON Ho Man
DIRECTOR

LI Guohui
DIRECTOR

CONSOLIDATED STATEMENT OF INCOME

	Notes	Year ended 31 December 2024 HK$'000	2023 HK$'000
TOTAL REVENUE			
Lease income			
Finance lease income		**608,828**	600,996
Operating lease income		**3,740,861**	3,598,207
	23	**4,349,689**	4,199,203
Other operating income			
Net income from aircraft transactions and aircraft components trading	24	**212,714**	124,501
Other income	25	**641,360**	439,993
		854,074	564,494
		5,203,763	4,763,697
Expenses			
Interest expenses	26	**(2,710,584)**	(2,244,481)
Depreciation and impairment		**(1,686,569)**	(1,618,823)
Reversal of expected credit losses/(expected credit losses)		**71,211**	(51,038)
Other operating expenses	27	**(550,044)**	(341,044)
		(4,875,986)	(4,255,386)
Compensation received from aircraft remained in Russia	28	**–**	185,384
Share of results from associates and joint ventures		**160**	(389)
Other gains/(losses), net	30	**313,325**	(179,571)
Profit before income tax		**641,262**	513,735
Income tax expenses	31	**(315,653)**	(293,578)
Profit for the year		**325,609**	220,157
Profit attributable to			
Shareholders of the Company		**257,545**	28,256
Holders of perpetual capital securities and other non-controlling interests		**68,064**	191,901
		325,609	220,157
Earnings per share for profit attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic earnings per share	32(a)	**0.346**	0.038
– Diluted earnings per share	32(b)	**0.346**	0.038

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Profit for the year		**325,609**	220,157
Other comprehensive (loss)/income for the year:			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	21	**(44,493)**	(149,126)
Currency translation differences		**(139,456)**	6,539
		(183,949)	(142,587)
Item that will not be reclassified subsequently to profit or loss			
Currency translation differences attributed to non-controlling interests		**576**	383
Total other comprehensive loss for the year, net of tax		**(183,373)**	(142,204)
Total comprehensive income for the year		**142,236**	77,953
Total comprehensive income/(loss) for the year attributable to			
Shareholders of the Company		**73,596**	(114,331)
Holders of perpetual capital securities and other non-controlling interests		**68,640**	192,284
		142,236	77,953

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				Attributable to perpetual capital securities and other non-controlling interests			
	Share capital HK$'000	Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Perpetual capital securities HK$'000	Other non-controlling interests HK$'000	Total HK$'000	Total equity HK$'000
Balance as at 1 January 2024	74,436	2,173,544	2,081,560	4,329,540	837,013	(26,591)	810,422	5,139,962
Comprehensive income								
Profit for the year	–	–	257,545	257,545	59,386	8,678	68,064	325,609
Other comprehensive (loss)/income								
Cash flow hedges (Note 21)	–	(44,493)	–	(44,493)	–	–	–	(44,493)
Currency translation differences	–	(139,456)	–	(139,456)	–	576	576	(138,880)
Total comprehensive (loss)/income	–	(183,949)	257,545	73,596	59,386	9,254	68,640	142,236
Transactions with shareholders and non-controlling interests								
Redemption of perpetual capital securities (Note 16)	–	–	–	–	(808,157)	–	(808,157)	(808,157)
Other (Note 16)	–	–	29,998	29,998	(29,998)	–	(29,998)	–
Issue of shares upon scrip dividend scheme (Note 14)	29	857	–	886	–	–	–	886
Dividends	–	–	(201,011)	(201,011)	–	–	–	(201,011)
Dividends distributed to perpetual capital securities (Note 16)	–	–	–	–	(50,413)	–	(50,413)	(50,413)
Issuance of perpetual capital securities (Note 16)	–	–	–	–	1,104,068	–	1,104,068	1,104,068
Share option scheme:								
– Value of services (Note 15)	–	336	–	336	–	–	–	336
– Share options lapsed (Note 15)	–	(150)	150	–	–	–	–	–
Partial disposal of a subsidiary	–	(3,888)	–	(3,888)	–	4,178	4,178	290
Total transactions with shareholders and non-controlling interests	29	(2,845)	(170,863)	(173,679)	215,500	4,178	219,678	45,999
Balance as at 31 December 2024	74,465	1,986,750	2,168,242	4,229,457	1,111,899	(13,159)	1,098,740	5,328,197

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				Attributable to perpetual capital securities and other non-controlling interests			
	Share capital HK$'000	Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Perpetual capital securities HK$'000	Other non-controlling interests HK$'000	Total HK$'000	Total equity HK$'000
Balance as at 1 January 2023	74,436	2,314,613	2,276,247	4,665,296	1,617,351	(26,430)	1,590,921	6,256,217
Comprehensive income								
Profit for the year	–	–	28,256	28,256	192,445	(544)	191,901	220,157
Other comprehensive (loss)/income								
Cash flow hedges (Note 21)	–	(149,126)	–	(149,126)	–	–	–	(149,126)
Currency translation differences	–	6,539	–	6,539	–	383	383	6,922
Total comprehensive (loss)/income	–	(142,587)	28,256	(114,331)	192,445	(161)	192,284	77,953
Transactions with shareholders and non-controlling interests								
Redemption of perpetual capital securities (Note 16)	–	–	–	–	(806,115)	–	(806,115)	(806,115)
Dividends	–	–	(223,306)	(223,306)	–	–	–	(223,306)
Dividends distributed to perpetual capital securities (Note 16)	–	–	–	–	(166,668)	–	(166,668)	(166,668)
Share option scheme:								
– Value of services (Note 15)	–	1,881	–	1,881	–	–	–	1,881
– Share options lapsed (Note 15)	–	(363)	363	–	–	–	–	–
Total transactions with shareholders and non-controlling interests	–	1,518	(222,943)	(221,425)	(972,783)	–	(972,783)	(1,194,208)
Balance as at 31 December 2023	74,436	2,173,544	2,081,560	4,329,540	837,013	(26,591)	810,422	5,139,962

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Profit before income tax		**641,262**	513,735
Adjustments for:			
– Depreciation and impairment		**1,686,569**	1,618,823
– Net income from aircraft transactions	24	**(211,125)**	(118,276)
– (Reversal of expected credit losses)/expected credit losses		**(71,211)**	51,038
– Interest expenses	26	**2,710,584**	2,244,481
– Share-based payments	15	**336**	1,881
– Unrealised currency exchange gains		**(452,243)**	(67,522)
– Hedge ineffectiveness and fair value changes on currency swap, interest rate swaps and currency forward contracts		**132,646**	121,045
– Share of results from associates and joint ventures		**(160)**	389
– Interest income		**(242,915)**	(198,553)
– Fair value (gains)/losses on financial assets at fair value through profit or loss	30	**(8,279)**	130,555
– Reduction in the estimated unguaranteed residual value of finance lease receivables		**11,779**	–
		4,197,243	4,297,596
Changes in working capital:			
– Finance lease receivables – net		**(868,760)**	(389,132)
– Prepayments and other assets		**(188,042)**	113,966
– Aircraft components trading assets		**(1,243)**	3,311
– Other liabilities and accruals		**50,890**	(202,721)
Cash generated from operations		**3,190,088**	3,823,020
Income taxes paid		**(160,209)**	(137,146)
Net cash flows generated from operating activities		**3,029,879**	3,685,874
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,763,777)**	(6,090,351)
Proceeds from disposal of aircraft and novation of aircraft purchase agreement		**6,383,838**	6,284,570
PDP and prepayments paid for acquisition of aircraft		**(2,525,439)**	(4,970,414)
PDP refunded		**2,049,016**	821,911
Interest received		**226,691**	212,681
Payments relating to financial assets at fair value through profit or loss		**–**	(62,280)
Proceeds from distribution of financial assets at fair value through profit or loss		**–**	97,592
Payments relating to loans to associates and joint ventures		**(430,740)**	(611,795)
Repayments of loans to associates and joint ventures		**665,834**	352,635
Net cash flows used in investing activities		**(394,577)**	(3,965,451)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2024 HK$'000	2023 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**26,378,680**	27,425,312
Issue of bonds and debentures, net of transaction costs		**–**	2,207,221
Issue of medium-term notes, net of transaction costs		**1,626,377**	–
Repayments of borrowings		**(25,715,657)**	(22,536,927)
Repurchase and repayment of bonds and debentures, including transaction costs		**(1,874,809)**	(1,617,779)
Repurchase of medium-term notes		**(1,615,241)**	–
Repayment of lease liabilities		**(16,116)**	(17,154)
Interest received in respect of derivative financial instruments		**53,021**	101,049
Interest paid in respect of borrowings, notes, bonds and debentures		**(3,188,428)**	(2,861,613)
(Payments for settlement)/proceeds from disposal of derivative financial instruments		**(40,704)**	29,958
Pledge of deposits placed in respect of borrowings		**(20,001)**	(678,919)
Pledge of deposits released in respect of borrowings		**334,675**	1,356,199
Pledge of deposits placed in respect of derivative financial instruments		**(159,605)**	(203,796)
Pledge of deposits released in respect of derivative financial instruments		**85,412**	97,907
Redemption of perpetual capital securities	16	**(808,157)**	(806,115)
Issue of perpetual capital securities	16	**1,104,068**	–
Dividends paid to holders of perpetual capital securities	16	**(50,413)**	(166,668)
Dividends paid to shareholders		**(200,125)**	(223,306)
Net cash flows (used in)/generated from financing activities		**(4,107,023)**	2,105,369
Net (decrease)/increase in cash and cash equivalents		**(1,471,721)**	1,825,792
Cash and cash equivalents at beginning of the year		**5,295,875**	3,552,533
Currency exchange difference on cash and cash equivalents		**(45,836)**	(82,450)
Cash and cash equivalents at end of the year		**3,778,318**	5,295,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION ON THE GROUP

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

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

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of income; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of income and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- derivative financial instruments and financial assets at fair value through profit or loss – measured at fair value; and
- assets classified as held for sale – measured at the lower of carrying amount and fair value less costs to sell.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Going concern

As at 31 December 2024, the Group's current liabilities exceeded its current assets by HK$4,983.7 million. The Group had total capital commitments of HK$45,137.9 million as at 31 December 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$11,061.6 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 31 December 2024, the Group had cash and bank balances of HK$4,079.4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

Going concern *(continued)*

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 31 December 2024. The directors have taken into account the following plans and measures for the purposes of their assessment:

- 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 year ended 31 December 2024, the Group has drawn down 32 aircraft project loan facilities of HK$10,063.3 million from certain onshore and offshore banks and financial institutions. The Group will continue to arrange aircraft project loan facilities from time to time. 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 31 December 2024.

- According to the relevant aircraft purchase agreements, the scheduled payment of PDP for the next twelve months from 31 December 2024 amounts to HK$3,873.3 million.

  For the scheduled payment of PDP and repayment of utilised facility drawdowns under the facilities expiring in the next twelve months from 31 December 2024, certain portion will be repaid by the PDP facilities to be released when aircraft is delivered and related PDP financing is repaid. As at 31 December 2024, the Group had already obtained PDP financing facilities from banks to provide financing up to HK$7,031.5 million to satisfy the forecasted committed PDP payments in the next twelve months from 31 December 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 31 December 2024.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

***Going concern** (continued)*

- As at 31 December 2024, the Group had working capital loan and revolving loan facilities of HK$18,891.9 million out of which HK$11,953.4 million has been utilised. The directors are confident that the Group can draw down the remaining unutilised loan facilities of HK$6,938.5 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. In February 2025, the Group issued five-year corporate bonds of RMB1.5 billion. 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. The Group continues to expand its portfolio trading business. As at 31 December 2024, the Group has signed letters of intent or sale and purchase agreements for the disposals of 21 aircraft, scheduled to be disposed in the next twelve months from 31 December 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 31 December 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 31 December 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 CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information

Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Subsidiaries *(continued)*

(c) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, the Group has determined that the trust plans set up to acquire certain finance lease receivables from the Group are structured entities over which the Group has no control and are therefore not consolidated.

Associates and joint ventures

Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements

Under HKFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Investments in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The equity-accounted investment includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an equity-accounted investment, any difference between the cost of the equity-accounted investment and the share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

***Associates and joint ventures** (continued)*

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the equity-accounted investment, including any other unsecured long-term receivables that, in substance, form part of the investor's net investment in the associate or joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investment.

The Group determines at each reporting date whether there is any objective evidence that the equity-accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Profits and losses resulting from upstream and downstream transactions involving assets that do not constitute a business between the Group and its equity-accounted investments are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's equity-accounted investments. Unrealised gains in excess of the carrying amount of the investment in associates and joint ventures are recognised as deferred gains in "other liabilities and accruals" on the consolidated balance sheet. The deferred gain will not impact profit and loss, until the associate and joint ventures sell the assets that the deferred gain relates to, at which time the deferred gain related to the asset would be released to profit or loss. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The profit or loss resulting from a downstream transaction involving assets that constitute a business, as defined in HKFRS 3, between the Group and its associate or joint venture is recognised in full in the consolidated financial statements.

Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency. Functional currencies of the subsidiaries of the Company mainly include Renminbi ("RMB"), US dollar ("US$") and HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the entities of the Group (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

(iii) all resulting foreign exchange differences are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment charge. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Property, plant and equipment *(continued)*

The estimated useful lives and estimated residual value rate are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate
Aircraft and engine	25 years from the date of manufacture	5 – 15%
Leasehold improvements	Shorter of lease term or 3 years	0%
Office equipment	2 to 5 years	5%
Office building	50 years	0%
Others	4 to 10 years	0%

The assets' residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (detailed in "Impairment of non-financial assets" below).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Gains and losses on disposal of aircraft are recognised within "net income from aircraft transactions and aircraft components trading" in the consolidated statement of income. Gains and losses on disposal of other property, plant and equipment are recognised within other operating income in the consolidated statement of income.

Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition. Non-current assets are not depreciated or amortised while they are classified as held for sale.

Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The debt instruments shall be classified as financial asset at fair value through profit or loss ("FVPL") if the cash flow characteristics cannot pass the test on solely payments of principal and interest on the principal amount. Otherwise, the classification of debt instruments will depend on the business model provided the fair value option is not elected.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Investments and other financial assets *(continued)*

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Finance lease receivables are regarded as financial assets for the purpose of derecognition.

(c) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the classification of the asset. There are two measurements categories into which the Group classifies its debt instruments:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Investments and other financial assets *(continued)*

(c) Measurement (continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses), net in the consolidated statement of income as applicable.

(d) Impairment

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

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. The financial assets and financial liabilities of the Group that are subject to such enforceable master netting arrangements or similar agreements are not offset in accordance with HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of exposures to variability in cash flows (cash flow hedges) that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in notes to the consolidated financial statements. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in other gains/(losses), net in the consolidated statement of income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the forecast transaction being hedged affects profit or loss (for example, when the interest payment that is hedged occurs). They are recorded in the expense lines in the consolidated statement of income in which the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any gain or loss on the hedging instrument that has been accumulated in equity from the period when the hedge was effective remains in equity. When the forecast transaction is ultimately recognised in profit or loss, the related accumulated hedge gain or loss in equity is reclassified to profit or loss. When a forecast transaction is no longer expected to occur, any accumulated hedge gain or loss in equity is immediately reclassified and included in other gains/(losses), net in the consolidated statement of income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

***Derivative financial instruments and hedging activities** (continued)*

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses), net.

Equity instruments

Financial instruments issued by the Group are classified as equity instruments when both of the following conditions are satisfied:

(a) The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or liabilities under potential adverse condition with other parties;

(b) The financial instruments should and can be settled via equity instruments of the Group. For non-derivative instruments, the instruments have no contractual obligation to be settled by delivering fixed number of equity instruments of the Group. For derivative instruments, they can only be settled through the exchange of fixed number of the Group's equity instruments with fixed amount of cash or other financial assets.

Perpetual capital securities issued by the subsidiaries of the Company with no contractual obligation to repay the principal or to pay any distribution are classified as perpetual capital securities in equity of the Group.

Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value, and less any repaid principal is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs and is included in the computation of the loan's effective interest rate. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

***Borrowings and borrowing costs** (continued)*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Interests related to progress payments made in respect of aircraft in the process of construction on forward order are capitalised and such amounts are added to prepayments on aircraft. The amount of interest capitalised is the actual interest costs incurred on funding specific to the progress payments or the amount of interest costs which could have been avoided in the absence of such progress payments.

Other borrowing costs are expensed as incurred.

Current and deferred income tax

The income tax expenses for the year comprises current and deferred income tax expense. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted before the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Current and deferred income tax *(continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

(a) Where the Group is lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include that the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects such penalties upon the Group exercising a purchase option.

Lease payments to be made under reasonably certain extension options are also in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

***Leases** (continued)*

(a) Where the Group is lessee (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of office premises are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

(b) Where the Group is lessor

Finance lease

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. The Group recognises assets held under a finance lease as finance lease receivable at an amount equal to net investment in the lease, which is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the leases is the sum of the lease payments receivable and any unguaranteed residual value accruing to the lessor. At the commencement of the lease term, the lease payments included in the measurement of the net investment in the lease mainly comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date: (a) fixed payments less any lease incentives payable; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Estimated unguaranteed residual values are reviewed regularly. When there is a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts already accrued is recognised in profit or loss.

See Note 3.2 (under the heading of "Investments and other financial assets") for material accounting policy information for derecognition and impairment of finance lease receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

***Leases** (continued)*

(b) Where the Group is lessor (continued)

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

See Note 3.2 (under the heading of "Investments and other financial assets") for material accounting policy information for impairment of operating lease receivables.

Revenue and income recognition

(a) Finance lease income

The finance income under a finance lease is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. Variable lease payments that do not depend on an index or a rate is recognised as income in the period in which the event or condition that triggers those payments occurs.

(b) Operating lease income

The lease payments under operating lease are recognised as income on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate is recognised as income in the period in which the event or condition that triggers those payments occurs.

(c) Interest income

Interest income on financial assets at amortised cost is recognised within other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Revenue and income recognition *(continued)*

(d) Net income from aircraft transactions and aircraft components trading

Net income from aircraft transactions and aircraft components trading originates primarily from the sale of aircraft, engine and airframe parts. The sale is recognised when the relevant asset is delivered and the control of the relevant asset has been transferred to the buyer.

(e) Service income

Service income is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Segment reporting and segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The Group is mainly engaged in the provision of aircraft leasing services to global airline companies. Accordingly, the Group considers that it only has a single reportable segment from both business and geographic perspectives and therefore only provides relevant entity-wide information.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in liabilities, if any.

Aircraft components trading assets

Aircraft components trading assets consist primarily of engine and airframe parts. Aircraft components trading assets are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing the aircraft components trading assets to their present location and condition.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are recognised in equity as a deduction from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities or trustees. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions. Assets of the plans are held and managed by government authorities or trustees and are separate from those of the Group.

(c) Profit-sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit sharing, based on formulae that take into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

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 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).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Share-based payments *(continued)*

Equity-settled share-based payment transactions (continued)

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 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).

At the time when the share options expire or lapse after the vesting period, the related share-based payments reserve is transferred directly to retained earnings.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the consolidated statement of income over the period necessary to match them with the costs that they are intended to compensate.

Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders or directors, where appropriate.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency exchange risk and cash flow and fair value 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.

Market risk

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 bank 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/(losses), net, please refer to Note 21 and Note 30.

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Cash and cash equivalents	**409,725**	1,056,227
Other financial assets	**398,565**	343,397
Total financial assets	**808,290**	1,399,624
Borrowings	**(7,672,482)**	(3,850,937)
Medium-term notes	**(1,599,726)**	(1,656,173)
Bonds and debentures	**(3,387,844)**	(3,527,366)
Other financial liabilities	**(541,049)**	(468,070)
Total financial liabilities	**(13,201,101)**	(9,502,546)
Notional amount of currency forward contracts	**2,649,250**	2,595,825
Net exposure	**(9,743,561)**	(5,507,097)

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

Market risk *(continued)*

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 31 December 2024 and 2023:

	Year ended 31 December	
	2024 HK$'000	2023 HK$'000
Profit before income tax		
– 5% appreciation of RMB against US$	**(487,178)**	(276,191)
– 5% depreciation of RMB against US$	**487,178**	276,191

Cash flow and fair value interest rate risk

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 31 December 2024 and 2023.

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Borrowings exposed to US$ Secured Overnight Financing Rate ("SOFR")	**21,831,240**	23,439,080
Borrowings exposed to RMB Loan Prime Rate ("LPR")	**3,835,202**	1,313,703
	25,666,442	24,752,783

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

Market risk *(continued)*

Cash flow and fair value interest rate risk (continued)

As at 31 December 2024, the Group had 16 outstanding floating-to-fixed interest rate swaps (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, 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.

	As at 31 December			
	2024		2023	
	Notional amount HK$'000	**Carrying value HK$'000**	Notional amount HK$'000	Carrying value HK$'000
Interest rate swaps				
Exposed to US$ SOFR	**2,252,996**	**13,381**	2,819,884	47,244

The effects of the interest rate swaps (under effective hedging) on the Group's financial position and performance are as follows:

	As at 31 December	
	2024	2023
Interest rate swaps		
Carrying amount, net (HK$'000)	**6,001**	47,244
Notional amount (HK$'000)	**855,206**	2,819,884
Maturity date	**2025 – 2031**	2024 – 2025
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 January (HK$'000)	**(41,180)**	(164,747)
Change in value of hedged item used to determine hedge effectiveness (HK$'000)	**40,843**	164,286
Weighted average hedged rate for the year	**3.1%**	2.1%

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 31 December 2024 and 2023. 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 by approximately HK$72,502,000 (2023: approximately HK$75,803,000); and would also have increased/decreased the Group's reserves by approximately HK$15,432,000 (2023: approximately HK$6,387,000) because of the impact of cash flow hedge interest derivatives.

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

Market risk *(continued)*

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.

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 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 22). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

***Credit risk** (continued)*

Credit risk on aircraft leasing service (continued)

(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. Except for debtors with significant outstanding balances or credit-impaired, to measure the expected credit losses, the relevant receivables are grouped based on shared credit risk characteristics such as financial performance and stability, future growth, default history and other relevant factors.

The loss allowances 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 losses of HK$18,508,000 (2023: HK$6,920,000) for finance lease receivables (Note 8) and HK$152,951,000 (2023: HK$203,556,000) for operating lease receivables (Note 10(b)) as at 31 December 2024.

Credit risk exposure on operating leases receivables:

	As at 31 December			
	2024		2023	
	Gross carrying amount HK$'000	**Accumulated expected credit losses allowance HK$'000**	Gross carrying amount HK$'000	Accumulated expected credit losses allowance HK$'000
Asia	**245,917**	**73,614**	276,410	114,736
Europe	**11,227**	**11,227**	19,623	19,623
Americas	**119,716**	**68,110**	152,592	69,197
	376,860	**152,951**	448,625	203,556

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

***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):

	As at 31 December			
	2024		2023	
	Gross carrying amount HK$'000	Accumulated expected credit losses allowance HK$'000	Gross carrying amount HK$'000	Accumulated expected credit losses allowance HK$'000
Asia	**4,722,511**	**18,508**	4,418,535	6,920

(d) Concentration of credit risk

During the year ended 31 December 2024, the lessees of the Group are airline companies located in the Mainland China and other countries or regions globally. Please see Note 8 for an analysis of concentration of finance lease receivables. If any of them experiences financial difficulties, the recovery of the Group's finance 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. In addition, the Group's cash and cash equivalents, is dispersed across several different banks.

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 5.1, Note 7 and Note 36 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.

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 36 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

***Credit risk** (continued)*

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

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.

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:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Current assets		
Loans to associates and joint ventures	**37,544**	37,612
Finance lease receivables – net	**1,946,844**	312,851
Derivative financial assets	**11,171**	53,673
Prepayments and other assets	**669,177**	489,492
Assets classified as held for sale	**5,555,238**	1,425,254
Aircraft components trading assets	**3,177**	1,934
Restricted cash	**211,453**	321,075
Cash and cash equivalents	**3,778,318**	5,295,875
	12,212,922	7,937,766
Current liabilities		
Deferred income tax liabilities	**187,576**	203,323
Borrowings	**12,732,730**	16,192,484
Medium-term notes	**10,543**	–
Bonds and debentures	**1,542,866**	1,871,034
Derivative financial liabilities	**233,712**	34,131
Income tax payables	**133,162**	66,056
Interest payables	**292,538**	392,690
Other liabilities and accruals	**2,063,447**	1,983,317
	17,196,574	20,743,035
Net current liabilities	**(4,983,652)**	(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.

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

***Liquidity risk** (continued)*

As at 31 December 2024, borrowings of HK$12.7 billion (2023: HK$16.2 billion) under current liabilities mainly comprised of borrowings of HK$4.8 billion (2023: HK$7.6 billion) from aircraft acquisition financing, including the borrowings related to the assets classified as held for sale that were disclosed as current liabilities (Note 11) ("aircraft loans"), HK$2.7 billion (2023: HK$1.6 billion) from PDP financing and HK$5.2 billion (2023: HK$7.0 billion) from other borrowings. The repayment of above aircraft loans will be partially funded by the collection of operating lease receivables of HK$3.1 billion (2023: HK$3.5 billion) (Note 37(d)) (which has not been included under current assets above) that is expected to be received from airlines in the next twelve months from 31 December 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.

Besides, the Group will consider to raise funds through working capital and PDP financing, aircraft loans, debt financing, and the asset-light strategy for disposal of aircraft. In light of the above and other relevant factors as stated in Note 3.1, the Group expects to have sufficient working capital to finance its operations, to meet its financial obligations, including the net current liabilities as of 31 December 2024 and those capital commitments in the next twelve months from 31 December 2024.

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial liabilities, based on contractual undiscounted cash flows:

	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
As at 31 December 2024					
Financial liabilities					
Borrowings	**15,168,648**	**12,644,955**	**15,079,543**	**7,797,163**	**50,690,309**
Medium-term notes	**61,781**	**50,707**	**1,724,185**	**–**	**1,836,673**
Bonds and debentures	**1,711,622**	**2,479,377**	**–**	**–**	**4,190,999**
Other liabilities and accruals (a)	**1,543,675**	**60,466**	**49,144**	**119,133**	**1,772,418**
Derivative financial instruments	**233,712**	**–**	**–**	**–**	**233,712**

	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
As at 31 December 2023					
Financial liabilities					
Borrowings	18,423,830	8,648,642	13,674,078	9,603,067	50,349,617
Medium-term notes	74,561	1,731,461	–	–	1,806,022
Bonds and debentures	2,116,844	1,772,937	2,574,108	–	6,463,889
Other liabilities and accruals (a)	1,377,554	55,733	75,652	107,614	1,616,553
Derivative financial instruments	34,131	113,604	–	–	147,735

(a) For the purpose of liquidity risk analysis, tax payables, operating lease rentals received in advance, bonuses, directors' fee payables and other non-financial liabilities included in other liabilities and accruals are not included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

Disposal of finance lease receivables

Certain wholly-owned subsidiaries of the Group (collectively "the CALC SPCs") signed contracts with trust plans or banks, pursuant to which, the CALC SPCs transferred to the trust plans or asset-backed securities programme their future lease payments arising from finance leases under their separate aircraft leasing agreements with airline companies.

The trust plans or asset-backed securities programme also appointed the CALC SPCs as the service agent to collect the lease rentals from the airline companies. The services to be provided mainly include maintaining relationship with the airline companies, collecting of rental on behalf of the trust plan. CALC SPCs recognised service fee income over the lease servicing period. During the year ended 31 December 2024, service fee income of HK$1,127,000 (2023: HK$1,406,000) was included in Group's other operating income.

No member of the Group has any option or obligation to reacquire the transferred lease receivables.

The trust plans or asset-backed securities programme are unconsolidated structured entities and the Group has no control over the trust plans or asset-backed securities programme.

The Group did not provide financial or other support to the trust plans or asset-backed securities programme as at 31 December 2024. The Group has no current intentions to provide, or assist in the provision of, financial or other support in any future period.

4. FINANCIAL RISK MANAGEMENT *(continued)*

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 year ended 31 December 2024 compared with the year ended 31 December 2023.

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:

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Interest-bearing debts included in total liabilities	**48,576,653**	50,511,542
Total liabilities	**52,911,491**	54,684,765
Total assets	**58,239,688**	59,824,727
Total equity	**5,328,197**	5,139,962
Gearing ratio	**83.4%**	84.4%
Asset-liability ratio	**90.9%**	91.4%
Interest-bearing debts to equity ratio	**9.1:1**	9.8:1

Categories of financial instruments

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Financial assets		
Financial assets at FVPL	**1,489,457**	682,906
Financial assets at amortised cost	**5,131,928**	7,901,457
	6,621,385	8,584,363
Financial liabilities		
Financial liabilities at FVPL	**233,712**	147,735
Financial liabilities at amortised cost	**50,624,342**	52,522,206
	50,858,054	52,669,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT *(continued)*

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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Financial assets and financial liabilities measured at fair values

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2024				
Assets				
Interest rate swaps (note i)	–	13,381	–	13,381
Financial assets at fair value through profit or loss (note ii)	883	–	1,475,193	1,476,076
	883	13,381	1,475,193	1,489,457
Liability				
Currency forward contracts (note i)	–	233,712	–	233,712
As at 31 December 2023				
Assets				
Currency swap (note i)	–	13,913	–	13,913
Interest rate swaps (note i)	–	47,244	–	47,244
Financial assets at fair value through profit or loss (note ii)	1,164	–	620,585	621,749
	1,164	61,157	620,585	682,906
Liability				
Currency forward contracts (note i)	–	147,735	–	147,735

4. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value estimation of financial instruments *(continued)*

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

Notes:

(i) The fair values of the interest rate swaps, 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.

(ii) As at 31 December 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 issued by Aircraft Recycling International Limited ("ARI") and its subsidiaries (collectively "ARI Group"). 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 discount rate, expected rental collection and expected aircraft disposal prices. The Group assessed the sensitivity to changes in market interest rate and those unobservable inputs on considering the effect of a change in a particular assumption independently of changes in any other assumptions.

	As at 31 December			
	2024		2023	
	Changes in fair value			
	Increase HK$'000	Decrease HK$'000	Increase HK$'000	Decrease HK$'000
An increase or decrease in the market interest rate of 1%	**(176,747)**	**121,215**	(43,488)	43,261
An increase or decrease in the discount rate of 1%	**(21,282)**	**21,118**	(12,933)	13,350
An increase or decrease in the expected aircraft disposal prices of 5%	**144,512**	**(224,738)**	207,809	(284,301)
An increase or decrease in the expected rental collection of 10%	**23,756**	**(23,756)**	17,874	(17,874)

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

The significant unobservable inputs to the valuation model of the exchangeable bonds issued by ARI Group mainly include discount rate. The Group assessed the sensitivity to changes in discount rate by 1%. Such changes would not change the fair value significantly.

The following table presents the reconciliation of level 3 fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value estimation of financial instruments *(continued)*

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

Notes: *(continued)*

(ii) *(continued)*

	Shareholder's loan to CAG Group HK$'000	Exchangeable bonds HK$'000	Other financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 1 January 2024	**579,296**	**–**	**41,289**	**620,585**
Increase in financial assets at fair value through profit or loss	**–**	**850,000**	**–**	**850,000**
Fair value change on the financial assets at fair value through profit or loss	**–**	**–**	**8,279**	**8,279**
Currency translation difference	**(3,160)**	**–**	**(511)**	**(3,671)**
As at 31 December 2024	**576,136**	**850,000**	**49,057**	**1,475,193**
As at 1 January 2023	735,429	–	30,608	766,037
Increase in financial assets at fair value through profit or loss	–	–	79,886	79,886
Proceeds from financial assets at fair value through profit or loss	–	–	(97,592)	(97,592)
Fair value change on the financial assets at fair value through profit or loss	(156,568)	–	28,280	(128,288)
Currency translation difference	435	–	107	542
As at 31 December 2023	579,296	–	41,289	620,585

4. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value estimation of financial instruments *(continued)*

Financial assets and financial liabilities carried at amortised cost

The fair values of cash and cash equivalents, amounts due from related parties, 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:

	As at 31 December			
	2024		2023	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Finance lease receivables (excluding the unguaranteed residual values)	**4,704,003**	**4,292,549**	4,411,615	3,982,483
Borrowings	**43,046,205**	**43,211,304**	42,911,870	42,524,333
Medium-term notes	**1,599,726**	**1,688,948**	1,656,173	1,742,293
Bonds and debentures	**3,930,722**	**4,090,514**	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 CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT *(continued)*

Offsetting of financial instruments

The following financial assets and financial liabilities set out in the table below are subject to enforceable master netting arrangements and similar agreements, irrespective of whether they are offset in the Group's consolidated balance sheet.

	Gross amounts of recognised financial assets/liabilities HK$'000	Gross amounts of recognised financial assets/ liabilities set off in the consolidated balance sheet HK$'000	Net amounts of financial assets/liabilities presented in the consolidated balance sheet HK$'000	Related amount not offset in the consolidated balance sheet		Net amount HK$'000
				Financial instruments HK$'000	Other collateral received/paid HK$'000	
As at 31 December 2024						
Derivative financial assets	**13,381**	**–**	**13,381**	**(1,680)**	**–**	**11,701**
Pledged deposits for interest rate swap contracts	**5,418**	**–**	**5,418**	**–**	**–**	**5,418**
Pledged deposits for currency forward contracts	**198,098**	**–**	**198,098**	**(198,098)**	**–**	**–**
	216,897	**–**	**216,897**	**(199,778)**	**–**	**17,119**
Derivative financial liabilities	**(233,712)**	**–**	**(233,712)**	**199,778**	**–**	**(33,934)**
As at 31 December 2023						
Derivative financial assets	61,157	–	61,157	–	–	61,157
Pledged deposit for a currency swap contract	3,393	–	3,393	–	–	3,393
Pledged deposits for interest rate swap contracts	5,167	–	5,167	–	–	5,167
Pledged deposits for currency forward contracts	121,963	–	121,963	(121,088)	–	875
	191,680	–	191,680	(121,088)	–	70,592
Derivative financial liabilities	(147,735)	–	(147,735)	121,088	–	(26,647)

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of aircraft and engines

The Group conducts impairment assessments of aircraft and engines whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assessments are primarily triggered by observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use, significant adverse changes in the expected usage of aircraft and engines, or the technological or market environment have taken place or will take place in the near future; evidence of obsolescence of or physical damage to aircraft and engines; and worse than expected economic performance of the aircraft and engines.

The Group engaged an independent external valuer to assist the management in performing aircraft and engine valuation. When estimating the fair value of aircraft and engines, the Group determined the fair value of aircraft and engines by referencing market value published by a third party appraiser. When estimating the value in use of aircraft and engines, the Group considered expected future cash flows based on the key assumptions mainly including the follow-on lease assumptions, residual values of aircraft and engines published by the third party appraiser, and discount rates.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. If the carrying amount of aircraft or engines exceeds their estimated recoverable amount, it is written down immediately to its recoverable amount.

As at 31 December 2024, the carrying amount of the Group's owned aircraft and engines under property, plant and equipment and right-of-use assets was HK$28,791.9 million (2023: HK$33,426.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.1 Critical accounting estimates and assumptions *(continued)*

Fair value measurement of shareholder's loan to CAG Group

As disclosed in Note 4, the fair value assessment of shareholder's loan to CAG Group, measured at level 3 fair value hierarchy, requires the management to make judgements and estimates, including the appropriateness of the adoption of applicable valuation methods and using various unobservable inputs. The management worked together with an independent external valuer engaged by the Group in performing the valuation by using discounted cash flow model. Significant assumptions adopted by management in the valuation include discount rate, expected rental collection and expected aircraft disposal prices. Changes in these assumptions and estimates could materially affect the respective fair value of the investments.

As at 31 December 2024, the carrying amount of shareholder's loan to CAG Group was HK$576.1 million (2023: HK$579.3 million).

Fair value measurement of exchangeable bonds issued by ARI Group

As disclosed in Note 4, the fair value assessment of exchangeable bonds issued by ARI Group, measured at level 3 fair value hierarchy, requires management to make judgements and estimates, including the appropriateness of the adoption of applicable valuation methods and using various unobservable inputs. The management worked together with an independent external valuer engaged by the Group in performing the valuation. Valuation methods used include binomial options pricing model and discounted cash flow approach. Significant assumptions adopted by management in the valuation include a five-year performance projection, discount rate, terminal growth rate and financial information of China Aviation Aftermarket Holdings Limited, a subsidiary of ARI. Changes in these assumptions and estimates could materially affect the respective fair value of the investments.

As at 31 December 2024, the carrying amount of exchangeable bonds issued by ARI Group was HK$850.0 million (2023: Nil).

Estimation of unguaranteed residual value on leased assets

Unguaranteed residual value is a portion of the residual value of a leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor. The unguaranteed residual value of the aircraft at the inception of the lease is based on management's estimates with reference to valuation reports issued by independent valuers. Please refer to Note 8 for the unguaranteed residual values recognised at the end of each reporting period.

The estimation of unguaranteed residual value at the inception of the leases impacts the determination of unearned finance income. Subsequent to initial recognition, estimated unguaranteed residual values are reviewed regularly. If there is a reduction in the estimated unguaranteed residual value, the income allocation over the remaining lease term will be revised and the reduction in respect of net present value of unguaranteed residual value will be adjusted immediately in profit or loss. Other than reduction in the estimated unguaranteed residual value of HK$11,779,000 (2023: Nil) made in the current year, the directors of the Company are of the opinion that there had been no further impairment in the carrying amount of the unguaranteed residual value as at the end of the reporting period.

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.1 Critical accounting estimates and assumptions *(continued)*

***Estimation of unguaranteed residual value on leased assets** (continued)*

The residual value of each aircraft is estimated by management and reasonably supported by the residual value published by a third party appraiser. The unguaranteed residual values of the aircraft under the 49 (2023: 48) finance leases as at 31 December 2024 were approximately HK$5,332,422,000 (2023: HK$5,117,617,000). A 5% decrease in the expected unguaranteed residual value from the management's current estimates would result in a decrease in profit before income tax for the year ended 31 December 2024 by approximately HK$13,044,000 (2023: HK$12,319,000).

Impairment of finance lease receivables and operating lease receivables

The Group calculates expected credit losses through estimating the risk exposure of default and expected credit loss rate. The expected credit loss rate is determined based on estimation of probability of default and loss given default. In determining the expected credit loss rate, the Group considers the Group's past history, existing market conditions as well as forward looking estimates. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses. Please refer to Note 8 and Note 10(b) for detailed information.

As at 31 December 2024, the net carrying amount of finance lease receivables (excluding unguaranteed residual value) was HK$4,704.0 million (2023: HK$4,411.6 million) and the net carrying amount of operating lease receivables was HK$223.9 million (2023: HK$245.1 million).

Impairment of loans to associates and joint ventures

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.

As at 31 December 2024, the net carrying amount of loans to associates and joint ventures was HK$484.1 million (2023: HK$1,522.2 million) (net of accumulated expected credit losses allowance of HK$215.7 million (2023: HK$249.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.1 Critical accounting estimates and assumptions *(continued)*

Income taxes and deferred tax

The Group is subject to taxation in multiple jurisdictions and, in many cases, the ultimate tax treatment is not determined until concluded with the relevant tax authority. Consequently, the directors are required to exercise significant judgement in determining the appropriate amount of tax provisions based on the key underlying assumptions, including the profit forecast and the estimated realisable values of the aircraft at the end of lease terms. Where the ultimate tax outcome differs from the amount recognised, the difference will impact the income taxes and deferred tax in the future period. Please refer to Note 17 and Note 31 for the detailed information of deferred income tax and income tax expenses.

5.2 Critical judgements in applying the Group's accounting policies

Classification of leases

The Group has entered into certain aircraft leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased aircraft to the lessees, as the present values of the minimum lease payments (which include lease payments and residual values guaranteed by third parties) of the lease amount to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has derecognised the aircraft from its consolidated balance sheet and has instead, recognised finance lease receivables (Note 8). Otherwise the Group includes the aircraft under operating lease in property, plant and equipment and right-of-use assets (Note 6). The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

Disposal of finance lease receivables

The Group considers that the trust plans or asset-backed securities programme as described in Note 4 are structured entities which are run according to predetermined criteria that are part of its initial design.

The Group has assessed that it does not control the trust plans or asset-backed securities programme as the Group does not have the current ability to direct the relevant activities of the trust plans or asset-backed securities programme. Accordingly, the trust plans or asset-backed securities programme are not consolidated by the Group. The determination of whether there are controls over the trust plans or asset-backed securities programme depends on an assessment of the relevant arrangements relating to the trust plans or asset-backed securities programme and this has involved critical judgements by management. For further details about these unconsolidated structured entities, see Note 4.

The directors assessed the Group has transferred substantially all the risks and rewards related to the lease receivables to the trust plans or asset-backed securities programme, and thus the corresponding finance lease receivables were derecognised.

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.2 Critical judgements in applying the Group's accounting policies *(continued)*

Consolidation assessment of CAG Group

In June 2018, the Group and some mezzanine financiers jointly established CAG Group at a shareholding ratio of 20% and 80%, respectively, which is principally engaged in lease-attached aircraft portfolio investment. The Group provides aircraft and lease management service to CAG Group.

The directors have assessed and concluded that the Group does not control CAG Group but has a significant influence over CAG Group. The determination of the Group's level of involvement with another entity will require exercise of judgement under certain circumstances. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group also considers, in particular, whether it obtains benefits from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or an equity investment requires the application of judgement through the analysis of various factors, such as whether CAG Group is a structured entity, the percentage of ownership interest held in the entity, CAG Group's purpose and design, CAG Group's relevant activities, the decision-making authority about its relevant activities, whether the rights of the Group give it current ability to direct CAG Group's relevant activities, the Group's exposure or rights to variable returns from its involvement with CAG Group and the ability to use its power over CAG Group to affect the amount of the Group's returns. This assessment involves critical judgement by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	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
Year ended 31 December 2024							
Opening net book amount	33,426,505	–	9,544	40,115	11,867	5,795	33,493,826
Additions	7,668,781	800	1,177	–	21,343	–	7,692,101
Reclassification form finance lease receivables	187,262	–	–	–	–	–	187,262
Depreciation and impairment	(1,666,614)	(100)	(2,885)	(1,029)	(14,181)	(1,760)	(1,686,569)
Assets classified as held for sale	(4,515,716)	–	–	–	–	–	(4,515,716)
Disposals	(6,031,557)	–	(2,267)	–	–	–	(6,033,824)
Currency translation differences	(276,767)	(11)	(2)	(95)	(176)	(21)	(277,072)
Closing net book amount	28,791,894	689	5,567	38,991	18,853	4,014	28,860,008
As at 31 December 2024							
Cost	33,948,303	9,263	26,875	45,234	49,059	16,232	34,094,966
Accumulated depreciation and impairment	(5,156,409)	(8,574)	(21,308)	(6,243)	(30,206)	(12,218)	(5,234,958)
Net book amount	28,791,894	689	5,567	38,991	18,853	4,014	28,860,008

	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
Year ended 31 December 2023							
Opening net book amount	27,268,078	1,068	9,889	41,023	26,566	7,749	27,354,373
Additions	9,312,722	–	2,590	–	468	–	9,315,780
Depreciation and impairment	(1,597,488)	(1,068)	(3,517)	(912)	(14,208)	(1,630)	(1,618,823)
Assets classified as held for sale	(261,299)	–	–	–	–	–	(261,299)
Disposals	(1,169,693)	–	(361)	–	–	(337)	(1,170,391)
Write-off	–	–	–	–	(741)	–	(741)
Currency translation differences	(125,815)	–	943	4	(218)	13	(125,073)
Closing net book amount	33,426,505	–	9,544	40,115	11,867	5,795	33,493,826
As at 31 December 2023							
Cost	38,702,151	8,526	29,607	45,482	55,760	16,271	38,857,797
Accumulated depreciation and impairment	(5,275,646)	(8,526)	(20,063)	(5,367)	(43,893)	(10,476)	(5,363,971)
Net book amount	33,426,505	–	9,544	40,115	11,867	5,795	33,493,826

6. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS *(continued)*

Lease rental income amounting to HK$3,740,861,000 relating to the lease of aircraft and engine for the year ended 31 December 2024 are included in operating lease income in the consolidated statement of income (2023: HK$3,598,207,000).

As at 31 December 2024, the net book value of aircraft amounted to HK$28,071,670,000 (2023: HK$32,824,283,000).

As at 31 December 2024, the net book value of aircraft under operating leases amounting to HK$23,867,672,000 (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 18).

During the year ended 31 December 2024, net reversal of impairment of HK$54,949,000 was made (2023: impairment of HK$71,952,000).

For the total cash outflow for leases, please refer to Note 34.

7. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Investments in and loans to associates and joint ventures – carrying amount after share of results	**707,352**	1,778,883
Accumulated expected credit losses allowance on loans to associates and joint ventures	**(215,655)**	(249,254)
	491,697	1,529,629

The accumulated expected credit losses allowance on loans to associates and joint ventures amounted to HK$215,655,000 (2023: HK$249,254,000). A net reversal of expected credit losses of HK$33,161,000 (2023: net expected credit losses of HK$50,000,000) was recognised for the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December 2024, the Group had interests in the following principal associates and joint ventures:

Name of entity	Place of incorporation	Principal activities	% of equity interest	Nature of relationship	Measurement method
ARI (a)	Cayman Islands	Investment holding	48%	Associate	Equity
CAG (Notes 5.2 and 9)	Bermuda	Aircraft leasing	20%	Associate	Equity
FLARI Aircraft Maintenances & 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	35.68%	Joint venture	Equity
PT Linkaviasi Asia Indonesia ("LAI") (e)	Indonesia	Commercial air transportation services	35.68%	Joint venture	Equity

(a) ARI is an investment holding company and 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 31 December 2024, the net liabilities of ARI Group was HK$702,347,000 (2023: net liabilities of HK$607,723,000), and as a result, the Group's equity interests in ARI was reduced to zero (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 31 December 2024, the Group's carrying amount of outstanding loans to ARI amounted to HK$243,211,000 (2023: HK$1,252,136,000). For details, please refer to Note 36(b).

(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 31 December 2024, the Group's outstanding shareholders' loans balance receivable from FLARI amounted to HK$139,979,000 (2023: HK$131,984,000). For details, please refer to Note 36(b).

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

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

(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 31 December 2024, the Group's outstanding loans balance receivable from HNCA One (Tianjin) and HNCA Two (Tianjin) amounted to HK$38,403,000 (2023: HK$36,808,000) and HK$36,423,000 (2023: HK$35,870,000), respectively. For details, please refer to Note 36(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 Ho Man, 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 Wanting, 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.

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 31 December 2024, the Group's outstanding shareholder's loan balance receivable from TAM amounted to HK$26,037,000 (2023: HK$14,969,000).

As at 31 December 2024, the Group held rental deposits of US$1,230,000 (equivalent to approximately HK$9,552,000) from TAM (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 36(i).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

8. FINANCE LEASE RECEIVABLES – NET

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Lease payments receivables		
– Not later than one year	**1,050,241**	159,498
– Later than one year but not later than two years	**1,817,925**	1,044,011
– Later than two years but not later than three years	**1,520,548**	1,812,018
– Later than three years but not later than four years	**275,103**	1,501,718
– Later than four years but not later than five years	**431,086**	249,815
– Later than five years	**437,173**	669,808
Total	**5,532,076**	5,436,868
Less: Unearned finance lease income relating to lease payment receivables	**(809,565)**	(1,018,333)
Present value of lease payment receivables	**4,722,511**	4,418,535
Add: Present value of unguaranteed residual value	**4,481,454**	4,165,724
Net investment in leases	**9,203,965**	8,584,259
Less: Accumulated expected credit losses allowance	**(18,508)**	(6,920)
Finance lease receivables – net	**9,185,457**	8,577,339

8. FINANCE LEASE RECEIVABLES – NET *(continued)*

The accumulated expected credit losses allowance on financial lease receivables amounted to HK$18,508,000 (2023: HK$6,920,000). A net expected credit losses of HK$11,681,000 (2023: net reversal of expected credit losses of HK$4,935,000) was recognised for the year ended 31 December 2024.

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

	As at 31 December			
	2024		2023	
	HK$'000	**%**	HK$'000	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	**6,197,396**	**67%**	6,061,740	71%
Others	**2,988,061**	**33%**	2,515,599	29%
Finance lease receivables – net	**9,185,457**	**100%**	8,577,339	100%

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Shareholder's loan to CAG Group (Note (a))	**576,136**	579,296
Shareholder's loan to Feitian No.2 (Tianjin) (Note (b))	**45,945**	38,160
Exchangeable bonds (Note (c))	**850,000**	–
Others	**3,995**	4,293
	1,476,076	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 a shareholder's loan agreement and a subordinated fee agreement 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 had completed the subscription of the exchangeable bonds. For details of the arrangement, please refer to the Circular issued by the Company dated 29 November 2023. Please refer Note 36(b) for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PREPAYMENTS AND OTHER ASSETS

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
PDP and other prepayments and receivables relating to aircraft acquisition	**7,855,333**	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.

(b) Prepayments and other assets

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Operating lease receivables (i)	**376,860**	448,625
Deposits paid	**27,858**	48,705
Prepayments and amounts due from related parties (Note 36(f))	**190,741**	98,649
Deductible input taxes	**57,753**	63,986
Others (ii)	**183,574**	190,757
	836,786	850,722
Less: Accumulated expected credit losses allowance (i)	**(152,951)**	(203,556)
	683,835	647,166

10. PREPAYMENTS AND OTHER ASSETS *(continued)*

(b) Prepayments and other assets *(continued)*

(i) The Group recognised 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:

	As at 31 December			
	2024		2023	
	HK$'000	%	HK$'000	%
Current/deferral	70,762	19%	135,656	30%
Less than 30 days past due	980	1%	4,180	1%
30 to 90 days past due	2,894	1%	19,277	4%
More than 90 days past due	302,224	79%	289,512	65%
Total	376,860	100%	448,625	100%

As at 31 December 2024, the accumulated expected credit losses allowance against operating lease receivables amounted to HK$152,951,000 (2023: HK$203,556,000) and the net carrying amount of operating lease receivables was HK$223,909,000 (2023: HK$245,069,000). A net reversal of expected credit losses of HK$49,731,000 (2023: net expected credit losses of HK$16,074,000) was recognised during the year ended 31 December 2024.

(ii) The "Others" above were mainly prepayments to third parties and miscellaneous receivables.

11. ASSETS CLASSIFIED AS HELD FOR SALE

The Group had signed letters of intent for the disposals of several lease-attached aircraft. These aircraft intended to be disposed of were consequently classified as held for sale. As at 31 December 2024, the carrying amount of assets classified as held for sale was HK$5,555,238,000 (2023: HK$1,425,254,000), which were 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$2,707,840,000 (2023: HK$1,024,308,000). The borrowings related to the assets held for sale will be repaid when the aircraft are disposed, although the borrowings are not due to be settled within twelve months after the reporting period pursuant to the contractual terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. RESTRICTED CASH

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Pledged for bank and other borrowings for aircraft acquisition financing (Note 18(a))	**53,640**	56,323
Pledged for other bank borrowings (Note 18(c))	**–**	313,495
Pledged for borrowings from trust plan (Note 18(d))	**43,954**	44,183
Pledged for interest rate swap contracts (Note 21(a))	**5,418**	5,167
Pledged for currency forward contracts (Note 21(b))	**198,098**	121,963
Pledged for a currency swap contract	**–**	3,393
	301,110	544,524

The carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at 31 December	
	2024 HK$'000	2023 HK$'000
US$	**271,518**	511,035
RMB	**29,592**	33,489
	301,110	544,524

The average effective interest rate as at 31 December 2024 was 4.11% (2023: 2.78%).

13. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Cash at bank and on hand	**3,778,318**	5,295,875

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2024 HK$'000	2023 HK$'000
US$	**3,187,829**	4,021,197
RMB	**551,849**	1,237,792
HK$	**33,421**	29,988
EUR	**3,772**	5,732
Other currencies	**1,447**	1,166
	3,778,318	5,295,875

The average effective interest rate as at 31 December 2024 was 2.47% (2023: 1.62%).

14. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Par value of each share	Number of issued shares	Share capital in HK$'000
Issued:			
As at 1 January 2024	HK$0.1	744,355,352	74,436
Issue of shares upon scrip dividend scheme (Note a)	HK$0.1	293,190	29
As at 31 December 2024	HK$0.1	744,648,542	74,465
As at 1 January 2023 and 31 December 2023	HK$0.1	744,355,352	74,436

Note:

(a) On 19 March 2024, a scrip dividend scheme was proposed by the Board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the Company's annual general meeting held on 21 May 2024. On 14 August 2024, 293,190 shares of HK$0.10 each were allotted and issued at HK$3.024 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2023 final dividend under the scrip dividend scheme.

15. RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Share-based payments reserve HK$'000	Hedging reserve HK$'000	Currency translation differences HK$'000	Total HK$'000
Balance as at 1 January 2024	1,522,393	623,720	(166)	–	4,848	48,216	(25,467)	2,173,544
Cash flow hedges (Note 21)	–	–	–	–	–	(44,493)	–	(44,493)
Currency translation differences	–	–	–	–	–	–	(139,456)	(139,456)
Share option scheme								
– Value of services (a)	–	–	–	–	336	–	–	336
– Share options lapsed (a)	–	–	–	–	(150)	–	–	(150)
Issue of shares upon scrip dividend scheme	857	–	–	–	–	–	–	857
Partial disposal of a subsidiary	–	–	–	(3,888)	–	–	–	(3,888)
Balance as at 31 December 2024	1,523,250	623,720	(166)	(3,888)	5,034	3,723	(164,923)	1,986,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. RESERVES *(continued)*

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Share-based payments reserve HK$'000	Hedging reserve HK$'000	Currency translation differences HK$'000	Total HK$'000
Balance as at 1 January 2023	1,522,393	623,720	(166)	–	3,330	197,342	(32,006)	2,314,613
Cash flow hedges (Note 21)	–	–	–	–	–	(149,126)	–	(149,126)
Currency translation differences	–	–	–	–	–	–	6,539	6,539
Share option scheme								
– Value of services (a)	–	–	–	–	1,881	–	–	1,881
– Share options lapsed (a)	–	–	–	–	(363)	–	–	(363)
Balance as at 31 December 2023	1,522,393	623,720	(166)	–	4,848	48,216	(25,467)	2,173,544

(a) On 6 April 2022, the Company granted 20,900,000 share options under the share option scheme adopted by the Company for the purpose of recognising the contribution of participants, including certain directors of the Company and selected employees of the Group, in relation to the growth of the Group. 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 vested on 6 April 2023 and 6 April 2024 respectively and become exercisable within the exercise period. None of the options have been exercised during the years ended 31 December 2024 and 2023.

Movement of outstanding share options during the years ended 31 December 2024 and 2023 is as follows:

	Number of share options
As at 1 January 2023	20,900,000
Lapsed	(875,000)
As at 31 December 2023 and 1 January 2024	20,025,000
Lapsed	(3,243,929)
As at 31 December 2024	**16,781,071**

15. RESERVES *(continued)*

(a) (continued)

(i) The fair value of the 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.

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

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December	
	2024 HK$'000	2023 HK$'000
Directors and employees	**336**	1,881

16. PERPETUAL CAPITAL SECURITIES AND OTHER NON-CONTROLLING INTERESTS

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Perpetual capital securities (a)	**1,111,899**	837,013
Other non-controlling interests of ordinary shares	**(13,159)**	(26,591)
	1,098,740	810,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PERPETUAL CAPITAL SECURITIES AND OTHER NON-CONTROLLING INTERESTS *(continued)*

(a) Perpetual capital securities

On 25 September 2024, a subsidiary of the Group (the "Issuer 1") issued RMB1.0 billion fixed rate of 2.70% perpetual capital securities with the aggregate net proceeds of HK$1,104.1 million. The coupon rate is subject to adjustment pursuant to Issuer 1's fulfilment of sustainability performance targets. The perpetual capital securities do not have maturity dates and the distribution payments can be deferred at the discretion of the Issuer 1. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to ordinary shareholders, the Issuer 1 shall make distribution to the holders of perpetual capital securities at the distribution rate as defined in the subscription agreements.

On 16 December 2020, a subsidiary of the Group (the "Issuer 2") 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 2. Therefore, the perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to ordinary shareholders, the Issuer 2 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 2024, the Group had early redeemed US$100.0 million (equivalent to approximately HK$780.3 million) perpetual capital securities (2023: US$100.0 million (equivalent to approximately HK$780.8 million)).

During the year ended 31 December 2024, the dividend payable had been adjusted based on the actual distribution rate in July 2024 amounting to HK$50,413,000 (2023: HK$166,668,000) and settled in July 2024.

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

	HK$'000
As at 1 January 2024	**837,013**
Issuance of perpetual capital securities	**1,104,068**
Profit for the year attributable to perpetual capital securities	**59,386**
Dividends distributed to perpetual capital securities	**(50,413)**
Redemption of perpetual capital securities	**(808,157)**
Other	**(29,998)**
As at 31 December 2024	**1,111,899**
As at 1 January 2023	1,617,351
Profit for the year attributable to perpetual capital securities	192,445
Dividends distributed to perpetual capital securities	(166,668)
Redemption of perpetual capital securities	(806,115)
As at 31 December 2023	837,013

17. DEFERRED INCOME TAX (ASSETS)/LIABILITIES

The movement of the deferred income tax (assets)/liabilities during the year is as follows:

	Tax losses HK$'000	Accelerated depreciation of leased assets, less carried forward tax losses HK$'000	Total HK$'000
As at 1 January 2024	**–**	**1,191,479**	**1,191,479**
(Credited)/charged to profit or loss (Note 31)	**(36,929)**	**125,267**	**88,338**
Currency translation differences	**871**	**(12,994)**	**(12,123)**
As at 31 December 2024	**(36,058)**	**1,303,752**	**1,267,694**
As at 1 January 2023	–	1,057,059	1,057,059
Charged to profit or loss (Note 31)	–	136,226	136,226
Currency translation differences	–	(1,806)	(1,806)
As at 31 December 2023	–	1,191,479	1,191,479

The deferred income tax liabilities that are expected to be settled within twelve months are HK$187,576,000 as at 31 December 2024 (2023: HK$203,323,000). The remaining deferred income tax assets and liabilities are expected to be settled after twelve months from the end of the reporting period.

As at 31 December 2024, certain subsidiaries of the Group had unused tax losses of approximately HK$4,183,615,000 (2023: HK$2,203,567,000) available to offset against future profits, for which deferred income tax asset of HK$666,569,000 (2023: HK$431,124,000) had not been recognised as their future realisation is uncertain.

The expiry dates of the unused tax losses are as follows:

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Year		
2024	**–**	51,111
2025	**129,165**	129,165
2026	**158,633**	158,633
2027	**340,074**	340,074
2028	**454,422**	454,422
2029	**265,199**	–
No expiry date	**2,836,122**	1,070,162
	4,183,615	2,203,567

In accordance with the corporate income tax laws in the PRC, a 5% or 10% withholding tax is levied on the dividend declared by the companies established in the PRC to their foreign investors starting from 1 January 2008. No deferred income tax liability has been provided by the Group on the retained earnings of approximately HK$3,316,916,000 as at 31 December 2024 (2023: HK$2,643,227,000), expected to be retained by the subsidiaries in the PRC and not to be remitted out of the PRC in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Bank and other borrowings		
Bank and other borrowings for aircraft acquisition financing (a)	**21,537,088**	23,309,584
PDP financing (b)	**6,294,118**	6,127,842
Other bank borrowings (c)	**11,021,832**	8,802,585
	38,853,038	38,240,011
Other long-term borrowings		
Borrowings from trust plans (d)	**3,989,918**	4,263,795
Other borrowings (e)	**203,249**	408,064
	4,193,167	4,671,859
	43,046,205	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 31 December 2024, certain bank borrowings were secured by, in addition to other legal charges, the related aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group, and pledged deposits amounting to HK$53,640,000 (2023: HK$56,323,000). As at 31 December 2024, bank and other borrowings for aircraft acquisition financing of HK$1,598,033,000 (2023: HK$903,557,000) were unsecured.

(b) As at 31 December 2024, PDP financings of HK$6,294,118,000 (2023: HK$6,127,842,000) were unsecured and guaranteed by the Company or certain companies of the Group.

(c) As at 31 December 2024, unsecured other bank borrowings amounted to HK$11,021,832,000, of which HK$5,690,561,000 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.

18. BORROWINGS *(continued)*

Bank and other borrowings *(continued)*

The bank borrowings are repayable as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Within one year	**10,977,314**	15,578,910
Between one and two years	**8,353,242**	6,179,390
Between two and five years	**9,596,652**	7,573,950
Over five years	**6,168,797**	5,643,741
	35,096,005	34,975,991

The other borrowings are repayable as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Within one year	**1,004,577**	176,632
Between one and two years	**821,469**	186,687
Between two and five years	**1,630,559**	633,778
Over five years	**300,428**	2,266,923
	3,757,033	3,264,020

The exposure of bank and other borrowings to interest rate changes at the end of balance sheet date are as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Fixed-interest rate	**13,186,596**	13,487,228
Floating-interest rate	**25,666,442**	24,752,783
	38,853,038	38,240,011

The average effective interest rate as at 31 December 2024 of bank and other borrowings was 5.74% (2023: 6.12%). The carrying amounts of borrowings are principally denominated in US$ and RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS *(continued)*

Bank and other borrowings *(continued)*

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
– Expiring within one year	**2,142,453**	1,815,480
– Expiring beyond one year	**7,482,137**	670,693
	9,624,590	2,486,173

Other long-term borrowings

(d) As at 31 December 2024, 43 borrowings (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 average effective interest rates of the long-term borrowings range from 5.8% to 7.8% (2023: 3.5% to 7.8%) per annum for remaining terms of one to five years (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$43,954,000 (2023: HK$44,183,000).

(e) As at 31 December 2024, two borrowings (2023: four borrowings) were obtained through a structured financing arrangement for two aircraft (2023: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 4.3% (2023: 3.9% to 5.7%) per annum for their remaining terms of one year (2023: one to two years) and were guaranteed by the Company.

The other long-term borrowings are repayable as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Within one year	**750,839**	436,942
Between one and two years	**1,827,878**	754,958
Between two and five years	**1,614,450**	3,292,564
Over five years	**–**	187,395
	4,193,167	4,671,859

19. 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 (equivalent to approximately HK$1,615,241,000) 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 (issued equivalent to approximately HK$1,626,377,000 in total in 2024, net of transaction costs).

As at 31 December 2024, after deducting the issuing cost, the total carrying amount of these notes was HK$1,599,726,000 (2023: HK$1,656,173,000).

20. 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. These notes had been fully repaid on maturity.

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 a coupon rate of 3.58% per annum. These bonds were listed on the Shanghai Stock Exchange.

During the year ended 31 December 2023, the Group repurchased certain amount of bonds on the Stock Exchange for an aggregate amount of US$51,120,000.

As at 31 December 2024, the total carrying amount of bonds and debentures was HK$3,930,722,000 (2023: HK$5,943,499,000).

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21. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Derivative financial assets		
– Currency swap	**–**	13,913
– Interest rate swaps (a)	**13,381**	47,244
	13,381	61,157
Derivative financial liabilities		
– Currency forward contracts (b)	**233,712**	147,735

(a) As at 31 December 2024, the Group had 16 outstanding interest rate swap contracts (2023: 18 contracts) which will expire at various dates from 3 April 2025 to 25 March 2031 (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 4.1% (2023: 0.4% to 3.0%). As at 31 December 2024, this arrangement was secured by initial deposits of HK$5,418,000 (2023: HK$5,167,000).

(b) As at 31 December 2024, the Group had 12 outstanding currency forward contracts with notional amount of RMB2,500,000,000 (equivalent to approximately HK$2,649,250,000) (2023: 16 outstanding currency forward contracts with notional amount of RMB2,350,000,000 (equivalent to approximately HK$2,595,825,000)) which will expire at various dates from 8 January 2025 to 23 December 2025 (2023: 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/(losses), net" (Note 30). As at 31 December 2024, this arrangement was secured by margin deposits of HK$198,098,000 (2023: HK$121,963,000).

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

	Year ended 31 December	
	2024 HK$'000	2023 HK$'000
Recognised in other comprehensive income		
Change in fair value of interest rate swaps	**9,883**	(6,638)
Reclassified from other comprehensive income to profit or loss in respect of:		
– Hedged items that affected profit or loss (i)	**(54,376)**	(142,488)
	(44,493)	(149,126)
Recognised in other gains/(losses), net of profit or loss		
Fair value losses on currency forward contracts in RMB	**(127,902)**	(125,962)
Change in fair value of interest rate swaps	**8,822**	–
Hedge ineffectiveness	**337**	461
(Realised losses)/unrealised gains on currency swap	**(13,903)**	4,456
	(132,646)	(121,045)

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

22. OTHER LIABILITIES AND ACCRUALS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Deposits and fund received for lease and aircraft projects	**1,715,060**	1,551,489
Consultant and professional fee payable	**80,852**	145,750
Value-added tax and other taxes	**186,091**	223,788
Operating lease rentals received in advance	**212,290**	287,830
Amounts due to related parties (Note 36(g))	**37,358**	9,269
Amount due to non-controlling interest of a subsidiary (Note 36(h))	**7,653**	7,695
Lease liabilities	**18,687**	13,053
Others (including salary and bonus payable)	**113,683**	136,389
	2,371,674	2,375,263

23. LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 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:

	Year ended 31 December			
	2024		2023	
	HK$'000	**%**	HK$'000	%
Categorised by customer in terms of lease income:				
Airline Company – A	**1,120,050**	**26%**	1,088,094	26%
Airline Company – B	**562,729**	**13%**	669,591	16%
Airline Company – C	**309,437**	**7%**	159,156	4%
Airline Company – D	**297,472**	**7%**	252,442	6%
Airline Company – E	**181,069**	**4%**	181,668	4%
Others	**1,878,932**	**43%**	1,848,252	44%
Total finance and operating lease income	**4,349,689**	**100%**	4,199,203	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT COMPONENTS TRADING

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Aircraft transactions (a)	**211,125**	118,276
Aircraft components trading (b)	**1,589**	6,225
	212,714	124,501

(a) Aircraft transactions

The net gain from aircraft transactions for the year ended 31 December 2024 included the net gain from disposal of 25 aircraft to third parties.

The net gain from aircraft transactions for the year ended 31 December 2023 included the net gain from disposal of five aircraft, including the disposal of one aircraft to Feitian No.2 (Tianjin) (Note 36(e)) and the disposal of four aircraft to third parties, and the gain from the novation of aircraft purchase agreement.

(b) Aircraft components trading

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Sales from aircraft components trading assets	**1,900**	9,832
Less: Cost of aircraft components trading assets	**(311)**	(3,607)
Profit from aircraft components trading assets	**1,589**	6,225

25. OTHER INCOME

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Government grants (a)	**316,207**	171,773
Interest income from loans to associates and joint ventures	**114,257**	110,675
Bank interest income	**128,658**	87,878
Asset management service fees income from CAG Group (Note 36(c))	**16,659**	18,381
Others	**65,579**	51,286
	641,360	439,993

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

26. INTEREST EXPENSES

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Interest expense on borrowings	**2,900,788**	2,665,469
Settlements on interest rate swaps designated as cash flow hedges – transfer from other comprehensive income	**(54,039)**	(142,027)
Interest expense on medium-term notes	**61,185**	76,328
Interest expense on bonds and debentures	**230,532**	284,106
	3,138,466	2,883,876
Less: interest capitalised on qualifying assets (a)	**(427,882)**	(639,395)
	2,710,584	2,244,481

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Employee benefit expenses (Note 29)	**227,516**	171,162
Value-added tax surcharges and other taxes	**49,870**	26,573
Professional service expenses	**162,722**	79,232
Rental and utilities expenses	**31,433**	5,623
Office and meeting expenses	**22,702**	11,990
Travelling and training expenses	**16,183**	12,139
Auditor's remuneration		
– Audit service	**2,600**	4,741
– Non-audit service	**110**	2,156
Others	**36,908**	27,428
	550,044	341,044

28. COMPENSATION RECEIVED FROM AIRCRAFT REMAINED IN RUSSIA

Following the conflicts between Russia and Ukraine in February 2022 and subsequent sanctions in relation to commercial activities with businesses in Russia imposed by the European Union, the United States of America, the United Kingdom and other countries (the "Sanctions"), in March 2022, in compliance with the Sanctions, the Group terminated leasing arrangements with Russian lessees in respect of two owned aircraft (the "Aircraft"), representing less than 2% of the number of the Group's owned fleet of 159 as at 31 December 2024. The Group has been maintaining dialogue with the Russian lessees, actively seeking to repossess the Aircraft. As at 31 December 2024, one of the engines located outside Russia (the "Engine") is under control by the Group.

During the year ended 31 December 2024, the Group did not receive insurance claim compensation for aircraft remained in Russia (2023: received HK$185.4 million for one of the aircraft).

29. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Wages, salaries and bonuses	**202,993**	148,912
Share-based compensation (Note 15(a))	**336**	1,881
Welfare, medical and other expenses	**24,187**	20,369
	227,516	171,162

30. OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
(Realised losses)/unrealised gains on currency swap	**(13,903)**	4,456
Currency exchange gains/(losses) in US$	**67,551**	(1,253)
Currency exchange gains in RMB	**381,920**	73,282
Fair value losses on currency forward contracts in RMB	**(127,902)**	(125,962)
Change in fair value of interest rate swaps	**8,822**	–
Hedge ineffectiveness	**337**	461
Fair value gains/(losses) on financial assets at fair value through profit or loss	**8,279**	(130,555)
Reduction in the estimated unguaranteed residual value of finance lease receivables	**(11,779)**	–
	313,325	(179,571)

31. INCOME TAX EXPENSES

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Current income tax:		
Mainland China, Hong Kong and others	**227,315**	157,352
Deferred income tax (Note 17)	**88,338**	136,226
	315,653	293,578

Mainland China

The subsidiaries incorporated in the Mainland China are subject to the PRC corporate income tax ("CIT") at a rate of 25% (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 tax rate at 8.25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. 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 subsidiaries are generally subject to corporate tax at 12.5%.

The subsidiaries incorporated in the Netherlands are subject to income tax at 19% over the first EUR200,000 of its taxable income and a rate of 25.8% over its taxable income in excess of EUR200,000.

The subsidiaries incorporated in France are subject to income tax at rates of up to 25% 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.

31. INCOME TAX EXPENSES *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25%. The difference is analysed as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Profit before income tax	**641,262**	513,735
Tax calculated at a tax rate of 25% (2023: 25%)	**160,316**	128,434
Effects of:		
– Different tax rates applicable to different subsidiaries of the Group	**1,249**	3,456
– Income not subject to tax	**(311,702)**	(122,238)
– Non-deductible expenses	**220,046**	171,248
– Utilisation of previously unrecognised tax losses	**(20,650)**	(105,931)
– Tax losses for which no deferred income tax assets were recognised	**266,394**	218,609
Tax charge	**315,653**	293,578

32. 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 years ended 31 December 2024 and 2023.

	Year ended 31 December	
	2024	2023
Profit attributable to shareholders of the Company (HK$'000)	**257,545**	28,256
Weighted average number of ordinary shares in issue (number of shares in thousands)	**744,468**	744,355
Basic earnings per share (HK$ per share)	**0.346**	0.038

(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 31 December 2024 and 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 years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DIVIDENDS

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 paid by cash of HK$110.8 million and by share issuance of HK$0.9 million in August 2024.

An interim dividend of HK$0.12 per ordinary share totalling HK$89.4 million was paid by cash in October 2024.

On 18 March 2025, the Board recommended a final dividend of HK$0.18 per ordinary share totalling HK$134.0 million and proposed a scrip dividend option to be offered, which is calculated based on 744,648,542 issued shares as at 18 March 2025. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2024, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2025.

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Interim dividend paid of HK$0.12 (2023: HK$0.15) per ordinary share	**89,358**	111,653
Proposed final dividend of HK$0.18 (2023: HK$0.15) per ordinary share	**134,037**	111,653
Total	**223,395**	223,306

34. NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Cash and cash equivalents	**3,778,318**	5,295,875
Restricted cash	**301,110**	544,524
Borrowings	**(43,046,205)**	(42,911,870)
Medium-term notes	**(1,599,726)**	(1,656,173)
Bonds and debentures	**(3,930,722)**	(5,943,499)
Derivative financial instruments – net	**(220,331)**	(86,578)
Other liabilities and accruals – lease liabilities	**(18,687)**	(13,053)
Other liabilities and accruals – amount due to non-controlling interest of a subsidiary	**(7,653)**	(7,695)
Interest payables	**(292,538)**	(392,690)
Net debt	**(45,036,434)**	(45,171,159)

34. NET DEBT RECONCILIATION *(continued)*

			Liabilities from financing activities							
	Cash and cash equivalents HK$'000	Restricted cash HK$'000	Borrowings HK$'000	Medium-term notes HK$'000	Bonds and debentures HK$'000	Derivative financial instruments - net HK$'000	Lease liabilities HK$'000	Amount due to non-controlling interest of a subsidiary HK$'000	Interest payables HK$'000	Total HK$'000
Net debt as at 1 January 2024	**5,295,875**	**544,524**	**(42,911,870)**	**(1,656,173)**	**(5,943,499)**	**(86,578)**	**(13,053)**	**(7,695)**	**(392,690)**	**(45,171,159)**
Cash flows	(1,471,721)	(240,481)	(663,023)	(11,136)	1,874,809	(12,317)	16,116	–	3,188,428	2,680,675
Interest expense	–	–	–	–	–	–	–	–	(3,192,505)	(3,192,505)
Acquisition-leases	–	–	–	–	–	–	(21,343)	–	–	(21,343)
Currency exchange adjustments	(45,836)	(2,933)	504,435	67,583	147,770	530	389	42	22,044	694,024
Other non-cash movements (a)	–	–	24,253	–	(9,802)	(121,966)	(796)	–	82,185	(26,126)
Net debt as at 31 December 2024	**3,778,318**	**301,110**	**(43,046,205)**	**(1,599,726)**	**(3,930,722)**	**(220,331)**	**(18,687)**	**(7,653)**	**(292,538)**	**(45,036,434)**
Net debt as at 1 January 2023	3,552,533	1,114,958	(38,001,150)	(1,696,509)	(5,406,490)	168,856	(28,907)	(17,149)	(297,689)	(40,611,547)
Cash flows	1,825,792	(571,391)	(4,888,385)	–	(589,442)	(131,007)	17,154	–	2,861,613	(1,475,666)
Interest expense	–	–	–	–	–	–	–	–	(3,025,903)	(3,025,903)
Acquisition-leases	–	–	–	–	–	–	(468)	–	–	(468)
Currency exchange adjustments	(82,450)	957	106,526	43,855	64,511	(607)	197	–	2,119	135,108
Other non-cash movements (a)	–	–	(128,861)	(3,519)	(12,078)	(123,820)	(1,029)	9,454	67,170	(192,683)
Net debt as at 31 December 2023	5,295,875	544,524	(42,911,870)	(1,656,173)	(5,943,499)	(86,578)	(13,053)	(7,695)	(392,690)	(45,171,159)

(a) Other non-cash movements mainly arising from disposal and acquisition of borrowings, fair value change of derivative financial instruments and amortisation of upfront fees and issuing cost of borrowings, medium-term notes and bonds and debentures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Year ended 31 December 2024

	Fees HK$'000	Basic salaries and allowances HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Share-based payments HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman, non-executive director							
Mr. AN Xuesong (i)	–	–	–	–	–	–	–
Chairman, executive director							
Mr. ZHANG Mingao (ii)	–	–	–	–	–	–	–
Executive directors							
Mr. POON Ho Man	–	1,873	4,175	–	–	18	6,066
Mr. LI Guohui (iii)	–	2,934	2,340	–	–	14	5,288
Ms. LIU Wanting (iv)	–	1,243	2,033	–	95	7	3,378
Non-executive director							
Ms. WANG Yun (v)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. CHEOK Albert Saychuan	200	265	–	–	–	–	465
Dr. TSE Hiu Tung, Sheldon, *M.H.*	200	265	–	–	–	–	465
Mr. FAN Chun Wah, Andrew, *J.P.* (vi)	200	275	–	–	–	–	475
	600	6,855	8,548	–	95	39	16,137

35. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' emoluments *(continued)*

Year ended 31 December 2023

	Fees HK$'000	Basic salaries and allowances HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Share-based payments HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman, executive director							
Mr. ZHANG Mingao (ii)	–	–	–	–	–	–	–
Executive directors							
Mr. POON Ho Man	–	1,818	3,598	–	–	18	5,434
Ms. LIU Wanting (iv)	–	3,144	3,708	–	549	18	7,419
Non-executive directors							
Ms. WANG Yun (v)	–	–	–	–	–	–	–
Mr. WANG Hongyang (vii)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. CHEOK Albert Saychuan	387	75	–	–	–	–	462
Dr. TSE Hiu Tung, Sheldon, *M.H.*	376	75	–	–	–	–	451
Mr. FAN Chun Wah, Andrew, *J.P.* (vi)	279	60	–	–	–	–	339
Mr. FAN Yan Hok, Philip (viii)	143	35	–	–	–	–	178
	1,185	5,207	7,306	–	549	36	14,283

Notes:

(i) Appointed on 22 October 2024.

(ii) Resigned on 22 October 2024.

(iii) Appointed on 19 March 2024.

(iv) Rotation of director at the 2024 AGM and did not offer herself for re-election at the 2024 AGM. Upon conclusion of the 2024 AGM, Ms. LIU ceased to be the Company's director.

(v) Appointed on 11 July 2023 and resigned on 18 March 2025.

(vi) Appointed on 14 March 2023.

(vii) Resigned on 11 July 2023.

(viii) Retired on 16 May 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' emoluments *(continued)*

Certain directors also received emoluments from China Everbright Limited ("CEL") and certain related parties of the Group for the year ended 31 December 2024 in relation to their services to these companies.

No emoluments were paid to any directors in respect of accepting office as director and in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2024 (2023: Nil).

(b) Five highest paid individuals

During the year ended 31 December 2024, the five individuals whose emoluments were the highest in the Group include two directors and three individuals (2023: two directors and three individuals). The emoluments paid to the directors are reflected in the analysis presented above. For the year ended 31 December 2024, the emoluments paid to three (2023: three) remaining individuals are as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Basic salaries and allowances	**9,285**	11,431
Discretionary bonuses	**7,591**	8,942
Share-based payments	**135**	183
Employer's contribution to retirement benefit scheme	**36**	207
	17,047	20,763

The emoluments of the above three (2023: three) individuals fell within the following bands:

	Year ended 31 December	
	2024	2023
HK$4,500,001 to HK$5,000,000	**2**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1

During the years ended 31 December 2024 and 2023, no directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments.

36. RELATED PARTY TRANSACTIONS

Apart from the share option arrangement with key management and related parties as disclosed, 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 CEL and CEL indirectly holds approximately 38.06% equity interest in the Company as at 31 December 2024.

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.

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Interest income from CE Group	**5,199**	6,232
Interest expenses to CE Group	**234,782**	307,824
Loans upfront and arrangement fee to CE Group	**864**	2,829
Transactions handling charges to CE Group	**3,277**	4,021

	As at 31 December	
	2024	2023
	HK$'million	HK$'million
Bank deposits placed in CE Group	**748.9**	649.6
Borrowings due to CE Group	**5,201.4**	4,292.7
Undrawn facilities provided by CE Group	**–**	734.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with ARI Group and FLARI

Service provided by ARI Group

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Service fee charged by:		
ARI Group (Note)	**30,420**	4,934

Note: The amount included aircraft transaction related services charged by ARI Group amounting to US$3,440,000 (equivalent to approximately HK$26,713,000) (2023: Nil), which related to the disposal of six aircraft disposed in 2024 and to be disposed in 2025.

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 had completed the subscription of the exchangeable bonds and the consideration were settled against the shareholders' loan to ARI. The exchangeable bonds are bearing interest at 0.5% 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 exchangeable bonds. As at 31 December 2024, the outstanding shareholders' loan balances receivable from ARI and the exchangeable bonds balance amounted to HK$243,211,000 (2023: HK$1,252,136,000) (Note 7) and HK$850,000,000 (2023: Nil) (Note 9) respectively and the interest income from shareholders' loan and exchangeable bonds for the year ended 31 December 2024 was HK$41,571,000 (2023: HK$100,321,000) and HK$54,194,000 (2023: Nil) respectively.

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 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 year ended 31 December 2024, ARI Group delivered the remaining two engines. As at 31 December 2023, the Group had placed interest-free deposit amounting to HK$98,358,000.

During the year ended 31 December 2024, the Group entered into sale and purchase agreements with ARI Group relating to the purchase of two aircraft, with total consideration of US$43,500,000 (equivalent to approximately HK$339,413,000). As at 31 December 2024, the Group had placed interest-free deposit amounting to HK$188,779,000 (2023: Nil), the deposit is repayable on demand.

36. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with ARI Group and FLARI *(continued)*

***Transactions with ARI Group** (continued)*

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.

Transaction 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 (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 31 December 2024, the outstanding shareholders' loan balances receivable from FLARI was amounted to HK$139,979,000 (2023: HK$131,984,000) (Note 7) and the interest income for the year ended 31 December 2024 was HK$7,308,000 (2023: HK$7,516,000).

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 year ended 31 December 2023 was HK$294,000.

(c) Transactions with CAG Group

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Asset management service fees income from CAG Group	**16,659**	18,381

During the year ended 31 December 2023, the Group entered two operating lease arrangements of two engines with CAG Group. The operating lease income during the year ended 31 December 2024 was HK$4,577,000 (2023: HK$2,669,000).

(d) Transaction 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 was unsecured and interest bearing at 4% per annum.

As at 31 December 2024, the outstanding balance receivables from HNCA One (Tianjin) and HNCA Two (Tianjin) were amounted to HK$38,403,000 (2023: HK$36,808,000) and HK$36,423,000 (2023: HK$35,870,000), respectively (Note 7), and the interest income for the year ended 31 December 2024 was HK$1,270,000 (2023: HK$1,236,000) and HK$1,218,000 (2023: HK$1,226,000), respectively.

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36. RELATED PARTY TRANSACTIONS *(continued)*

(d) Transaction with HNCA One (Tianjin), HNCA Two (Tianjin) and Feitian No.2 (Tianjin) *(continued)*

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 31 December 2024, the outstanding balance receivables from Feitian No.2 (Tianjin) were amounted to HK$45,945,000 (2023: HK$38,160,000) (Note 9).

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

During the year ended 31 December 2023, the Group disposed of one aircraft to Feitian No.2 (Tianjin) at consideration of HK$486.0 million and recorded net income from aircraft transactions in the consolidated statement of income.

(f) Prepayments and amounts due from related parties

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Prepayments to ARI Group (Note 36(b))	**188,779**	98,358
Amount due from ARI Group and others	**1,962**	291
	190,741	98,649

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

(g) Amounts due to related parties

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
ARI Group (i)	**31,416**	3,514
LAI (ii)	**5,942**	5,755
	37,358	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 within one year.

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

As at 31 December 2024, Linkasia Airlines, a non-wholly owned subsidiary of the Group has the outstanding balance due to its shareholder, Equal Honour Equity Limited (wholly-owned by Mr. POON Ho Man) of HK$7,653,000 (2023: HK$7,695,000). The amount was unsecured, interest-free and repayable on demand.

36. RELATED PARTY TRANSACTIONS *(continued)*

(i) Transaction with TAM

During the year ended 31 December 2024, the Group entered into finance lease arrangement of two aircraft with TAM (2023: one), operating lease arrangement of two aircraft with TAM (2023: one) and terminated operating lease arrangement of one aircraft with TAM during the year ended 31 December 2023.

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

The total finance lease and operating lease income during the year ended 31 December 2024 was HK$60,978,000 (2023: HK$31,071,000). As at 31 December 2024, the Group held rental deposits of US$1,230,000 (equivalent to approximately HK$9,552,000) from TAM (2023: US$621,000 (equivalent to approximately HK$4,849,000)) in relation to aircraft under finance leases and operating leases.

(j) Key management compensation

Key management includes directors of the Company. The compensation paid or payable to key management is shown below:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Director fee, salaries, bonus and other short-term employee benefits	**30,604**	34,314
Share-based payments	**135**	732
	30,739	35,046

37. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingencies

As at 31 December 2024, the Group was a guarantor of certain bank borrowings of associates and joint ventures amounting to HK$515,645,000 (2023: HK$564,080,000), of which HK$195,961,000 (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$319,684,000 (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:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Contracted but not provided for:		
Purchase of aircraft (i)	**45,137,861**	52,752,365

(i) The capital commitments were mainly related to acquisition of Airbus aircraft and Commercial Aircraft Corporation of China, Ltd. ("COMAC") aircraft (2023: Airbus aircraft and COMAC aircraft) in its order book, which will be delivered in stages by the end of 2028.

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37. 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:

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Not later than one year	**7,025**	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:

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Not later than one year	**3,079,522**	3,471,127
Later than one year but not later than two years	**2,740,248**	2,926,184
Later than two years but not later than three years	**2,535,594**	2,509,406
Later than three years but not later than four years	**2,378,704**	2,225,390
Later than four years but not later than five years	**2,217,882**	2,034,545
Later than five years	**9,711,757**	9,665,309
	22,663,707	22,831,961

The above commitment included amount of HK$3,670,433,000 (2023: HK$907,600,000) related to assets classified as held for sale (Note 11).

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

	As at 31 December	
	2024 HK$'000	2023 HK$'000
Not later than one year	**196**	62
Later than one year but not later than two years	**49**	–
	245	62

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
ASSETS		
Investment in subsidiaries	**6,713,461**	7,421,428
Loans and interest receivables from subsidiaries	**916,114**	1,119,743
Amounts due from subsidiaries	**–**	1,398,820
Prepayments and other receivables	**337,074**	1,681
Cash and cash equivalents	**48,916**	630,550
Total assets	**8,015,565**	10,572,222
EQUITY		
Share capital	**74,465**	74,436
Reserves	**2,224,134**	2,223,091
Retained earnings	**290,450**	458,382
Total equity	**2,589,049**	2,755,909
LIABILITIES		
Amounts due to subsidiaries	**233,992**	3,356,966
Borrowings	**4,579,465**	3,810,674
Bonds and debentures	**542,878**	545,098
Interest payables	**61,794**	95,884
Other liabilities and accruals	**8,387**	7,691
Total liabilities	**5,426,516**	7,816,313
Total equity and liabilities	**8,015,565**	10,572,222

The balance sheet of the Company was approved by the Board of Directors on 18 March 2025 and was signed on its behalf.

POON Ho Man
DIRECTOR

LI Guohui
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Reserves HK$'000	Retained earnings HK$'000
Balance as at 1 January 2024	**2,223,091**	**458,382**
Comprehensive income		
Profit for the year	**–**	**33,079**
Total comprehensive income	**–**	**33,079**
Transactions with shareholders		
Issue of shares upon scrip dividend scheme	**857**	**–**
Dividends	**–**	**(201,011)**
Share option scheme:		
– Value of services	**336**	**–**
– Share options lapsed	**(150)**	**–**
Total transactions with shareholders	**1,043**	**(201,011)**
Balance as at 31 December 2024	**2,224,134**	**290,450**
Balance as at 1 January 2023	2,221,573	236,482
Comprehensive income		
Profit for the year	–	445,206
Total comprehensive income	–	445,206
Transactions with shareholders		
Dividends	–	(223,306)
Share option scheme:		
– Value of services	1,881	–
– Share options lapsed	(363)	–
Total transactions with shareholders	1,518	(223,306)
Balance as at 31 December 2023	2,223,091	458,382

39. SUBSIDIARIES

As at 31 December 2024, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
Directly owned:					
China Aircraft Leasing Company Limited	British Virgin Islands ("BVI") 24 March 2006	US$584,000,000	100%	Investment/asset holding	Limited liability entity
Aircraft Recycling International Holdings Limited	BVI 24 February 2016	US$1	100%	Investment holding	Limited liability entity
CALC Bond 3 Limited	BVI 17 February 2017	US$1	100%	Provision of financing	Limited liability entity
CALC PDP 11 Limited	Cayman Islands 2 March 2023	US$10,000,000	100%	Provision of financing	Limited liability entity
Indirectly owned:					
CALC 30-Aircraft Limited	Ireland 10 October 2016	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 31-Aircraft Limited	Ireland 10 October 2016	EUR1	100%	Aircraft leasing	Limited liability entity
CALC Bermuda Holdings Limited	Bermuda 16 May 2018	US$1	100%	Investment holding	Limited liability entity
CALC Global Leasing Limited	Ireland 18 December 2014	EUR1	100%	Investment holding	Limited liability entity
CALC PDP 9 Limited	Cayman Islands 12 June 2018	US$1	100%	Provision of financing	Limited liability entity
CALC PDP 10 Limited	Cayman Islands 15 December 2021	US$10,000,000	100%	Provision of financing	Limited liability entity
China Aircraft Assets Limited	Hong Kong 3 May 2013	HK$1	100%	Provision of financing	Limited liability entity
China Aircraft CALC Management Limited	Hong Kong 17 October 2012	HK$1	100%	Provision of management services	Limited liability entity
Sino Teamwork Limited	Hong Kong 9 January 2013	HK$1	100%	Provision of financing	Limited liability entity
ZF Ireland Aircraft 42 Limited	Ireland 22 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 45 Limited	Ireland 21 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 46 Limited	Ireland 21 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity

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39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
ZF Ireland Aircraft 51 Limited	Ireland 21 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 52 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 53 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 54 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 55 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 56 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 57 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 69 Limited	Ireland 9 January 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 70 Limited	Ireland 9 January 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 71 Limited	Ireland 9 January 2018	EUR10	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 72 Limited	Ireland 23 July 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 73 Limited	Ireland 23 July 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 74 Limited	Ireland 20 July 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 83 Limited	Ireland 10 September 2018	EUR10	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 87 Limited	Ireland 10 September 2018	EUR100	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 93 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 94 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 95 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 98 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 99 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity

39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
ZF Ireland Aircraft 100 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 101 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 102 Limited	Ireland 6 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 103 Limited	Ireland 6 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 104 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 105 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 106 Limited	Ireland 10 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 107 Limited	Ireland 6 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 108 Limited	Ireland 13 December 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 109 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 110 Limited	Ireland 25 August 2022	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 111 Limited	Ireland 25 August 2022	EUR1	100%	Aircraft leasing	Limited liability entity
Skylink 1 - Aircraft Leasing Limited	Ireland 9 July 2015	US$1	100%	Aircraft leasing	Limited liability entity
ZF France Aircraft 1 SAS	France 31 May 2022	EUR100	100%	Aircraft leasing	Limited liability entity
ZF France Aircraft 2 SAS	France 31 May 2022	EUR100	100%	Aircraft leasing	Limited liability entity
ZF Middle East 1 SPV Limited	ADGM 21 December 2021	US$100	100%	Aircraft leasing	Limited liability entity
ZF Oriental 4 Limited	Hong Kong 27 November 2018	HK$1	100%	Aircraft leasing	Limited liability entity
ZF Oriental 17 Limited	Hong Kong 9 October 2019	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental 18 Limited	Hong Kong 9 October 2019	HK$10	100%	Provision of financing	Limited liability entity

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39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
ZF Oriental 30 Limited	Hong Kong 30 March 2022	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental 37 Limited	Hong Kong 29 July 2022	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental 39 Limited	Hong Kong 5 September 2023	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental 40 Limited	Hong Kong 5 September 2023	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental Holdings 2 Limited	Hong Kong 29 March 2021	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental Assets Limited	Hong Kong 3 January 2019	HK$1	100%	Aircraft trading	Limited liability entity
CALC Aviation Assets Limited	Labuan 30 December 2015	US$100	100%	Aircraft leasing	Limited liability entity
CALC Aviation Capital Limited	Labuan 30 December 2015	US$100	100%	Aircraft leasing	Limited liability entity
CALC Sebelas Limited	Labuan 22 April 2021	US$100	100%	Aircraft leasing	Limited liability entity
CALC Sembilan Limited	Labuan 12 July 2016	US$100	100%	Aircraft leasing	Limited liability entity
CALC Sepuluh Limited	Labuan 22 April 2021	US$100	100%	Aircraft leasing	Limited liability entity
CALC Empat Belas Limited	Labuan 14 September 2023	US$10,000	100%	Aircraft leasing	Limited liability entity
ZF Finance Limited	Malta 11 November 2020	EUR1,200	100%	Provision of financing	Limited liability entity
Linkasia Airlines Group Limited	Cayman Islands 3 August 2016	US$38,451,000	72.82%	Investment holding	Limited liability entity
中永順融資租賃(上海)有限公司 (China Aircraft Leasing Company Limited (Shanghai))	PRC 27 November 2013	US$186,000,000	100%	Investment holding	Limited liability entity
中永崇寧一飛機租賃(上海)有限公司 (Zhongyong Chongning 1 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧二飛機租賃(上海)有限公司 (Zhongyong Chongning 2 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity

39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中永崇寧三飛機租賃(上海)有限公司 (Zhongyong Chongning 3 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧四飛機租賃(上海)有限公司 (Zhongyong Chongning 4 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧五飛機租賃(上海)有限公司 (Zhongyong Chongning 5 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧六飛機租賃(上海)有限公司 (Zhongyong Chongning 6 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭一號租賃(天津)有限公司 (Jianzhao 1 Leasing (Tianjin) Co. Ltd.)	PRC 11 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭二號租賃(天津)有限公司 (Jianzhao 2 Leasing (Tianjin) Co. Ltd.)	PRC 11 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭三號租賃(天津)有限公司 (Jianzhao 3 Leasing (Tianjin) Co. Ltd.)	PRC 11 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭四號租賃(天津)有限公司 (Jianzhao 4 Leasing (Tianjin) Co. Ltd.)	PRC 12 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭五號租賃(天津)有限公司 (Jianzhao 5 Leasing (Tianjin) Co. Ltd.)	PRC 13 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭六號租賃(天津)有限公司 (Jianzhao 6 Leasing (Tianjin) Co. Ltd.)	PRC 13 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity

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39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中永熙雍一飛機租賃(上海)有限公司 (Zhongyong Xiyong 1 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍二飛機租賃(上海)有限公司 (Zhongyong Xiyong 2 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍三飛機租賃(上海)有限公司 (Zhongyong Xiyong 3 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍四飛機租賃(上海)有限公司 (Zhongyong Xiyong 4 Aircraft Leasing (Shanghai) Company Limited)	PRC 21 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍五飛機租賃(上海)有限公司 (Zhongyong Xiyong 5 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍六飛機租賃(上海)有限公司 (Zhongyong Xiyong 6 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍七飛機租賃(上海)有限公司 (Zhongyong Xiyong 7 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍八飛機租賃(上海)有限公司 (Zhongyong Xiyong 8 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity

39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中龍元光租賃(天津)有限公司 (China Aero I Leasing (Tianjin) Company Limited)	PRC 22 September 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中龍元康租賃(天津)有限公司 (China Aero II Leasing (Tianjin) Company Limited)	PRC 12 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中龍元興租賃(天津)有限公司 (China Aero III Leasing (Tianjin) Company Limited)	PRC 12 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中龍元鼎租賃(天津)有限公司 (China Aero IV Leasing (Tianjin) Company Limited)	PRC 17 October 2017	RMB100,000	100%	Aircraft leasing	Limited liability entity
中龍遠東租賃(天津)有限公司 (China Aero V Leasing (Tianjin) Company Limited)	PRC 7 May 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛干寧租賃(天津)有限公司 (CALC Ganning Limited)	PRC 15 August 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛天复租賃(天津)有限公司 (CALC Tianfu Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛文明租賃(天津)有限公司 (CALC Wenming Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛永淳租賃(上海)有限公司 (CALC Yong Chun Limited)	PRC 10 October 2012	RMB1,000,000	100%	Aircraft leasing	Limited liability entity
中飛長慶租賃(天津)有限公司 (CALC Changqing Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建中租賃(天津)有限公司 (CALC Jianzhong Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建元租賃(天津)有限公司 (CALC Jianyuan Limited)	PRC 8 November 2011	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛租融資租賃有限公司 (China Asset Leasing Company Limited)	PRC 13 December 2010	US$1,000,000,000	100%	Investment holding	Limited liability entity
中飛開成租賃(天津)有限公司 (CALC Kaichecg Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳六號租賃(天津)有限公司 (Jianfeng 6 Leasing (Tianjin) Co. Ltd.)	PRC 16 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
建鳳七號租賃(天津)有限公司 (Jianfeng 7 Leasing (Tianjin) Co. Ltd.)	PRC 16 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳八號租賃(天津)有限公司 Jianfeng 8 Leasing (Tianjin) Co. Ltd.)	PRC 13 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳九號租賃(天津)有限公司 (Jianfeng 9 Leasing (Tianjin) Co. Ltd.)	PRC 16 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機會昌租賃(天津)有限公司 (ZJ Huichang Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機靖康租賃(天津)有限公司 (ZJ Jingkang Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機弘治租賃(天津)有限公司 (ZJ Hongzhi Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛開禧租賃(天津)有限公司 (CALC Kaixi Limited)	PRC 19 January 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛嘉定租賃(天津)有限公司 (CALC Jiading Limited)	PRC 20 January 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建慶租賃(天津)有限公司 (CALC Jianqing Limited)	PRC 8 November 2011	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛儀鳳租賃(天津)有限公司 (CALC Yifeng Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛咸亨租賃(天津)有限公司 (CALC Xianheng Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛顯慶租賃(天津)有限公司 (CALC Xianqing Limited)	PRC 1 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛聖曆租賃(天津)有限公司 (CALC Shengli Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛光啟租賃(天津)有限公司 (CALC Guangqi Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛大中租賃(天津)有限公司 (CALC Dazhong Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity

39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中機明政租賃(天津)有限公司 (ZJ Mingzheng Leasing (Tianjin) Co., Ltd.)	PRC 17 August 2017	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機進通租賃(天津)有限公司 (ZJ Jintong Leasing (Tianjin) Co., Ltd.)	PRC 18 August 2017	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機治平租賃(天津)有限公司 (ZJ Zhiping Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機大曆租賃(天津)有限公司 (ZJ Dali Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機證聖租賃(天津)有限公司 (ZJ Zhengsheng Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機天慶租賃(天津)有限公司 (ZJ Tianqing Leasing (Tianjin) Co., Ltd.)	PRC 28 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機宣德租賃(天津)有限公司 (ZJ Xuande Leasing (Tianjin) Co., Ltd.)	PRC 28 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機延載租賃(天津)有限公司 (ZJ Yanzai Leasing (Tianjin) Co., Ltd.)	PRC 28 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機神功租賃(天津)有限公司 (ZJ Shengong Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機建安飛機租賃(上海)有限公司 (ZJ Jianan Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機永漢飛機租賃(上海)有限公司 (ZJ Yonghan Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機永康飛機租賃(上海)有限公司 (ZJ Yongkang Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中機永壽飛機租賃(上海)有限公司 (ZJ Yongshou Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機永興飛機租賃(上海)有限公司 (ZJ Yongxing Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機元嘉飛機租賃(上海)有限公司 (ZJ Yuanjia Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機昭寧飛機租賃(上海)有限公司 (ZJ Zhaoning Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機至治租賃(天津)有限公司 (ZJ Zhizhi Leasing (Tianjin) Company Limited)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機大觀租賃(天津)有限公司 (ZJ Daguan Leasing (Tianjin) Company Limited)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛睿天成融資租賃(天津)有限公司 (CALC RuiTianCheng Financial Leasing Limited)	PRC 28 July 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機天成租賃(天津)有限公司 (ZJ Tiancheng Leasing (Tianjin) Company Limited)	PRC 17 August 2017	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機天造租賃(天津)有限公司 (ZJ Tianzao Leasing (Tianjin) Company Limited)	PRC 21 August 2017	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機慶曆租賃(天津)有限公司 (ZJ Qingli Leasing (Tianjin) Company Limited)	PRC 24 April 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機天曆租賃(天津)有限公司 (ZJ Tianli Leasing (Tianjin) Co., Ltd.)	PRC 28 June 2018	RMB100,000	100%	Provision of financing	Limited liability entity

39. SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中機祥符租賃(天津)有限公司 (ZJ Xiangfu Leasing (Tianjin) Co., Ltd.)	PRC 26 June 2018	RMB100,000	100%	Provision of financing	Limited liability entity
中機先天租賃(天津)有限公司 (ZJ Xiantian Leasing (Tianjin) Co., Ltd.)	PRC 26 June 2018	RMB100,000	100%	Provision of financing	Limited liability entity
中機康定租賃(天津)有限公司 (ZJ Kangding Leasing (Tianjin) Co., Ltd.)	PRC 23 April 2018	RMB100,000	100%	Provision of financing	Limited liability entity

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for China Asset Leasing Company Limited which has issued approximately HK$3,387.8 million and HK$1,599.7 million of bonds and debentures and medium-term notes, respectively, in which the Group has no interest.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of China Aircraft Leasing Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 94 to 199, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment on working capital sufficiency
- Impairment assessments of aircraft and engines
- Fair value measurement of shareholder's loan to CAG Bermuda 1 Limited ("CAG") and its subsidiaries (collectively as "CAG Group")

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Assessment on working capital sufficiency Refer to Note 2.1(a) to the consolidated financial statements. As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$12,805.3 million (Note 4.1.3). The Group had capital commitments amounting to HK$52,752.4 million (Note 37(b)) mainly relating to aircraft purchase, of which HK$7,818.5 million was payable within one year. The directors focus on the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The Group has prepared detailed cash flow forecasts. The Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 31 December 2023 and therefore continue as a going concern. The directors' forecasts are based on a number of assumptions including the aircraft delivery and leasing schedules, available financing resources that have been granted or will be granted and the amount of capital commitments. We focused on this matter because the preparation of cash flow forecasts requires the directors to make significant judgement on the assessment of the assumptions.	We obtained the Group's cash flow forecasts, which covered a period of not less than twelve months from 31 December 2023. We evaluated the key assumptions made in those cash flow forecasts, in particular the forecast aircraft delivery schedules, available financing resources and capital commitments. To test the aircraft delivery and leasing schedules, we examined aircraft purchase agreements entered into by the Group and aircraft manufacturers; and lease agreements or letters of intent entered into by the Group and airline companies. To test available financing resources, we obtained independent confirmations from relevant financial institutions, examined loan agreements or letters of intent issued by financial institutions during the year. We confirmed the Group's year end cash and cash equivalents, and borrowing balances by obtaining independent confirmations from the financial institutions. To test the amount of capital commitments, we examined aircraft purchase agreements entered into by the Group and aircraft manufacturers. We compared the actual outcome with the forecast for the year 2023 to evaluate management assessment made in prior year. We performed sensitivity analysis over key assumptions to ascertain the extent of adverse changes that would make the Group incapable of meeting its ongoing obligations as they fall due. We assessed the adequacy of the disclosures relating to the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements. Based on the work performed, the directors' assumptions of the cash flow forecasts were supported by available evidence.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter

Impairment assessments of aircraft and engines

As described in Note 2.5, Note 5.1(a) and Note 6 to the consolidated financial statements, the carrying amount of the Group's owned aircraft and engines were HK$33,426.5 million as at 31 December 2023.

The Group performs impairment assessments of aircraft and engines when indication of impairment exists. The Group engaged an external valuer to assist management for performing aircraft and engine valuation as at 31 December 2023. Based on impairment assessments performed, the Group recognised an impairment charge of HK$72.0 million for the year ended 31 December 2023.

In carrying out the impairment assessments, significant judgements are required to estimate the recoverable amounts, being the higher of the fair value less costs to sell and value in use. The recoverable amounts are estimated taking into consideration the follow-on lease assumptions, residual values of aircraft and engines and discount rates.

We considered this is a key audit matter as significant judgements are involved in the impairment assessments.

We understood and evaluated management's internal controls and assessment process of impairment of aircraft and engines and assessed the degree of complexity, subjectivity and uncertainty related to the significant management judgements.

We understood and evaluated management assessment of impairment indicators, and compared the impairment indicators identified by the Group to industry practice.

We assessed the competency, capability and objectivity of the independent external valuer engaged by the Group.

We examined the management's impairment assessments, on a sample basis, as follows:

- evaluated the reasonableness of the follow-on lease assumptions by comparing to (i) actual lease rates recently contracted by the Group for the leasing of similar flight equipment and (ii) current industry market data.
- compared the residual values of aircraft and engine to third party appraiser values or expected aircraft disposal prices.
- involved our valuation specialist to evaluate the appropriateness of the discount rate used in impairment tests.
- tested the mathematical accuracy of the calculation in the impairment tests.

Based on the above procedures, we considered that management's judgements applied in impairment assessments of aircraft and engines were supported by evidence obtained.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of shareholder's loan to CAG Group In June 2018, the Group and some mezzanine financiers jointly established CAG Group, which is principally engaged in lease-attached aircraft portfolio investment. CAG Group uses the fund injected through a performance-linked shareholder's loans from the Group and the mezzanine financing from mezzanine financiers at a ratio of 20% to 80%. The Group's shareholder's loan to CAG Group was recognised as financial assets at fair value through profit or loss. As described in Note 4.3, Note 5.1(b) and Note 9 to the consolidated financial statements, the carrying amount of shareholder's loan to CAG Group was HK$579.3 million as at 31 December 2023. The Group engaged an external valuer to assist the determination of fair value of this financial asset, using valuation models with unobservable inputs, including market interest rate, discount rate, expected rental collection and expected aircraft disposal prices. We considered this is a key audit matter as significant judgements are involved in the fair value measurements of shareholder's loan to CAG Group.	We understood management's internal controls and assessment process of fair value measurement of shareholder's loan to CAG Group and assessed the degree of complexity, subjectivity and uncertainty related to the significant management judgements. We examined the relevant legal documents and investment agreements of CAG Group and assessed the implications of the key terms as set out in these documents/agreements to the valuation of shareholder's loan to CAG Group. We assessed the competency, capability and objectivity of the independent external valuer engaged by the Group. We involved our valuation specialist to evaluate the appropriateness of the valuation methods used and the reasonableness of market interest rate and discount rate used. We evaluated the reasonableness of the assumption of expected rental collection by reviewing the lease agreements, legal documents and other supporting documents. We evaluated the reasonableness of the assumption of aircraft disposal prices by comparing them with internally and externally derived data including the quotation information received by the Group. We independently tested the accuracy of mathematical calculation applied in the valuation models. Based on the above procedures, we considered that management's judgements applied in fair value measurement of shareholder's loan to CAG Group were supported by evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Sai Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2024

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2023 HK$'000	2022 HK$'000
ASSETS			
Property, plant and equipment and right-of-use assets	6	**33,493,826**	27,354,373
Investments in and loans to associates and joint ventures	7	**1,529,629**	1,354,410
Finance lease receivables – net	8	**8,577,339**	8,172,086
Financial assets at fair value through profit or loss	9	**621,749**	769,462
Derivative financial assets	21	**61,157**	221,399
Pre-Delivery Payments ("PDP") and other prepayments and receivables relating to aircraft acquisition	10(a)	**7,626,274**	10,445,430
Prepayments and other assets	10(b)	**647,166**	916,985
Assets classified as held for sale	11	**1,425,254**	1,425,199
Aircraft components trading assets		**1,934**	5,245
Restricted cash	12	**544,524**	1,114,958
Cash and cash equivalents	13	**5,295,875**	3,552,533
Total assets		**59,824,727**	55,332,080
EQUITY			
Share capital	14	**74,436**	74,436
Reserves	15	**2,173,544**	2,314,613
Retained earnings		**2,081,560**	2,276,247
Equity attributable to shareholders of the Company		**4,329,540**	4,665,296
Perpetual capital securities and other non-controlling interests	16	**810,422**	1,590,921
Total equity		**5,139,962**	6,256,217
LIABILITIES			
Deferred income tax liabilities	17	**1,191,479**	1,057,059
Borrowings	18	**42,911,870**	38,001,150
Medium-term notes	19	**1,656,173**	1,696,509
Bonds and debentures	20	**5,943,499**	5,406,490
Derivative financial liabilities	21	**147,735**	52,543
Income tax payables		**66,056**	45,850
Interest payables		**392,690**	297,689
Other liabilities and accruals	22	**2,375,263**	2,518,573
Total liabilities		**54,684,765**	49,075,863
Total equity and liabilities		**59,824,727**	55,332,080

The notes on pages 101 to 199 are an integral part of these consolidated financial statements.

The financial statements on pages 94 to 199 were approved by the Board of Directors on 19 March 2024 and were signed on its behalf.

POON Ho Man
Director

LI Guohui
Director

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Total revenue			
Lease income			
Finance lease income	23	**600,996**	574,683
Operating lease income	23	**3,598,207**	2,967,565
		4,199,203	3,542,248
Other operating income			
Net income from aircraft transactions and aircraft components trading	24	**124,501**	207,072
Other income	25	**439,993**	421,682
		564,494	628,754
		4,763,697	4,171,002
Expenses			
Interest expenses	26	**(2,244,481)**	(1,610,507)
Depreciation and impairment		**(1,618,823)**	(1,356,612)
Expected credit losses		**(51,038)**	(83,355)
Other operating expenses	27	**(341,044)**	(345,335)
		(4,255,386)	(3,395,809)
Compensation received from aircraft remained in Russia	28	**185,384**	–
Net write-off of aircraft remained in Russia	28	**–**	(439,029)
Share of results from associates and joint ventures		**(389)**	2,682
Other (losses)/gains, net	30	**(179,571)**	184,619
Profit before income tax		**513,735**	523,465
Income tax expenses	31	**(293,578)**	(307,781)
Profit for the year		**220,157**	215,684
Profit attributable to			
Shareholders of the Company		**28,256**	73,598
Holders of perpetual capital securities and other non-controlling interests		**191,901**	142,086
		220,157	215,684
Earnings per share for profit attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic earnings per share	32(a)	**0.038**	0.099
– Diluted earnings per share	32(b)	**0.038**	0.099

The notes on pages 101 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Profit for the year		**220,157**	215,684
Other comprehensive (loss)/income for the year:			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	21	**(149,126)**	325,184
Currency translation differences		**6,539**	(5,990)
		(142,587)	319,194
Item that will not be reclassified subsequently to profit or loss			
Currency translation differences attributable to non-controlling interests		**383**	1,813
Total other comprehensive (loss)/income for the year, net of tax		**(142,204)**	321,007
Total comprehensive income for the year		**77,953**	536,691
Total comprehensive (loss)/income for the year attributable to			
Shareholders of the Company		**(114,331)**	392,792
Holders of perpetual capital securities and other non-controlling interests		**192,284**	143,899
		77,953	536,691

The notes on pages 101 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
Balance as at 1 January 2023	**74,436**	**2,314,613**	**2,276,247**	**4,665,296**	**1,590,921**	**6,256,217**
Comprehensive income						
Profit for the year	–	–	28,256	28,256	191,901	220,157
Other comprehensive (loss)/income						
Cash flow hedges (Note 21)	–	(149,126)	–	(149,126)	–	(149,126)
Currency translation differences	–	6,539	–	6,539	383	6,922
Total comprehensive (loss)/income	–	(142,587)	28,256	(114,331)	192,284	77,953
Transactions with shareholders and non-controlling interests						
Redemption of perpetual capital securities (Note 16)	–	–	–	–	(806,115)	(806,115)
Dividends	–	–	(223,306)	(223,306)	–	(223,306)
Dividends distributed to perpetual capital securities (Note 16)	–	–	–	–	(166,668)	(166,668)
Share option scheme:						
– Value of services (Note 15)	–	1,881	–	1,881	–	1,881
– Share options lapsed (Note 15)	–	(363)	363	–	–	–
Total transactions with shareholders and non-controlling interests	–	1,518	(222,943)	(221,425)	(972,783)	(1,194,208)
Balance as at 31 December 2023	**74,436**	**2,173,544**	**2,081,560**	**4,329,540**	**810,422**	**5,139,962**

The notes on pages 101 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
Balance as at 1 January 2022	74,762	1,987,850	2,507,621	4,570,233	1,447,022	6,017,255
Comprehensive income						
Profit for the year	–	–	73,598	73,598	142,086	215,684
Other comprehensive income/(loss)						
Cash flow hedges (Note 21)	–	325,184	–	325,184	–	325,184
Currency translation differences	–	(5,990)	–	(5,990)	1,813	(4,177)
Total comprehensive income	–	319,194	73,598	392,792	143,899	536,691
Transactions with shareholders and non-controlling interests						
Cancellation of shares (Note 14(a))	(408)	495	–	87	–	87
Dividends	82	4,074	(304,972)	(300,816)	–	(300,816)
Share option scheme:						
– Value of services (Note 15)	–	3,000	–	3,000	–	3,000
Total transactions with shareholders and non-controlling interests	(326)	7,569	(304,972)	(297,729)	–	(297,729)
Balance as at 31 December 2022	74,436	2,314,613	2,276,247	4,665,296	1,590,921	6,256,217

The notes on pages 101 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Profit before income tax		**513,735**	523,465
Adjustments for:			
– Depreciation and impairment		**1,618,823**	1,356,612
– Net income from aircraft transactions	24	**(118,276)**	(203,991)
– Expected credit losses		**51,038**	83,355
– Net write-off of aircraft remained in Russia	28	**–**	439,029
– Interest expenses	26	**2,244,481**	1,610,507
– Share-based payments	15	**1,881**	3,000
– Unrealised currency exchange gains		**(67,522)**	(311,674)
– Fair value changes attributable to interest rate and fair value changes on currency swap and currency forward contracts		**121,045**	176,241
– Share of results from associates and joint ventures		**389**	(2,682)
– Interest income		**(198,553)**	(132,761)
– Fair value losses/(gains) on financial assets at fair value through profit or loss	30	**130,555**	(37,418)
		4,297,596	3,503,683
Changes in working capital:			
– Finance lease receivables – net		**(389,132)**	(448,782)
– Prepayments and other assets		**113,966**	(98,954)
– Aircraft components trading assets		**3,311**	4,891
– Other liabilities and accruals		**(202,721)**	529,082
Cash generated from operations		**3,823,020**	3,489,920
Income taxes paid		**(137,146)**	(141,333)
Net cash flows generated from operating activities		**3,685,874**	3,348,587
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,090,351)**	(7,059,005)
Proceeds from disposal of aircraft and novation of aircraft purchase agreement		**6,284,570**	2,465,665
PDP and prepayments paid for acquisition of aircraft		**(4,970,414)**	(3,875,665)
PDP refunded		**821,911**	1,920,401
Interest received		**212,681**	119,290
Payments relating to financial assets at fair value through profit or loss		**(62,280)**	(30,696)
Proceeds from distribution of financial assets at fair value through profit or loss		**97,592**	53,907
Investment in associates and joint ventures		**–**	(5,152)
Payments relating to loans to associates and joint ventures		**(611,795)**	(335,498)
Repayments of loans to associates and joint ventures		**352,635**	217,488
Net cash flows used in investing activities		**(3,965,451)**	(6,529,265)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**27,425,312**	19,391,991
Issue of bonds and debentures, net of transaction costs		**2,207,221**	2,649,260
Issue of medium-term notes, net of transaction costs		**–**	1,834,982
Repayments of borrowings		**(22,536,927)**	(13,717,579)
Repurchase and repayment of bonds and debentures, including transaction costs		**(1,617,779)**	(4,041,541)
Repayment of medium-term notes		**–**	(956,560)
Repayment of lease liabilities		**(17,154)**	(14,141)
Interest received/(paid) in respect of derivative financial instruments		**101,049**	(42,793)
Interest paid in respect of borrowings, notes, bonds and debentures		**(2,861,613)**	(1,787,297)
Proceeds from disposal of derivative financial instruments		**29,958**	–
Pledge of deposits placed in respect of borrowings		**(678,919)**	(1,057,223)
Pledge of deposits released in respect of borrowings		**1,356,199**	52,526
Pledge of deposits placed in respect of derivative financial instruments		**(203,796)**	(100,393)
Pledge of deposits released in respect of derivative financial instruments		**97,907**	222,221
Redemption of perpetual capital securities	16	**(806,115)**	–
Dividends paid to holders of perpetual capital securities	16	**(166,668)**	(124,359)
Dividends paid to shareholders	33	**(223,306)**	(300,816)
Net cash flows generated from financing activities		**2,105,369**	2,008,278
Net increase/(decrease) in cash and cash equivalents		**1,825,792**	(1,172,400)
Cash and cash equivalents at beginning of the year		**3,552,533**	4,776,389
Currency exchange difference on cash and cash equivalents		**(82,450)**	(51,456)
Cash and cash equivalents at end of the year		**5,295,875**	3,552,533

The notes on pages 101 to 199 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION ON THE GROUP

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

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

The consolidated financial statements for the year ended 31 December 2023 are presented in Hong Kong dollar ("HK$"), unless otherwise stated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- derivative financial instruments and financial assets at fair value through profit or loss – measured at fair value; and
- assets classified as held for sale – measured at the lower of carrying amount and fair value less costs to sell.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$12,805.3 million. The Group had total capital commitments of HK$52,752.4 million as at 31 December 2023, which mainly 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$7,818.5 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 31 December 2023, the Group had cash and bank balances of HK$5,840.4 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 31 December 2023. The directors have taken into account the following plans and measures for the purposes of their assessment:

– 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 2023, 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. In view of favourable interest rate, the Group has drawn down or plans to draw 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 year ended 31 December 2023, the Group has obtained 43 aircraft project loan facilities of US$1,439.8 million (equivalent to approximately HK$11,271.4 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 31 December 2023. 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 31 December 2023.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

***(a) Going concern** (continued)*

– According to the relevant aircraft purchase agreements, the scheduled payment of PDP for the next twelve months from 31 December 2023 amounts to HK$3,326.1 million. In addition, one PDP facility is set to expire and the utilised facility drawdowns of HK$647.8 million will need to be repaid by the end of April 2024.

  For the scheduled payment of PDP and repayment of utilised facility drawdowns under the facility expiring in the next twelve months from 31 December 2023, certain portion will be repaid by the PDP facilities to be released when aircraft is delivered and related PDP financing is repaid. As at 31 December 2023, the Group had already obtained PDP financing facilities from banks to provide financing up to HK$6,501.3 million to satisfy the forecasted committed PDP payments in the next twelve months from 31 December 2023. 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 31 December 2023.

– As at 31 December 2023, the Group had working capital loan and revolving loan facilities of HK$9,498.9 million out of which HK$8,340.6 million has been utilised. The directors are confident that the Group can drawdown the remaining unutilised loan facilities of HK$1,158.3 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 June and November 2023, the Group issued three-year corporate bonds of RMB1.5 billion and RMB0.5 billion in the People's Republic of China ("PRC"), respectively. In particular, the Group has obtained approval from the National Association of Financial Market Institutional Investors for the issuance of medium-term notes with a capped principal amount of RMB1.5 billion in the PRC within a two-year period from 6 February 2024. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern (continued)

– The Group has been preserving the multi-faceted development of its asset-light business model through establishment and management of aviation-related funds and joint venture companies, while at the same time, building up network buyers that will acquire aircraft from its aircraft portfolio. As part of its normal course of business, the Group continues to expand its portfolio trading business and it has scheduled certain aircraft to be disposed of in the next twelve months from 31 December 2023, of which, as at the approval date of the consolidated financial statements, the Group has signed letters of intent or sale and purchase agreements for the disposals of ten aircraft. During the year ended 31 December 2023, the Group completed five aircraft disposals and received net proceeds from relevant disposals of HK$637.8 million. 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 31 December 2023.

The directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's internal resources, the cash flows generated from its business operations, continued availability of existing and new banking facilities, the successful execution of its plans in obtaining the aircraft project loans from the banks and financial institutions, the successful issuance of debt instruments and the successful disposals of aircraft as planned, the Group has sufficient working capital for its present requirements in the next twelve months from 31 December 2023. Accordingly, the directors consider that the Group will be in a position to continue as a going concern and hence prepared the consolidated financial statements on a going concern basis.

(b) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2023:

- Definition of Accounting Estimates – Amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12
- HKFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted in preparing the consolidated financial statements for the year ended 31 December 2023.

	Effective Date
Classification of Liabilities as Current or Non-current – Amendments to HKAS 1	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2024
Non-current liabilities with covenants – Amendments to HKAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16	1 January 2024
Lack of Exchangeability – Amendments to HKAS 21	1 January 2025
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	To be determined

The new and revised HKFRSs are not expected to have a material impact on the Group's financial performance and position.

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

A business is defined in HKFRS 3 as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(a) Consolidation (continued)

(i) Business combinations (continued)

The three components of a business are: inputs; processes; and outputs. An input is an economic resource that creates outputs, or has the ability to contribute to the creation of outputs when one or more processes are applied to it, such as non-current assets, intellectual property, the ability to access necessary materials or rights, employees and so on. A process is a system, standard, protocol, convention or rule that, when it is applied to an input or inputs creates outputs, or has the ability to contribute to the creation of outputs. Outputs are the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income (such as interest or dividends) or generate other income from ordinary activities. A business consists of inputs and processes applied to the inputs that have the ability to contribute to the creation of outputs.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

***(a) Consolidation** (continued)*

(i) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, the Group has determined that the trust plans set up to acquire certain finance lease receivables from the Group are structured entities over which the Group has no control and are therefore not consolidated.

2.3 Associates and joint ventures

Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Investments in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The equity-accounted investment includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an equity-accounted investment, any difference between the cost of the equity-accounted investment and the share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in an equity-accounted investment is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.3 Associates and joint ventures *(continued)*

***Joint arrangements** (continued)*

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the equity-accounted investment, including any other unsecured long-term receivables that, in substance, form part of the investor's net investment in the associate or joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investment.

The Group determines at each reporting date whether there is any objective evidence that the equity-accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Profits and losses resulting from upstream and downstream transactions involving assets that do not constitute a business between the Group and its equity-accounted investments are recognised in the Group's financial statements only to the extent of unrelated investor's equity-accounted investments. Unrealised gains in excess of the carrying amount of the investment in associates and joint ventures are recognised as deferred gains in "other liabilities and accruals" on the consolidated balance sheet. The deferred gain will not impact profit and loss, until the associate and joint ventures sell the assets that the deferred gain relates to, at which time the deferred gain related to the asset would be released to profit or loss. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The profit or loss resulting from a downstream transaction involving assets that constitute a business, as defined in HKFRS 3, between the Group and its associate or joint venture is recognised in full in the consolidated financial statements. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains or losses on dilution of equity-accounted investments are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency. Functional currencies of the subsidiaries of the Company mainly include Renminbi ("RMB"), US dollar ("US$") and HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

(c) Group companies

The results and financial position of all the entities of the Group (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

(iii) all resulting foreign exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment charge. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

The estimated useful lives and estimated residual value rate are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate
Aircraft and engine	25 years from the date of manufacture	5 – 15%
Leasehold improvements	Shorter of lease term or 3 years	0%
Office equipment	2 to 5 years	5%
Office building	50 years	0%
Others	4 to 10 years	0%

The assets' residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Gains and losses on disposal of aircraft are recognised within net income from aircraft transactions and aircraft components trading in the consolidated statement of income. Gains and losses on disposal of other property, plant and equipment are recognised within other operating income/expenses in the consolidated statement of income.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition. Non-current assets are not depreciated or amortised while they are classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The debt instruments shall be classified as financial asset not at fair value through profit or loss ("FVPL") if the cash flow characteristics cannot pass the test on solely payments of principal and interest on the principal amount. Otherwise, the classification of debt instruments will depend on the business model provided the fair value option is not elected.

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

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

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Finance lease receivables are regarded as financial assets for the purpose of derecognition.

(c) Measurement

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.8 Investments and other financial assets *(continued)*

***(c) Measurement** (continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the classification of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

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

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

Equity instruments

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

Changes in the fair value of financial asset at fair value through profit or loss are recognised in other (losses)/gains, net in the consolidated statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.8 Investments and other financial assets *(continued)*

(d) Impairment

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

For operating lease receivables and finance lease receivables except for unguaranteed residual values for which impairment is subject to the requirements under HKAS 36, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the lease receivables.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. The financial assets and financial liabilities of the Group that are subject to such enforceable master netting arrangements or similar agreements are not offset in accordance with HKFRSs.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of exposures to variability in cash flows (cash flow hedges) that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.10 Derivative financial instruments and hedging activities *(continued)*

The fair values of derivative financial instruments designated in hedge relationships are disclosed in notes to the consolidated financial statements. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in other (losses)/gains, net in the consolidated statement of income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the forecast transaction being hedged affects profit or loss (for example, when the interest payment that is hedged occurs). They are recorded in the expense lines in the consolidated statement of income in which the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any gain or loss on the hedging instrument that has been accumulated in equity from the period when the hedge was effective remains in equity. When the forecast transaction is ultimately recognised in profit or loss, the related accumulated hedge gain or loss in equity is reclassified to profit or loss. When a forecast transaction is no longer expected to occur, any accumulated hedge gain or loss in equity is immediately reclassified and included in other (losses)/gains, net in the consolidated statement of income.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other (losses)/gains, net.

2.11 Equity instruments

Financial instruments issued by the Group are classified as equity instruments when both of the following conditions are satisfied:

(a) The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or liabilities under potential adverse condition with other parties;

(b) The financial instruments should and can be settled via equity instruments of the Group. For non-derivative instruments, the instruments have no contractual obligation to be settled by delivering fixed number of equity instruments of the Group. For derivative instruments, they can only be settled through the exchange of fixed number of the Group's equity instruments with fixed amount of cash or other financial assets.

Perpetual capital securities issued by the subsidiaries of the Company with no contractual obligation to repay the principal or to pay any distribution are classified as perpetual capital securities in equity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.12 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value, and less any repaid principal is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs and is included in the computation of the loan's effective interest rate. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Interests related to progress payments made in respect of aircraft in the process of construction on forward order are capitalised and such amounts are added to prepayments on aircraft. The amount of interest capitalised is the actual interest costs incurred on funding specific to the progress payments or the amount of interest costs which could have been avoided in the absence of such progress payments.

Other borrowing costs are expensed as incurred.

2.13 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.13 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted before the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.14 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.15 Leases

(a) Where the Group is lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects such penalties upon the Group exercising a purchase option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.15 Leases *(continued)*

***(a) Where the Group is lessee** (continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of office premises are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.15 Leases *(continued)*

(b) Where the Group is lessor

Finance lease

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. The Group recognises assets held under a finance lease as finance lease receivable at an amount equal to net investment in the lease, which is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the leases is the sum of the lease payments receivable and any unguaranteed residual value accruing to the lessor. At the commencement of the lease term, the lease payments included in the measurement of the net investment in the lease mainly comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date: (a) fixed payments less any lease incentives payable; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

A lessor shall account for a modification to a finance lease as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, a lessor shall account for the modification as follows: (a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the lessor shall: (i) account for the lease modification as a new lease from the effective date of the modification; and (ii) measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. (b) otherwise, the lessor shall apply the requirements of HKFRS 9.

See Note 2.8 for accounting policies for derecognition and impairment of finance lease receivables.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.15 Leases *(continued)*

***(b) Where the Group is lessor** (continued)*

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

See Note 2.8 for accounting policies for impairment of operating lease receivables.

2.16 Revenue and income recognition

(a) Finance lease income

The finance income under a finance lease is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. Variable lease payments that do not depend on an index or a rate is recognised as income in the period in which the event or condition that triggers those payments occurs.

(b) Operating lease income

The lease payments under operating lease are recognised as income on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate is recognised as income in the period in which the event or condition that triggers those payments occurs.

(c) Interest income

Interest income on financial assets at amortised cost is recognised within other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.16 Revenue and income recognition *(continued)*

(d) Net income from aircraft components trading

Net income from aircraft components trading originates primarily from the sale of engine and airframe parts. The sale is recognised when the relevant asset is delivered and the control of the relevant asset has been transferred to the buyer.

(e) Service income

Service income is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2.17 Segment reporting and segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The Group is mainly engaged in the provision of aircraft leasing services to global airline companies. Accordingly, the Group considers that it only has a single reportable segment from both business and geographic perspectives and therefore only provides relevant entity-wide information.

3 SUMMARY OF OTHER ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in liabilities, if any.

3.2 Aircraft components trading assets

Aircraft components trading assets consist primarily of engine and airframe parts. Aircraft components trading assets are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing the aircraft components trading assets to their present location and condition.

3 SUMMARY OF OTHER ACCOUNTING POLICIES *(continued)*

3.3 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are recognised in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to shareholders of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to shareholders of the Company.

3.4 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities or trustees. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions. Assets of the plans are held and managed by government authorities or trustees and are separate from those of the Group.

(c) Profit-sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit sharing, based on formulae that take into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF OTHER ACCOUNTING POLICIES *(continued)*

3.5 Share-based payments

(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).

(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.

3 SUMMARY OF OTHER ACCOUNTING POLICIES *(continued)*

3.6 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the consolidated statement of income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of income on a straight-line basis over the expected lives of the related assets.

3.7 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the shareholders or directors, where appropriate.

3.8 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are mainly given by the Company to banks, financial institutions and other bodies to support subsidiaries in securing loans, overdrafts and other banking facilities.

Where a financial guarantee in relation to borrowings or other payables of subsidiaries is provided for no compensation, its fair value is accounted for as an equity contribution and recognised as part of the cost of the investment in subsidiaries in the financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT

4.1 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.

4.1.1 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 bank 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 (losses)/gains, net, please refer to Note 21 and Note 30.

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Cash and cash equivalents	**1,056,227**	649,087
Other financial assets	**343,397**	205,287
Total financial assets	**1,399,624**	854,374
Borrowings	**(3,850,937)**	(784,207)
Medium-term notes	**(1,656,173)**	(1,696,509)
Bonds and debentures	**(3,527,366)**	(2,598,653)
Other financial liabilities	**(468,070)**	(478,734)
Total financial liabilities	**(9,502,546)**	(5,558,103)
Notional amount of currency forward contracts	**2,595,825**	2,604,290
Net exposure	**(5,507,097)**	(2,099,439)

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.1 Market risk (continued)

(a) Currency exchange risk (continued)

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) (2022: US$15,684,000 (equivalent to approximately HK$122,458,000)). For details, please refer to Note 21(a).

The following table indicates the potential effect on profit before tax of a 5% appreciation or depreciation of RMB against US$ as at 31 December 2023 and 2022.

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Profit before tax		
– 5% appreciation of RMB against US$	**(276,191)**	(110,418)
– 5% depreciation of RMB against US$	**276,191**	110,418

(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 31 December 2023 and 2022.

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Borrowings exposed to US$ London Interbank Offered Rate ("LIBOR")	**–**	16,319,859
Borrowings exposed to US$ Secured Overnight Financing Rate ("SOFR")	**23,439,080**	5,962,198
Borrowings exposed to RMB Loan Prime Rate ("LPR")	**1,313,703**	3,668,483
	24,752,783	25,950,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.1 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 31 December 2023, the Group had 18 outstanding floating-to-fixed interest rate swaps (2022: 27 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.

	As at 31 December			
	2023		2022	
	Notional amount HK$'000	**Carrying Value HK$'000**	Notional amount HK$'000	Carrying Value HK$'000
Interest rate swaps				
Exposed to US$ LIBOR	**–**	**–**	5,277,723	202,272
Exposed to US$ SOFR	**2,819,884**	**47,244**	169,198	9,283
	2,819,884	**47,244**	5,446,921	211,555

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	Year ended 31 December	
	2023	2022
Interest rate swaps		
Carrying amount, net (HK$'000)	**47,244**	211,555
Notional amount (HK$'000)	**2,819,884**	5,446,921
Maturity date	**2024 – 2025**	2023 – 2025
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 January (HK$'000)	**(164,747)**	347,430
Change in value of hedged item used to determine hedge effectiveness (HK$'000)	**164,286**	(342,944)
Weighted average hedged rate for the year	**2.1%**	2.0%

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.1 Market risk (continued)

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

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 31 December 2023 and 2022. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax by approximately HK$75,803,000 (2022: decreased/increased the Group's profit before tax by approximately HK$43,948,000); and would also have increased/decreased the Group's reserves by approximately HK$6,387,000 (2022: HK$37,481,000), because of the impact of cash flow hedge interest derivatives.

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

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 CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.2Credit 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 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 22). 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.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.2 Credit risk (continued)

Credit risk on aircraft leasing service (continued)

(c) Impairment allowance policies

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

The loss allowances 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$6,920,000 (2022: HK$11,841,000) for finance lease receivables (Note 8) and HK$203,556,000 (2022: HK$187,516,000) for operating lease receivables (Note 10(b)) as at 31 December 2023.

Credit risk exposure on operating leases receivables:

	As at 31 December			
	2023		2022	
	Gross carrying amount HK$'000	Accumulated expected credit losses allowance HK$'000	Gross carrying amount HK$'000	Accumulated expected credit losses allowance HK$'000
Asia	276,410	114,736	280,316	133,293
Europe	19,623	19,623	29,808	22,778
Americas	152,592	69,197	182,301	31,445
	448,625	203,556	492,425	187,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.2 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):

	As at 31 December			
	2023		2022	
	Gross carrying amount HK$'000	Accumulated expected credit losses allowance HK$'000	Gross carrying amount HK$'000	Accumulated expected credit losses allowance HK$'000
Asia	4,418,535	6,920	4,204,864	11,841

(d) Concentration of credit risk

During the year ended 31 December 2023, 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 23 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 5.1(e), Note 7, Note 36 and Note 37 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.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.2 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 36(b)(ii) 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 CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.3Liquidity 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:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Current assets		
Loans to associates and joint ventures	**37,612**	16,552
Finance lease receivables – net	**312,851**	241,394
Financial assets at fair value through profit or loss	**–**	126,022
Derivative financial assets	**53,673**	145,658
Prepayments and other assets	**489,492**	532,810
Assets classified as held for sale	**1,425,254**	1,425,199
Aircraft components trading assets	**1,934**	5,245
Restricted cash	**321,075**	770,161
Cash and cash equivalents	**5,295,875**	3,552,533
	7,937,766	6,815,574
Current liabilities		
Deferred income tax liabilities	**203,323**	199,545
Borrowings	**16,192,484**	15,698,907
Bonds and debentures	**1,871,034**	1,131,071
Derivative financial liabilities	**34,131**	37,289
Income tax payables	**66,056**	45,850
Interest payables	**392,690**	297,689
Other liabilities and accruals	**1,983,317**	2,081,901
	20,743,035	19,492,252
Net current liabilities	**(12,805,269)**	(12,676,678)

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.

As at 31 December 2023, borrowings of HK$16.2 billion under current liabilities mainly comprised of borrowings of HK$7.6 billion from aircraft acquisition financing ("aircraft loans"), HK$1.6 billion from PDP financing and 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$3.5 billion (Note 37(d)) (which has not been included under current assets above) that is expected to be received from airlines in the next twelve months from 31 December 2023. 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.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.3Liquidity risk (continued)

Besides, the Group will consider to raise funds through working capital and PDP financing, aircraft loans, debt financing, and the asset-light strategy for disposal of aircraft. In light of the above and other relevant factors as stated in Note 2.1(a), the Group expects to have sufficient working capital to finance its operations, to meet its financial obligations, including the net current liabilities as of 31 December 2023 and those capital commitments in the next twelve months from 31 December 2023.

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial liabilities as well as loan commitments and short-term lease commitments, based on contractual undiscounted cash flows:

	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
As at 31 December 2023					
Financial liabilities					
Borrowings	18,423,830	8,648,642	13,674,078	9,603,067	50,349,617
Medium-term notes	74,561	1,731,461	–	–	1,806,022
Bonds and debentures	2,116,844	1,772,937	2,574,108	–	6,463,889
Other liabilities and accruals (i)	1,377,554	55,733	75,652	107,614	1,616,553
Derivative financial instruments	34,131	113,604	–	–	147,735
Off balance sheet short term lease commitments (Note 37(c))	50	–	–	–	50

	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
As at 31 December 2022					
Financial liabilities					
Borrowings	17,884,645	8,935,989	11,726,670	6,188,859	44,736,163
Medium-term notes	76,430	76,430	1,774,880	–	1,927,740
Bonds and debentures	1,379,796	2,562,830	2,005,399	–	5,948,025
Other liabilities and accruals (i)	1,365,133	42,119	115,716	126,699	1,649,667
Derivative financial instruments	37,289	15,254	–	–	52,543
Off balance sheet short term lease commitments (Note 37(c))	103	–	–	–	103

(i) For the purpose of liquidity risk analysis, tax payables, operating lease rentals received in advance, bonuses, directors' fee payables and other non-financial liabilities included in other liabilities and accruals are not included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.4Disposal of finance lease receivables

Certain wholly-owned subsidiaries of the Group (collectively "the CALC SPCs") signed contracts with trust plans or banks, pursuant to which, the CALC SPCs transferred to the trust plans or asset-backed securities programme their future lease payments arising from finance leases under their separate aircraft leasing agreements with airline companies.

The trust plans or asset-backed securities programme also appointed the CALC SPCs as the service agent to collect the lease rentals from the airline companies. The services to be provided mainly include maintaining relationship with the airline companies, collecting of rental on behalf of the trust plan. CALC SPCs recognised service fee income over the lease servicing period. For the year ended 31 December 2023, service fee income of HK$1,406,000 (2022: HK$1,344,000) was included in Group's other operating income.

No member of the Group has any option or obligation to reacquire the transferred lease receivables.

The trust plans or asset-backed securities programme are unconsolidated structured entities and the Group has no control over the trust plans or asset-backed securities programme. The following table shows the total assets size of the above mentioned unconsolidated structured entities and the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities:

	Size	The trust plan Funding provided by the Group (Note (i))	Group's maximum exposure (Note (ii))
	HK$'000	HK$'000	HK$'000
As at 31 December 2023	**10,679,241**	**3,393**	**122,462**
As at 31 December 2022	10,839,381	3,417	122,458

Notes:

(i) The beneficiary of one of the trust plans has signed a currency swap arrangement with a bank to hedge its currency exposures arising from transfer of the lease rentals during the period from 27 February 2014 to 27 November 2023. The Group has placed a pledged deposit of HK$3,393,000 (2022: HK$3,417,000) to the bank in respect of this currency swap on behalf of the trust plan as at 31 December 2023 (Note 12).

(ii) The Group will convert the US$ lease rentals received on behalf of one of the trust plans 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 includes 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) (2022: US$15,684,000 (equivalent to approximately HK$122,458,000)). As at 31 December 2023, the fair value of this currency swap contract amounted to HK$13,913,000 (2022: HK$9,468,000) and the fair value gains of HK$4,456,000 (2022: losses of HK$1,172,000) was recognised in "Other (losses)/gains, net" for the year ended 31 December 2023 (Note 21(a)).

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

4.1.4 Disposal of finance lease receivables (continued)

Apart from that disclosed above, the Group did not provide financial or other support to the trust plans or asset-backed securities programme as at 31 December 2023. The Group has no current intentions to provide, or assist in the provision of, financial or other support in any future period.

4.2 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 year ended 31 December 2023.

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:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Interest-bearing debts included in total liabilities	**50,511,542**	45,104,149
Total liabilities	**54,684,765**	49,075,863
Total assets	**59,824,727**	55,332,080
Total equity	**5,139,962**	6,256,217
Gearing ratio	**84.4%**	81.5%
Asset-liability ratio	**91.4%**	88.7%
Interest-bearing debts to equity ratio	**9.8:1**	7.2:1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 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).

Financial assets and financial liabilities measured at fair values

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2023				
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

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation of financial instruments *(continued)*

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2022				
Assets				
Currency swap and forward contracts	–	9,844	–	9,844
Interest rate swaps	–	211,555	–	211,555
Financial assets at fair value through profit or loss	3,425	–	766,037	769,462
	3,425	221,399	766,037	990,861
Liability				
Currency forward contracts	–	52,543	–	52,543

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.

As at 31 December 2023, 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 and shareholder's loan to Feitian No.2 Leasing (Tianjin) Company Limited ("Feitian No.2 (Tianjin)"). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation of financial instruments *(continued)*

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

	As at 31 December			
	2023		2022	
	Changes in fair value			
	Increase HK$'000	Decrease HK$'000	Increase HK$'000	Decrease HK$'000
An increase or decrease in the market interest rate of 1%	(43,488)	43,261	(6,246)	8,589
An increase or decrease in the discount rate of 1%	(12,933)	13,350	(5,465)	5,465
An increase or decrease in the expected aircraft disposal prices of 5%	207,809	(284,301)	181,141	(289,669)
An increase or decrease in the expected rental collection of 1%	1,787	(10,865)	–	(3,904)

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.

The following table presents the change in level 3 instrument for the year ended 31 December 2023.

	Shareholder's loan to CAG Group HK$'000	Other financial assets at fair value through profit or loss HK$'000
As at 1 January 2023	735,429	30,608
Increase in financial assets at fair value through profit or loss	–	79,886
Proceeds from financial assets at fair value through profit or loss	–	(97,592)
Fair value change on the financial assets at fair value through profit or loss	(156,568)	28,280
Currency translation difference	435	107
As at 31 December 2023	579,296	41,289

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation of financial instruments *(continued)*

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

	Shareholder's loan to CAG Group HK$'000	Other financial assets at fair value through profit or loss HK$'000
As at 1 January 2022	750,841	–
Increase in financial assets at fair value through profit or loss	–	30,696
Proceeds from financial assets at fair value through profit or loss	(53,907)	–
Fair value change on the financial assets at fair value through profit or loss	37,418	–
Currency translation difference	1,077	(88)
As at 31 December 2022	735,429	30,608

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:

	As at 31 December			
	2023		2022	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Finance lease receivables (excluding the unguaranteed residual values)	4,418,535	3,982,483	4,204,864	4,532,366
Borrowings	42,911,870	42,524,333	38,001,150	39,109,293
Medium-term notes	1,656,173	1,742,293	1,696,509	1,782,517
Bonds and debentures	5,943,499	6,092,253	5,406,490	5,647,484

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 CONSOLIDATED FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Impairment of aircraft and engines

The Group conducts impairment assessment of aircraft and engines whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assessments are primarily triggered by potential sale transactions, leasing transactions, early terminated leases, credit events impacting lessees or forecasted significant and permanent declines in the demand for asset types.

The Group engaged external valuers to assist management for performing aircraft and engine valuation. When estimating the fair value of aircraft and engines, the Group determined the fair value of aircraft and engines by referencing quoted prices from similar transaction orders or valuation report from external valuers. When estimating the value in use of aircraft and engines, the Group considers expected future cash flows based on the key assumptions mainly including the follow-on lease assumptions, residual values of aircraft and engines and discount rates.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. If the carrying amount of aircraft or engines exceeds their estimated recoverable amount, it is written down immediately to its recoverable amount.

(b) Fair value measurement of shareholder's loan to CAG Group

As disclosed in Note 4.3, the fair value assessment of shareholder's loan to CAG Group, measured at level 3 fair value hierarchy, requires management to make judgements and estimates, including the appropriateness of the adoption of applicable valuation methods and using various unobservable inputs. Valuation methods used include discounted cash flow model. Significant assumptions adopted by management in the valuation include market interest rate, discount rate, expected rental collection and expected aircraft disposal prices. Changes in these assumptions and estimates could materially affect the respective fair value of the investments.

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.1 Critical accounting estimates and assumptions *(continued)*

(c) Estimation of unguaranteed residual value on leased assets

Unguaranteed residual value is a portion of the residual value of a leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor. The unguaranteed residual value of the aircraft at the inception of the lease is based on management's estimates with reference to valuation reports issued by independent valuers. Please refer to Note 8 for the unguaranteed residual values recognised at the end of each reporting period.

The estimation of unguaranteed residual value at the inception of the leases impacts the determination of unearned finance income. Subsequent to initial recognition, estimated unguaranteed residual values are reviewed regularly. If there is a reduction in the estimated unguaranteed residual value, the income allocation over the remaining lease term will be revised and the reduction in respect of net present value of unguaranteed residual value will be adjusted immediately in profit or loss. The directors of the Company are of the opinion that there had been no impairment in the carrying amount of the unguaranteed residual value as at 31 December 2023.

The residual value of each aircraft is estimated by management and reasonably supported by an aircraft industry publication providing aircraft valuation for general reference. The unguaranteed residual values of the aircraft under the 48 (2022: 49) finance leases as at 31 December 2023 were approximately HK$5,117,617,000 (2022: HK$5,204,735,000). A 5% decrease in the expected unguaranteed residual value from the management's current estimates would result in a decrease in profit before income tax for the year ended 31 December 2023 by approximately HK$12,319,000 (2022: HK$10,947,000).

(d) Impairment of finance lease receivables and operating lease receivables

The Group calculates expected credit losses through estimating the risk exposure of default and expected credit loss rate. The expected credit loss rate is determined based on estimation of probability of default and loss given default. In determining the expected credit loss rate, the Group considers the Group's past history, existing market conditions as well as forward looking estimates. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses. Please refer to Note 8 and Note 10(b) for detailed information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.1 Critical accounting estimates and assumptions *(continued)*

(e) Impairment of investments in and loans to associates and joint ventures

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.

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.

(f) Income taxes and deferred tax

The Group is subject to taxation in multiple jurisdictions and, in many cases, the ultimate tax treatment is not determined until concluded with the relevant tax authority. Consequently, the directors are required to exercise significant judgement in determining the appropriate amount of tax provisions based on the key underlying assumptions, including the profit forecast and the estimated realisable values of the aircraft at the end of lease terms. Since the settlement of the Group's tax position is subject to future negotiation with various tax authorities, the calculation of the provision is subject to inherent uncertainty. Please refer to Note 17 and Note 31 for the detailed information of deferred income tax liabilities and income tax expenses.

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.2 Critical judgements in applying the Group's accounting policies

(a) Classification of leases

The Group has entered into certain aircraft leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased aircraft to the lessees, as the present values of the minimum lease payments (which include lease payments and residual values guaranteed by third parties) of the lease amount to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the aircraft from its consolidated balance sheet and has instead, recognised finance lease receivables (Note 8). Otherwise the Group includes the aircraft under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

(b) Disposal of finance lease receivables

The Group considers that the trust plans or asset-backed securities programme as described in Note 4.1.4 are structured entities which are run according to predetermined criteria that are part of its initial design.

The Group has assessed that it does not control the trust plans or asset-backed securities programme as the Group does not have the current ability to direct the relevant activities of the trust plans or asset-backed securities programme. Accordingly, the trust plans or asset-backed securities programme are not consolidated by the Group. The determination of whether there are controls over the trust plans or asset-backed securities programme depends on an assessment of the relevant arrangements relating to the trust plans or asset-backed securities programme and this has involved critical judgements by management. For further details about these unconsolidated structured entities, see Note 4.1.4.

The directors assessed the Group has transferred substantially all the risks and rewards related to the lease receivables to the trust plans or asset-backed securities programme, and thus the corresponding finance lease receivables were derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

5.2 Critical judgements in applying the Group's accounting policies *(continued)*

(c) Consolidation assessment of CAG Group

In June 2018, the Group and some mezzanine financiers jointly established CAG Group at a shareholding ratio of 20% and 80% respectively, which is principally engaged in lease-attached aircraft portfolio investment. The Group provides aircraft and lease management service to CAG Group.

The directors have assessed and concluded that the Group does not control CAG Group but has a significant influence over CAG Group. The determination of the Group's level of involvement with another entity will require exercise of judgement under certain circumstances. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group also considers, in particular, whether it obtains benefits from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or an equity investment requires the application of judgement through the analysis of various factors, such as whether CAG Group is a structured entity, the percentage of ownership interest held in the entity, CAG Group's purpose and design, CAG Group's relevant activities, the decision-making authority about its relevant activities, whether the rights of the Group give it current ability to direct CAG Group's relevant activities, the Group's exposure or rights to variable returns from its involvement with CAG Group and the ability to use its power over CAG Group to affect the amount of the Group's returns. This assessment involves critical judgement by management.

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

	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
Year ended 31 December 2023							
Opening net book amount	27,268,078	1,068	9,889	41,023	26,566	7,749	27,354,373
Additions	9,312,722	–	2,590	–	468	–	9,315,780
Depreciation and impairment	(1,597,488)	(1,068)	(3,517)	(912)	(14,208)	(1,630)	(1,618,823)
Assets classified as held for sale	(261,299)	–	–	–	–	–	(261,299)
Disposals	(1,169,693)	–	(361)	–	–	(337)	(1,170,391)
Write-off	–	–	–	–	(741)	–	(741)
Currency translation difference	(125,815)	–	943	4	(218)	13	(125,073)
Closing net book amount	33,426,505	–	9,544	40,115	11,867	5,795	33,493,826
As at 31 December 2023							
Cost	38,702,151	8,526	29,607	45,482	55,760	16,271	38,857,797
Accumulated depreciation and impairment	(5,275,646)	(8,526)	(20,063)	(5,367)	(43,893)	(10,476)	(5,363,971)
Net book amount	33,426,505	–	9,544	40,115	11,867	5,795	33,493,826

	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
Year ended 31 December 2022							
Opening net book amount	23,151,163	2,671	8,056	41,875	31,685	8,310	23,243,760
Additions	9,270,857	–	5,399	–	9,178	1,280	9,286,714
Depreciation and impairment	(1,319,287)	(1,603)	(3,545)	(929)	(13,095)	(1,842)	(1,340,301)
Assets classified as held for sale	(764,966)	–	–	–	–	–	(764,966)
Disposals	(2,239,939)	–	–	–	–	–	(2,239,939)
Write-off (Note 28)	(565,631)	–	–	–	–	–	(565,631)
Currency translation difference	(264,119)	–	(21)	77	(1,202)	1	(265,264)
Closing net book amount	27,268,078	1,068	9,889	41,023	26,566	7,749	27,354,373
As at 31 December 2022							
Cost	31,442,978	8,549	28,870	45,480	57,507	17,218	31,600,602
Accumulated depreciation and impairment	(4,174,900)	(7,481)	(18,981)	(4,457)	(30,941)	(9,469)	(4,246,229)
Net book amount	27,268,078	1,068	9,889	41,023	26,566	7,749	27,354,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS *(continued)*

Lease rentals amounting to HK$3,598,207,000 relating to the lease of aircraft and engine for the year ended 31 December 2023 are included in operating lease income in the consolidated statement of income (2022: HK$2,967,565,000).

As at 31 December 2023, the net book value of aircraft amounted to HK$32,824,283,000 (2022: HK$26,797,986,000).

As at 31 December 2023, the net book value of aircraft under operating leases amounting to HK$25,391,195,000 (2022: HK$22,213,195,000) were pledged as collateral for bank and other borrowings for aircraft acquisition financing and borrowings from trust plans (Note 18).

During the year ended 31 December 2023, impairment of HK$71,952,000 was made (2022: HK$74,466,000).

7 INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Investments in and loans to associates and joint ventures – carrying amount after share of results	**1,778,883**	1,552,837
Accumulated expected credit losses on loans to associates and joint ventures	**(249,254)**	(198,427)
	1,529,629	1,354,410

As at 31 December 2023, the Group had interests in the following principal associates and joint ventures:

Name of entity	Place of incorporation	Principal activities	% of equity interest	Nature of relationship	Measurement method
Aircraft Recycling International Limited ("ARI") (a)	Cayman Islands	Investment holding	48%	Associate	Equity
CAG (Notes 5.2(c) and 9)	Bermuda	Aircraft leasing	20%	Associate	Equity
FLARI Aircraft Maintenance & Engineering Company Co., Ltd ("FLARI") (b)	PRC	Line maintenance, base maintenance, technical training	54.12%	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

7 INVESTMENTS 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 31 December 2023, the net liabilities of ARI Group was HK$607,723,000 (2022: net liabilities of HK$513,823,000), and as a result, the Group's equity interests in ARI was reduced to zero (2022: 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 31 December 2023, the Group's carrying amount of outstanding loans to ARI amounted to HK$1,252,136,000 (2022: HK$1,181,449,000). For details, please refer to Note 36(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 31 December 2022, the Group's outstanding balance of advance to FLARI amounted to HK$12,551,000. Such balance has been settled in 2023.

As at 31 December 2023, the Group's outstanding shareholders' loans balance receivable from FLARI amounted to HK$131,984,000 (2022: HK$56,445,000). For details, please refer to Note 36(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 31 December 2023, the Group's outstanding loans balance receivable from HNCA One (Tianjin) and HNCA Two (Tianjin) amounted to HK$36,808,000 (2022: HK$35,558,000) and HK$35,870,000 (2022: HK$35,511,000), respectively. For details, please refer to Note 36(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(d) CALC IDN Limited ("CALC IDN") is a wholly-owned subsidiary of the Company, which 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, an executive director 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.

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 31 December 2023, the Group's outstanding shareholder's loan balance receivable from TAM amounted to HK$14,969,000 (2022: HK$7,027,000).

As at 31 December 2023, the Group held rental deposits of US$621,000 (equivalent to approximately HK$4,849,000) from TAM (2022: US$1,932,000 (equivalent to approximately HK$15,085,000)) in relation to aircraft under finance leases and operating leases, please refer to Note 36(i).

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

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

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

8 FINANCE LEASE RECEIVABLES – NET

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Lease payments receivables		
– Not later than one year	**159,498**	108,711
– Later than one year but not later than two years	**1,044,011**	188,519
– Later than two years but not later than three years	**1,812,018**	1,072,186
– Later than three years but not later than four years	**1,501,718**	1,836,468
– Later than four years but not later than five years	**249,815**	1,511,864
– Later than five years	**669,808**	806,670
Total	**5,436,868**	5,524,418
Less: Unearned finance lease income relating to lease payment receivables	**(1,018,333)**	(1,319,554)
Present value of lease payment receivables	**4,418,535**	4,204,864
Add: Present value of unguaranteed residual value	**4,165,724**	3,979,063
Net investment in leases	**8,584,259**	8,183,927
Less: Accumulated expected credit losses allowance	**(6,920)**	(11,841)
Finance lease receivables – net	**8,577,339**	8,172,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE LEASE RECEIVABLES – NET *(continued)*

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

	As at 31 December			
	2023		2022	
	HK$'000	**%**	HK$'000	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	**6,061,740**	**71%**	5,811,896	71%
Others	**2,515,599**	**29%**	2,360,190	29%
Finance lease receivables – net	**8,577,339**	**100%**	8,172,086	100%

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Shareholder's loan to CAG Group (Note (a))	**579,296**	735,429
Shareholder's loan to Feitian No.2 (Tianjin) (Note (b))	**38,160**	–
Investment – Aircraft modification (Note (c))	**–**	27,479
Others	**4,293**	6,554
	621,749	769,462

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 a shareholder's loan agreement and a subordinated fee agreement with Feitian No.2 (Tianjin). Pursuant to the shareholder's loan agreement and subordinated fee agreement, the Group injected RMB34,065,000 (equivalent to approximately HK$36,800,000) into Feitian No.2 (Tianjin) in June 2023.

(c) The Group entered into several cooperation agreements with ARI Group for an investment project to modify airliner into cargo. The investment projects were completed during the year ended 31 December 2023.

10 PREPAYMENTS AND OTHER ASSETS

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
PDP and prepayments and receivables relating to aircraft acquisition	**6,677,187**	9,559,283
PDP interest capitalised	**949,087**	886,147
	7,626,274	10,445,430

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

In June 2017, the Group entered into aircraft purchase agreement (the "2017 Aircraft Purchase Agreement") with The Boeing Company ("Boeing") for the purchase of 50 aircraft. In December 2018, the Group entered into supplemental agreements to the 2017 Aircraft Purchase Agreement (the "2018 Aircraft Purchase Agreement") to purchase additional 50 aircraft from Boeing. In November 2019, the Group entered into supplemental agreements to the 2017 Aircraft Purchase Agreement and 2018 Aircraft Purchase Agreement with Boeing to adjust its order from 100 aircraft to 92 aircraft. In March 2021, the Group entered into the agreement with Boeing to adjust its order from 92 aircraft to 66 aircraft and to reschedule the delivery of certain aircraft. Pursuant to the announcement dated 14 August 2023, the Company (through a wholly-owned subsidiary of the Company, i.e. the Novator) entered into the Novation Agreement with the Novatee pursuant to which the Novator's commitment to purchase the remaining 64 aircraft from Boeing shall be novated to the Novatee (the "Novation Arrangement"). The Novation Arrangement has been completed in October 2023 with the proceeds fully received.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 PREPAYMENTS AND OTHER ASSETS *(continued)*

(b) Prepayments and other assets

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Operating lease receivables (i)	**448,625**	492,425
Deposits paid	**48,705**	28,380
Prepayments and amounts due from related parties (Note 36(f))	**98,649**	319,386
Deductible input value-added taxes	**63,986**	68,745
Others (ii)	**190,757**	195,565
	850,722	1,104,501
Less: Accumulated expected credit losses allowance (i)	**(203,556)**	(187,516)
	647,166	916,985

(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 operating lease receivables based on due date was as follows:

	As at 31 December			
	2023		2022	
	HK$'000	**%**	HK$'000	%
Current/deferral	**135,656**	**30%**	253,239	52%
Less than 30 days past due	**4,180**	**1%**	5,403	1%
30 to 90 days past due	**19,277**	**4%**	16,672	3%
More than 90 days past due	**289,512**	**65%**	217,111	44%
Total	**448,625**	**100%**	492,425	100%

As at 31 December 2023, the accumulated expected credit losses allowance against operating lease receivables amounted to HK$203,556,000 (2022: HK$187,516,000) and the net carrying amount of operating lease receivables was HK$245,069,000 (2022: HK$304,909,000).

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

11 ASSETS CLASSIFIED AS HELD FOR SALE

The Group had signed letters of intent for the disposals of several lease-attached aircraft. These aircraft intended to be disposed of were consequently classified as held for sale. As at 31 December 2023, the carrying amount of assets classified as held for sale was HK$1,425,254,000 (2022: HK$1,425,199,000), which were 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$1,024,308,000 (2022: HK$1,080,827,000). 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 RESTRICTED CASH

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Pledged for bank and other borrowings for aircraft acquisition financing (Note 18(a))	**56,323**	288,439
Pledged for other bank borrowings (Note 18(c))	**313,495**	757,357
Pledged for other long-term borrowings (Note 18(d))	**44,183**	44,199
Pledged for interest rate swap contracts (Note 21(c))	**5,167**	21,546
Pledged for currency forward contracts (Note 21(b))	**121,963**	–
Pledged for a currency swap contract (Note 21(a))	**3,393**	3,417
	544,524	1,114,958

The carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
US$	**511,035**	1,080,935
RMB	**33,489**	34,023
	544,524	1,114,958

The average effective interest rate as at 31 December 2023 was 2.78% (2022: 0.74%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023 HK$'000	2022 HK$'000
Cash at bank and on hand	**5,295,875**	3,552,533

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2023 HK$'000	2022 HK$'000
US$	**4,021,197**	2,632,611
RMB	**1,237,792**	882,136
HK$	**29,988**	29,385
EUR	**5,732**	7,319
Other currencies	**1,166**	1,082
	5,295,875	3,552,533

The average effective interest rate as at 31 December 2023 was 1.62% (2022: 0.65%).

14 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Par value of each share	**Number of issued shares**	**Share capital in HK$**
Issued: As at 1 January 2023 and 31 December 2023	**HK$0.1**	**744,355,352**	**74,435,536**
As at 1 January 2022	HK$0.1	747,619,737	74,761,974
Cancellation of shares (a)	HK$0.1	(4,084,500)	(408,450)
Payment of scrip dividend	HK$0.1	820,115	82,012
As at 31 December 2022	HK$0.1	744,355,352	74,435,536

(a) During the year ended 31 December 2022, 4,084,500 of its own shares acquired by the Company through purchases on the Stock Exchange during the year ended 31 December 2021 were cancelled.

15 RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Treasury shares HK$'000	Share-based payments HK$'000	Hedging reserve HK$'000	Currency translation differences HK$'000	Total HK$'000
Balance as at 1 January 2023	**1,522,393**	**623,720**	**(166)**	**–**	**3,330**	**197,342**	**(32,006)**	**2,314,613**
Cash flow hedges (Note 21)	–	–	–	–	–	**(149,126)**	–	**(149,126)**
Currency translation differences	–	–	–	–	–	–	**6,539**	**6,539**
Share option scheme (a)								
– Value of services	–	–	–	–	**1,881**	–	–	**1,881**
– Share options lapsed	–	–	–	–	**(363)**	–	–	**(363)**
Balance as at 31 December 2023	**1,522,393**	**623,720**	**(166)**	**–**	**4,848**	**48,216**	**(25,467)**	**2,173,544**

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Treasury shares HK$'000	Share-based payments HK$'000	Hedging reserve HK$'000	Currency translation differences HK$'000	Total HK$'000
Balance as at 1 January 2022	1,540,209	623,720	(166)	(22,385)	330	(127,842)	(26,016)	1,987,850
Cancellation of shares (Note 14(a))	(21,890)	–	–	22,385	–	–	–	495
Cash flow hedges (Note 21)	–	–	–	–	–	325,184	–	325,184
Currency translation differences	–	–	–	–	–	–	(5,990)	(5,990)
Share option scheme (a)								
– Value of services	–	–	–	–	3,000	–	–	3,000
Scrip dividends	4,074	–	–	–	–	–	–	4,074
Balance as at 31 December 2022	1,522,393	623,720	(166)	–	3,330	197,342	(32,006)	2,314,613

(a) On 2 January 2020 and 6 April 2022, the Company granted 10,000,000 share options ("2020 Share Options") and 20,900,000 share options ("2022 Share Options"), respectively, under the share option scheme adopted by the Company for the purpose of recognising the contribution of 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 year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 RESERVES *(continued)*

(a) *(continued)*

During the year ended 31 December 2022, the exercise period of all 2020 Share Options granted to Dr. Zhao Wei ("Dr. Zhao"), an executive director of the Company, were lapsed due to non-acceptance of the extension by Dr. Zhao.

Movement of outstanding share options during the years ended 31 December 2023 and 2022 is as follows:

	Number of share options
As at 1 January 2022	10,000,000
Granted (i)	20,900,000
Lapsed	(10,000,000)
As at 31 December 2022 and 1 January 2023	20,900,000
Lapsed	(875,000)
As at 31 December 2023	**20,025,000**

(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.

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

15 RESERVES *(continued)*

(a) *(continued)*

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the years ended 31 December 2023 and 2022 are as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Directors and employees	**1,881**	3,000

16 PERPETUAL CAPITAL SECURITIES AND OTHER NON-CONTROLLING INTERESTS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Perpetual capital securities (a)	**837,013**	1,617,351
Other non-controlling interests of ordinary shares	**(26,591)**	(26,430)
	810,422	1,590,921

(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 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.

During the year ended 31 December 2023, the dividend payable had been adjusted based on the actual distribution rate in December 2023 amounting to HK$166,668,000 (2022: HK$124,359,000) and settled in December 2023.

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

	HK$'000
As at 1 January 2023	**1,617,351**
Profit for the year	**192,445**
Dividends distributed to perpetual capital securities	**(166,668)**
Redemption of perpetual capital securities	**(806,115)**
As at 31 December 2023	**837,013**
As at 1 January 2022	1,474,620
Profit for the year	142,731
As at 31 December 2022	1,617,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED INCOME TAX LIABILITIES

The analysis of deferred income tax liabilities is as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Deferred income tax liabilities:		
– To be settled within 12 months	**203,323**	199,545
– To be settled after 12 months	**988,156**	857,514
	1,191,479	1,057,059

The movement of the deferred income tax liabilities during the year is as follows:

	Accelerated depreciation of leased assets
	HK$'000
Deferred income tax liabilities	
As at 1 January 2023	**1,057,059**
Charged to profit or loss (Note 31)	**136,226**
Currency translation difference	**(1,806)**
As at 31 December 2023	**1,191,479**
As at 1 January 2022	898,240
Charged to profit or loss (Note 31)	160,872
Currency translation difference	(2,053)
As at 31 December 2022	1,057,059

As at 31 December 2023, certain subsidiaries of the Group had unused tax losses of approximately HK$2,203,567,000 (2022: HK$1,647,447,000) available to offset against future profits, for which deferred income tax asset of HK$431,124,000 (2022: HK$299,869,000) had not been recognised as their future realisation is uncertain.

17 DEFERRED INCOME TAX LIABILITIES *(continued)*

The expiry dates of the unused tax losses are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Year		
2023	**–**	51,871
2024	**51,111**	91,383
2025	**129,165**	129,165
2026	**158,633**	158,633
2027	**340,074**	340,074
2028	**454,422**	–
No expiry date	**1,070,162**	876,321
	2,203,567	1,647,447

In accordance with the corporate income tax laws in the PRC, a 5% or 10% withholding tax is levied on the dividend declared by the companies established in the PRC to their foreign investors starting from 1 January 2008. No deferred income tax liability has been provided by the Group on the retained earnings of approximately HK$2,643,227,000 as at 31 December 2023 (2022: HK$1,583,148,000), expected to be retained by the subsidiaries in the PRC and not to be remitted out of the PRC in the foreseeable future.

18 BORROWINGS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Bank and other borrowings		
Bank and other borrowings for aircraft acquisition financing (a)	**23,309,584**	19,083,257
PDP financing (b)	**6,127,842**	7,180,254
Other bank borrowings (c)	**8,802,585**	6,821,180
	38,240,011	33,084,691
Other long-term borrowings		
Borrowings from trust plans (d)	**4,263,795**	4,527,538
Other borrowings (e)	**408,064**	388,921
	4,671,859	4,916,459
	42,911,870	38,001,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 BORROWINGS *(continued)*

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 31 December 2023, certain bank borrowings were secured by, in addition to other legal charges, the related aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group, and pledged deposits amounting to HK$56,323,000 (2022: HK$288,439,000). As at 31 December 2023, bank and other borrowings of HK$903,557,000 (2022: HK$1,938,212,000) were unsecured.

(b) As at 31 December 2023, PDP financings of HK$6,127,842,000 (2022: HK$7,180,254,000) were unsecured, of which HK$6,127,842,000 (2022: HK$6,532,430,000) were guaranteed by the Company.

(c) As at 31 December 2023, other bank borrowings of HK$312,324,000 were secured by pledged deposits amounting to HK$313,495,000 (2022: other bank borrowings of HK$753,678,000 were secured by pledged deposits amounting to HK$757,357,000). The unsecured other bank borrowings amounted to HK$8,490,261,000 (2022: HK$6,067,502,000), of which HK$3,937,290,000 (2022: HK$4,073,926,000) were guaranteed by the Company or certain companies of the Group.

The bank and other borrowings are repayable as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within one year	**15,755,542**	15,472,882
Between one and two years	**6,366,077**	6,866,922
Between two and five years	**8,207,728**	5,859,254
Over five years	**7,910,664**	4,885,633
	38,240,011	33,084,691

The exposure of bank and other borrowings to interest rate changes at the end of balance sheet date are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Fixed-interest rate	**13,487,228**	7,134,151
Floating-interest rate	**24,752,783**	25,950,540
	38,240,011	33,084,691

The average effective interest rate as at 31 December 2023 of bank and other borrowings was 6.12% (2022: 4.20%). The carrying amounts of borrowings are principally denominated in US$ and RMB.

18 BORROWINGS *(continued)*

Bank and other borrowings *(continued)*

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
– Expiring within one year	**1,815,480**	3,472,957
– Expiring beyond one year	**670,693**	3,227,830
	2,486,173	6,700,787

Other long-term borrowings

(d) As at 31 December 2023, 45 borrowings (2022: 46 borrowings) were provided to the Group by investors under trust plans or an asset-backed securities programme (both are in relation to the disposals of finance lease receivable transactions). The effective average interest rates of the long-term borrowings range from 3.5% to 7.8% (2022: 3.5% to 7.8%) per annum for remaining terms of one to six years (2022: one to seven 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 (2022: HK$44,199,000).

(e) As at 31 December 2023, four borrowings (2022: four borrowings) were obtained through a structured financing arrangement for four aircraft (2022: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (2022: 3.9% to 5.7%) per annum for their remaining terms of one to two years (2022: two to three years) and were guaranteed by the Company.

19 MEDIUM-TERM NOTES

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

As at 31 December 2023, after deducting the issuing cost, the total carrying amount of these notes was HK$1,656,173,000 (2022: HK$1,696,509,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 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.

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 August 2021, the Group issued three-year unsecured bonds, with coupon rate adjustment option for the Group and sell-back option for investors exercisable at the end of the second year, in a principal amount of RMB100.0 million due in 2024, bearing coupon rate of 4.2% per annum. These bonds were listed on the Shanghai Stock Exchange. These bonds had been fully repaid at the end of the second year.

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 October 2022, the Group issued RMB1.0 billion super short-term debentures with a term of 270 days at the coupon rate of 3.56%. These debentures had been fully repaid on maturity.

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 a coupon rate of 3.58% per annum. These bonds were listed on the Shanghai Stock Exchange.

During the year ended 31 December 2023, the Group repurchased certain amount of bonds on the Stock Exchange for an aggregate amount of US$51,120,000 (2022: US$8,200,000).

As at 31 December 2023, the total carrying amount of bonds and debentures was HK$5,943,499,000 (2022: HK$5,406,490,000).

21 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Derivative financial assets		
– Currency swap (a)	**13,913**	9,468
– Currency forward contracts (b)	**–**	376
– Interest rate swaps (c)	**47,244**	211,555
	61,157	221,399
Derivative financial liabilities		
– Currency forward contracts (b)	**147,735**	52,543

(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 (2022: HK$9,468,000) and the fair value gains of HK$4,456,000 (2022: losses of HK$1,172,000) was recognised in "Other (losses)/gains, net" (Note 30) for the year ended 31 December 2023. As at 31 December 2023, this arrangement was secured by a pledged deposit of HK$3,393,000 (2022: HK$3,417,000).

(b) As at 31 December 2023, the Group had 16 outstanding currency forward contracts with notional amount of RMB2,350,000,000 (equivalent to approximately HK$2,595,810,000) (2022: 22 outstanding currency forward contracts with notional amount of RMB2,300,000,000 (equivalent to approximately HK$2,604,290,000)) which will expire at various dates from 4 March 2024 to 11 August 2025 (2022: 30 January 2023 to 15 March 2024), 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 (losses)/gains, net" (Note 30). As at 31 December 2023, this arrangement was secured by margin deposits of HK$121,963,000 (2022: Nil).

(c) As at 31 December 2023, the Group had 18 outstanding interest rate swap contracts (2022: 27 contracts) which will expire at various dates from 26 January 2024 to 24 December 2025 (2022: 28 August 2023 to 24 December 2025), to exchange floating interest rates from SOFR into fixed interest rates in a range of 0.4% to 3.0% (2022: 0.4% to 3.0%). As at 31 December 2023, this arrangement was secured by initial deposits of HK$5,167,000 (2022: HK$21,546,000).

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21 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Recognised in other comprehensive income		
Change in fair value of interest rate swaps	**(6,638)**	303,455
Reclassified from other comprehensive income to profit or loss in respect of:		
– Hedged items that affected profit or loss (i)	**(142,488)**	21,729
	(149,126)	325,184
Recognised in other (losses)/gains, net of profit or loss		
Changes in fair value attributable to interest rate	**–**	4,966
Fair value losses on currency forward contracts in RMB	**(125,962)**	(149,169)
Hedge ineffectiveness	**461**	4,486
Unrealised gains/(losses) on currency swap	**4,456**	(1,172)
	(121,045)	(140,889)

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

22 OTHER LIABILITIES AND ACCRUALS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Deposits and fund received for lease and aircraft projects	**1,551,489**	1,680,254
Consultant and professional fee payable	**145,750**	106,978
Value-added tax and other taxes	**223,788**	295,692
Operating lease rentals received in advance	**287,830**	230,142
Amounts due to related parties (Note 36(g))	**9,269**	12,256
Amount due to non-controlling interest of a subsidiary (Note 36(h))	**7,695**	17,149
Lease liabilities	**13,053**	28,907
Others (including salary and bonus payable)	**136,389**	147,195
	2,375,263	2,518,573

23 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2023, the Group was engaged in the provision of aircraft leasing services to global airline companies. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

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

	Year ended 31 December			
	2023		2022	
	HK$'000	%	HK$'000	%
Categorised by customer in terms of lease income:				
Airline Company – A	1,088,094	26%	811,233	23%
Airline Company – B	669,591	16%	510,091	14%
Airline Company – C	252,442	6%	182,880	5%
Airline Company – D	213,045	5%	231,659	7%
Airline Company – E	181,668	4%	181,712	5%
Others	1,794,363	43%	1,624,673	46%
Total finance and operating lease income	4,199,203	100%	3,542,248	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT COMPONENTS TRADING

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Aircraft transactions (a)	**118,276**	203,991
Aircraft components trading (b)	**6,225**	3,081
	124,501	207,072

(a) Aircraft transactions

The net gain from aircraft transactions for the year ended 31 December 2022 included the gain from disposal of five aircraft, including the disposal of one aircraft to Feitian No.2 (Tianjin) (Note 36(e)) and the disposal of four aircraft to third parties.

The net gain from aircraft transactions for the year ended 31 December 2023 included the gain from disposal of five aircraft, including the disposal of one aircraft to Feitian No.2 (Tianjin) (Note 36(e)) and the disposal of four aircraft to third parties, and the gain from the novation of aircraft purchase agreement.

(b) Aircraft components trading

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Sales from aircraft components trading assets	**9,832**	8,845
Less: Cost of aircraft components trading assets	**(3,607)**	(5,764)
Profit from aircraft components trading assets	**6,225**	3,081

25 OTHER INCOME

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Government grants (a)	**171,773**	211,999
Interest income from loans to associates and joint ventures	**110,675**	100,065
Bank interest income	**87,878**	32,696
Asset management service fees income from CAG Group (Note 36(c))	**18,381**	19,192
Others	**51,286**	57,730
	439,993	421,682

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

26 INTEREST EXPENSES

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Interest expense on borrowings	**2,665,469**	1,609,472
Settlements on interest rate swaps designated as cash flow hedges – transfer from other comprehensive income	**(142,027)**	26,215
Interest expense on medium-term notes	**76,328**	88,035
Interest expense on bonds and debentures	**284,106**	289,209
	2,883,876	2,012,931
Less: interest capitalised on qualifying assets (a)	**(639,395)**	(402,424)
	2,244,481	1,610,507

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2023 HK$'000	2022 HK$'000
Employee benefit expenses (Note 29)	**171,162**	184,097
Value-added tax surcharges and other taxes	**26,573**	24,444
Professional service expenses	**79,232**	75,559
Rental and utilities expenses	**5,623**	5,281
Office and meeting expenses	**11,990**	11,355
Travelling and training expenses	**12,139**	10,565
Auditor's remuneration		
– Audit service	**4,741**	4,476
– Non-audit service	**2,156**	3,666
Others	**27,428**	25,892
	341,044	345,335

28 COMPENSATION RECEIVED FROM/(NET WRITE-OFF OF) AIRCRAFT REMAINED IN RUSSIA

Following the conflicts between Russia and Ukraine in February 2022 and subsequent sanctions in relation to commercial activities with businesses in Russia imposed by the European Union, the United States of America, the United Kingdom and other countries (the "Sanctions"), in March 2022, in compliance with the Sanctions, the Group terminated leasing arrangements with Russian lessees in respect of two owned aircraft (the "Aircraft"), representing less than 2% of the number of the Group's owned fleet of 165 as at 31 December 2023. The Group has been maintaining dialogue with the Russian lessees, actively seeking to repossess the Aircraft. As at 31 December 2023, one of the engines located outside Russia (the "Engine") is under control by the Group.

Although the Group is vigorously pursuing all available means to recover its losses, given the unprecedented nature of the event and the uncertainty regarding the repossession of the aircraft from Russia in the foreseeable future and the insurance claims, the Group has determined prudently that the net book value of the aircraft amounting to HK$565.6 million (excluding the net book value of the Engine) should be fully written down, which is offset by the security deposit and maintenance reserves received amounting to HK$126.6 million, resulting in a net write-off of HK$439.0 million for the year ended 31 December 2022, which was a non-cash transaction. During the year ended 31 December 2023, the Group received HK$185.4 million insurance claim compensation for one of the Aircraft.

29 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023 HK$'000	2022 HK$'000
Wages, salaries and bonuses	**148,912**	164,403
Share-based compensation (Note 15(a))	**1,881**	3,000
Welfare, medical and other expenses	**20,369**	16,694
	171,162	184,097

30 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Unrealised gains/(losses) on currency swap	**4,456**	(1,172)
Currency exchange losses in US$	**(1,253)**	(11,219)
Currency exchange gains in RMB	**73,282**	334,661
Fair value losses on currency forward contracts in RMB	**(125,962)**	(149,169)
Changes in fair value attributable to interest rate	**461**	(25,900)
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(130,555)**	37,418
	(179,571)	184,619

31 INCOME TAX EXPENSES

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Current income tax:		
Mainland China, Hong Kong and others	**157,352**	146,909
Deferred income tax (Note 17)	**136,226**	160,872
	293,578	307,781

Mainland China

The subsidiaries incorporated in the Mainland China are subject to the PRC corporate income tax ("CIT") at a rate of 25% (2022: 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%.

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31 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 maybe 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.

31 INCOME TAX EXPENSES *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% during the year ended 31 December 2023. The difference is analysed as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Profit before income tax	**513,735**	523,465
Tax calculated at a tax rate of 25%	**128,434**	130,866
Effects of:		
– Different tax rates applicable to different subsidiaries of the Group	**3,456**	(14,322)
– Income not subject to tax	**(122,238)**	(60,186)
– Non-deductible expenses	**171,248**	147,419
– Utilisation of previously unrecognised tax losses	**(105,931)**	(11,364)
– Tax losses for which no deferred income tax assets were recognised	**218,609**	115,368
Tax charge	**293,578**	307,781

32 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 years ended 31 December 2023 and 2022.

	Year ended 31 December	
	2023	2022
Profit attributable to shareholders of the Company (HK$'000)	**28,256**	73,598
Weighted average number of ordinary shares in issue (number of shares in thousands)	**744,355**	743,897
Basic earnings per share (HK$ per share)	**0.038**	0.099

(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 31 December 2023 and 2022, as the exercise price per share is higher than average market price of ordinary shares, it is not assumed that the outstanding share options have been exercised in the calculation of the diluted earnings per share for the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 DIVIDENDS

A final dividend of HK$0.15 per ordinary share totalling HK$111.7 million for the year ended 31 December 2022 was paid by cash in July 2023.

An interim dividend of HK$0.15 per ordinary share totalling HK$111.7 million was paid by cash in October 2023.

On 19 March 2024, the Board recommended a final dividend of HK$0.15 per ordinary share totalling HK$111.7 million and proposed a scrip dividend option to be offered, which is calculated based on 744,355,352 issued shares as at 19 March 2024. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2023, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2024.

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Interim dividend paid of HK$0.15 (2022: HK$0.15) per ordinary share	**111,653**	111,653
Proposed final dividend of HK$0.15 (2022: HK$0.15) per ordinary share	**111,653**	111,653
Total	**223,306**	223,306

34 NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Cash and cash equivalents	**5,295,875**	3,552,533
Restricted cash	**544,524**	1,114,958
Borrowings	**(42,911,870)**	(38,001,150)
Medium-term notes	**(1,656,173)**	(1,696,509)
Bonds and debentures	**(5,943,499)**	(5,406,490)
Derivative financial instruments	**(86,578)**	168,856
Other liabilities and accruals – lease liabilities	**(13,053)**	(28,907)
Other liabilities and accruals – amount due to non-controlling interest of a subsidiary	**(7,695)**	(17,149)
Net debt	**(44,778,469)**	(40,313,858)

34 NET DEBT RECONCILIATION *(continued)*

			Liabilities from financing activities						
	Cash and cash equivalents HK$'000	Restricted cash HK$'000	Borrowings HK$'000	Medium-term notes HK$'000	Bonds and debentures HK$'000	Derivative financial instruments HK$'000	Lease liabilities HK$'000	Amount due to non-controlling interest of a subsidiary HK$'000	Total HK$'000
Net debt as at 1 January 2023	3,552,533	1,114,958	(38,001,150)	(1,696,509)	(5,406,490)	168,856	(28,907)	(17,149)	(40,313,858)
Cash flows	1,825,792	(571,391)	(4,888,385)	–	(589,442)	(131,007)	17,154	–	(4,337,279)
Acquisition – leases	–	–	–	–	–	–	(468)	–	(468)
Currency exchange adjustments	(82,450)	957	106,526	43,855	64,511	(607)	197	–	132,989
Other non-cash movements (a)	–	–	(128,861)	(3,519)	(12,078)	(123,820)	(1,029)	9,454	(259,853)
Net debt as at 31 December 2023	5,295,875	544,524	(42,911,870)	(1,656,173)	(5,943,499)	(86,578)	(13,053)	(7,695)	(44,778,469)
Net debt as at 1 January 2022	4,776,389	237,187	(32,477,860)	(979,816)	(7,022,708)	(28,289)	(34,736)	(25,455)	(35,555,288)
Cash flows	(1,172,400)	882,869	(5,674,412)	(878,422)	1,392,281	(42,793)	14,141	–	(5,478,736)
Acquisition – leases	–	–	–	–	–	–	(9,178)	–	(9,178)
Currency exchange adjustments	(51,456)	(5,098)	255,989	161,729	226,599	(607)	1,408	(59)	588,505
Other non-cash movements (a)	–	–	(104,867)	–	(2,662)	240,545	(542)	8,365	140,839
Net debt as at 31 December 2022	3,552,533	1,114,958	(38,001,150)	(1,696,509)	(5,406,490)	168,856	(28,907)	(17,149)	(40,313,858)

(a) Other non-cash movements mainly arising from disposal and acquisition of borrowings, fair value change of derivative financial instruments and amortisation of upfront fees and issuing cost of borrowings, medium-term notes and bonds and debentures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Year ended 31 December 2023

	Fees HK$'000	Basic salaries and allowances HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Share-based payments HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman, executive director							
Mr. ZHANG Mingao (i)	–	–	–	–	–	–	–
Executive directors							
Mr. POON Ho Man	–	1,818	3,598	–	–	18	5,434
Ms. LIU Wanting	–	3,144	3,708	–	549	18	7,419
Non-executive directors							
Ms. WANG Yun (ii)	–	–	–	–	–	–	–
Mr. WANG Hongyang (iii)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. CHEOK Albert Saychuan	387	75	–	–	–	–	462
Dr. TSE Hiu Tung, Sheldon	376	75	–	–	–	–	451
Mr. FAN Chun Wah, Andrew, *J.P.* (iv)	279	60	–	–	–	–	339
Mr. FAN Yan Hok, Philip (v)	143	35	–	–	–	–	178
	1,185	5,207	7,306	–	549	36	14,283

35 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' emoluments *(continued)*

Year ended 31 December 2022

	Fees HK$'000	Basic salaries and allowances HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Share-based payments HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman, executive director							
Mr. ZHANG Mingao (i)	–	–	–	–	–	–	–
Dr. ZHAO Wei (vi)	–	–	–	–	–	–	–
Executive directors							
Mr. POON Ho Man	–	1,801	4,536	–	–	18	6,355
Ms. LIU Wanting	–	3,114	4,647	–	795	18	8,574
Non-executive director							
Mr. WANG Hongyang (iii)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. CHEOK Albert Saychuan	400	70	–	–	–	–	470
Dr. TSE Hiu Tung, Sheldon	303	50	–	–	–	–	353
Mr. FAN Yan Hok, Philip (v)	380	70	–	–	–	–	450
Mr. NIEN Van Jin, Robert (vii)	146	30	–	–	–	–	176
	1,229	5,135	9,183	–	795	36	16,378

Notes:

(i) Appointed on 14 October 2022

(ii) Appointed on 11 July 2023

(iii) Resigned on 11 July 2023

(iv) Appointed on 14 March 2023

(v) Retired on 16 May 2023

(vi) Resigned on 14 October 2022

(vii) Retired on 23 May 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' emoluments *(continued)*

Certain directors also received emoluments from China Everbright Limited ("CEL") and certain related parties of the Group for the year ended 31 December 2023 in relation to their services to these companies.

No emoluments were paid to any directors in respect of accepting office as director and in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2023 (2022: Nil).

(b) Five highest paid individuals

During the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group include two directors and three individuals (2022: two directors and three individuals). The emoluments paid to the directors are reflected in the analysis presented above. For the year ended 31 December 2023, the emoluments paid to three (2022: three) remaining individuals are as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Basic salaries and allowances	**11,431**	8,669
Discretionary bonuses	**8,942**	5,333
Share-based payments	**183**	663
Employer's contribution to retirement benefit scheme	**207**	280
	20,763	14,945

The emoluments of the above three (2022: three) individuals fell within the following bands:

	Year ended 31 December	
	2023	2022
HK$4,000,001 to HK$5,000,000	**–**	2
HK$5,000,001 to HK$6,000,000	**1**	1
HK$6,000,001 to HK$7,000,000	**1**	–
HK$9,000,001 to HK$10,000,000	**1**	–

During the years ended 31 December 2023 and 2022, no directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments.

36 RELATED PARTY TRANSACTIONS

Apart from the share option arrangement with key management and related parties as disclosed in Note 15(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 CEL and CEL indirectly holds approximately 38.08% equity interest in the Company as at 31 December 2023.

(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.

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Interest income from CE Group	**6,232**	4,845
Interest expenses to CE Group	**307,824**	241,220
Loans upfront and arrangement fee to CE Group	**2,829**	7,121
Transactions handling charges to CE Group	**4,021**	6,171

	As at 31 December	
	2023	2022
	HK$'million	HK$'million
Bank deposits placed in CE Group	**649.6**	676.2
Borrowings due to CE Group	**4,292.7**	4,238.2
Undrawn facilities provided by CE Group	**734.0**	1,380.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with ARI Group and FLARI

(i) Service provided by ARI Group

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Service fee charged by:		
ARI Group	**4,934**	8,837

(ii) Transactions with ARI Group

Pursuant to the shareholders' loan agreement dated 6 April 2016, the Group granted loans to ARI which are secured by pledge of shares in a subsidiary of ARI, bearing interest at 4% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited which is accrued daily and payable in arrears of six monthly intervals from the date of issue of the loan note. On 15 October 2018, a supplemental agreement was entered into to revise the interest rate to 3% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited with effect from 28 November 2018. As at 31 December 2023, the outstanding shareholders' loan balances receivable from ARI amounted to HK$1,252,136,000 (2022: HK$1,181,449,000) (Note 7) and the interest income for the year ended 31 December 2023 was HK$100,321,000 (2022: HK$94,220,000).

Pursuant to the factoring arrangement with ARI Group dated 16 November 2020, which is secured by the receivables from a subsidiary of ARI, the Group provided the advance of RMB1.0 million (equivalent to approximately HK$1.2 million), which is charged at 5% per annum and payable in arrears of three monthly intervals. The balance has been settled in 2022.

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. As at 31 December 2023, the Group had placed interest-free deposit amounting to HK$98,358,000 (2022: HK$189,808,000).

36 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with ARI Group and FLARI *(continued)*

(ii) Transactions with ARI Group (continued)

During the year ended 31 December 2022, the Group entered into a letter of intent with ARI Group relating to the purchase of two aircraft intended to be delivered in 2023, with total consideration of US$46,558,000 (equivalent to approximately HK$363,516,000). As at 31 December 2022, the Group had placed deposit amounted to US$16,440,000 (equivalent to approximately HK$128,360,000). The amount had been fully refunded during the year ended 31 December 2023 upon expiry of the letter of intent.

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) Transaction 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 (2022: 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 31 December 2023, the outstanding shareholders' loan balances receivable from FLARI was amounted to HK$131,984,000 (2022: HK$56,445,000) (Note 7) and the interest income for the year ended 31 December 2023 was HK$7,516,000 (2022: HK$2,032,000).

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 (2022: HK$12,551,000) and the interest income for the year ended 31 December 2023 was HK$294,000 (2022: HK$1,325,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with CAG Group

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Asset management service fees income from CAG Group	**18,381**	19,192

During the year ended 31 December 2023, the Group entered two operating lease arrangements of two engines with CAG Group (2022: Nil). The operating lease income during the year ended 31 December 2023 was HK$2,669,000 (2022: Nil).

(d) Transaction 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 was unsecured and interest bearing at 4% per annum.

As at 31 December 2023, the outstanding balance receivables from HNCA One (Tianjin) and HNCA Two (Tianjin) were amounted to HK$36,808,000 (2022: HK$35,558,000) and HK$35,870,000 (2022: HK$35,511,000), respectively (Note 7), and the interest income for the year ended 31 December 2023 was HK$1,236,000 (2022: HK$1,290,000) and HK$1,226,000 (2022: HK$1,288,000), 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 31 December 2023, the outstanding balance receivables from Feitian No.2 (Tianjin) were amounted to HK$38,160,000 (Note 9).

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

During the year ended 31 December 2023, the Group disposed of one (2022: one) aircraft to Feitian No.2 (Tianjin) at consideration of HK$486.0 million (2022: HK$419.6 million) and recorded net income from aircraft transactions in the consolidated statement of income.

36 RELATED PARTY TRANSACTIONS *(continued)*

(f) Prepayments and amounts due from related parties

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Prepayments to ARI Group (Note 36(b)(ii))	**98,358**	318,170
Amount due from ARI Group and others	**291**	1,216
	98,649	319,386

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

(g) Amounts due to related parties

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
ARI Group (i)	**3,514**	12,256
LAI (ii)	**5,755**	–
	9,269	12,256

(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 31 December 2023, Linkasia Airlines, a non-wholly owned subsidiary of the Group has the 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) of HK$7,695,000 (2022: HK$17,149,000). The amount was unsecured, interest-free and repayable on demand.

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36 RELATED PARTY TRANSACTIONS *(continued)*

(i) Transaction with TAM

During the year ended 31 December 2023, the Group entered into finance lease arrangement of one aircraft with TAM (2022: one), operating lease arrangement of one aircraft with TAM (2022: one) and terminated operating lease arrangement of one aircraft with TAM (2022: Nil).

As at 31 December 2023, the Group had entered into two finance lease and two operating lease arrangements for four aircraft with TAM (2022: one finance lease and two operating lease arrangements for three aircraft).

The total finance lease and operating lease income during the year ended 31 December 2023 was HK$31,071,000 (2022: HK$13,854,000). As at 31 December 2023, the Group held rental deposits of US$621,000 (equivalent to approximately HK$4,849,000) from TAM (2022: US$1,932,000 (equivalent to approximately HK$15,085,000)) in relation to aircraft under finance leases and operating leases.

(j) Key management compensation

Key management includes directors of the Company. The compensation paid or payable to key management is shown below:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Director fee, salaries, bonus and other short-term employee benefits	**34,314**	29,865
Share-based payments	**732**	1,458
	35,046	31,323

37 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingencies

As at 31 December 2023, the Group was a guarantor of certain bank borrowings of associates and joint ventures amounting to HK$564,080,000 (2022: HK$604,011,000), of which HK$216,951,000 (2022: HK$274,358,000) was counter-guaranteed by an investor of the joint ventures. After excluding the portion of counter-guarantee as mentioned above, the Group guaranteed HK$347,129,000 (2022: HK$329,653,000) of these bank borrowings.

37 CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

(b) Capital commitments

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Contracted but not provided for:		
Purchase of aircraft (i)	**52,752,365**	85,359,348
Investment – Aircraft modification (Note 9(c))	**–**	34,984
	52,752,365	85,394,332

(i) The capital commitments were mainly related to acquisition of Airbus aircraft and COMAC aircraft (2022: Airbus aircraft, Boeing aircraft, and COMAC aircraft) in its order book, which will be delivered in stages by the end of 2028.

(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 are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Not later than one year	**50**	103

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37 CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

(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:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Not later than one year	**3,471,127**	3,408,488
Later than one year but not later than two years	**2,926,184**	3,102,561
Later than two years but not later than three years	**2,509,406**	2,690,833
Later than three years but not later than four years	**2,225,390**	2,128,425
Later than four years but not later than five years	**2,034,545**	1,819,982
Later than five years	**9,665,309**	7,698,693
	22,831,961	20,848,982

The above commitment included amount of HK$907,600,000 (2022: HK$1,021,163,000) related to assets classified as held for sale (Note 11).

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Not later than one year	**62**	48

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
ASSETS		
Investment in subsidiaries	**7,421,428**	5,446,158
Loans and interest receivables from subsidiaries	**1,119,743**	458,763
Amounts due from subsidiaries	**1,398,820**	294,151
Prepayments and other receivables	**1,681**	731
Cash and cash equivalents	**630,550**	174,426
Total assets	**10,572,222**	6,374,229
EQUITY		
Share capital	**74,436**	74,436
Reserves	**2,223,091**	2,221,573
Retained earnings	**458,382**	236,482
Total equity	**2,755,909**	2,532,491
LIABILITIES		
Amounts due to subsidiaries	**3,356,966**	744,872
Borrowings	**3,810,674**	2,509,050
Bonds and debentures	**545,098**	544,320
Interest payables	**95,884**	35,876
Other liabilities and accruals	**7,691**	7,620
Total liabilities	**7,816,313**	3,841,738
Total equity and liabilities	**10,572,222**	6,374,229

The balance sheet of the Company was approved by the Board of Directors on 19 March 2024 and was signed on its behalf.

POON Ho Man
Director

LI Guohui
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Reserves HK$'000	Retained earnings HK$'000
Balance as at 1 January 2023	**2,221,573**	**236,482**
Comprehensive income		
Profit for the year	–	**445,206**
Total comprehensive income	–	**445,206**
Transactions with shareholders		
Dividends	–	**(223,306)**
Share option scheme:		
– Value of services	**1,881**	–
– Share options lapsed	**(363)**	–
Total transactions with shareholders	**1,518**	**(223,306)**
Balance as at 31 December 2023	**2,223,091**	**458,382**
Balance as at 1 January 2022	2,214,004	471,232
Comprehensive income		
Profit for the year	–	70,222
Total comprehensive income	–	70,222
Transactions with shareholders		
Dividends	4,074	(304,972)
Cancellation of shares	495	–
Share option scheme:		
– Value of services	3,000	–
Total transactions with shareholders	7,569	(304,972)
Balance as at 31 December 2022	2,221,573	236,482

39 SUBSIDIARIES

As at 31 December 2023, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
Directly owned:					
China Aircraft Leasing Company Limited	British Virgin Islands ("BVI") 24 March 2006	US$584,000,000	100%	Investment/asset holding	Limited liability entity
Aircraft Recycling International Holdings Limited	BVI 24 February 2016	US$1	100%	Investment holding	Limited liability entity
CALC Bond 3 Limited	BVI 17 February 2017	US$1	100%	Investment holding	Limited liability entity
CALC Bonds Limited	BVI 26 October 2017	US$1	100%	Investment holding	Limited liability entity
CALC Perpetual Bond Cayman 1 Limited	Cayman Islands 5 November 2020	US$1,001,841	100%	Investment holding	Limited liability entity
CALC PDP 11 Limited	Cayman Islands 2 March 2023	US$10,000,000	100%	Provision of financing	Limited liability entity
Indirectly owned:					
CALC 10-Aircraft Limited	Ireland 20 June 2012	EUR100	100%	Aircraft leasing	Limited liability entity
CALC 11-Aircraft Limited	Ireland 10 December 2014	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 12-Aircraft Limited	Ireland 6 February 2015	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 30-Aircraft Limited	Ireland 10 October 2016	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 31-Aircraft Limited	Ireland 10 October 2016	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 32-Aircraft Limited	Ireland 10 April 2017	EUR1	100%	Aircraft leasing	Limited liability entity
CALC Bermuda Holdings Limited	Bermuda 16 May 2018	US$1	100%	Investment holding	Limited liability entity
CALC Global Leasing Limited	Ireland 18 December 2014	EUR1	100%	Investment holding	Limited liability entity
CALC Perpetual Bond Ireland 1 Limited	Ireland 23 September 2019	EUR1	100%	Provision of financing	Limited liability entity
CALC Perpetual Bond Malta 1 Limited	Malta 27 November 2020	EUR1,200	100%	Provision of financing	Limited liability entity
CALC PDP 8 Limited	Cayman Islands 12 June 2018	US$1	100%	Provision of financing	Limited liability entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
CALC PDP 9 Limited	Cayman Islands 12 June 2018	US$1	100%	Provision of financing	Limited liability entity
CALC PDP 10 Limited	Cayman Islands 15 December 2021	US$10,000,000	100%	Provision of financing	Limited liability entity
China Aircraft Assets Limited	Hong Kong 3 May 2013	HK$1	100%	Provision of financing	Limited liability entity
China Aircraft CALC Management Limited	Hong Kong 17 October 2012	HK$1	100%	Provision of management services	Limited liability entity
Sino Teamwork Limited	Hong Kong 9 January 2013	HK$1	100%	Provision of financing	Limited liability entity
ZF Ireland Aircraft 42 Limited	Ireland 22 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 45 Limited	Ireland 21 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 46 Limited	Ireland 21 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 49 Limited	Ireland 22 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 51 Limited	Ireland 21 June 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 52 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 53 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 54 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 55 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 56 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 57 Limited	Ireland 17 November 2017	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 69 Limited	Ireland 9 January 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 70 Limited	Ireland 9 January 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 71 Limited	Ireland 9 January 2018	EUR10	100%	Aircraft leasing	Limited liability entity

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
ZF Ireland Aircraft 72 Limited	Ireland 23 July 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 73 Limited	Ireland 23 July 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 74 Limited	Ireland 20 July 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 76 Limited	Ireland 20 July 2018	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 83 Limited	Ireland 10 September 2018	EUR10	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 87 Limited	Ireland 10 September 2018	EUR100	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 93 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 94 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 95 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 96 Limited	Ireland 20 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 97 Limited	Ireland 20 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 98 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 99 Limited	Ireland 23 September 2019	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 100 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 101 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 102 Limited	Ireland 6 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 103 Limited	Ireland 6 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity
ZF Ireland Aircraft 104 Limited	Ireland 7 January 2020	EUR1	100%	Aircraft leasing	Limited liability entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
ZF France Aircraft 1 SAS	France 31 May 2022	EUR100	100%	Aircraft leasing	Limited liability entity
ZF France Aircraft 2 SAS	France 31 May 2022	EUR100	100%	Aircraft leasing	Limited liability entity
ZF Middle East 1 SPV Limited	ADGM 21 December 2021	US$100	100%	Aircraft leasing	Limited liability entity
ZF Oriental 3 Limited	Hong Kong 6 July 2017	HK$1	100%	Aircraft leasing	Limited liability entity
ZF Oriental 4 Limited	Hong Kong 27 November 2018	HK$1	100%	Aircraft leasing	Limited liability entity
ZF Oriental 5 Limited	Hong Kong 27 November 2018	HK$1	100%	Aircraft leasing	Limited liability entity
ZF Oriental 6 Limited	Hong Kong 27 November 2018	HK$1	100%	Aircraft leasing	Limited liability entity
ZF Oriental 13 Limited	Hong Kong 9 October 2019	HK$10	100%	Aircraft leasing	Limited liability entity
ZF Oriental 29 Limited	Hong Kong 30 March 2022	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental 37 Limited	Hong Kong 29 July 2022	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental 39 Limited	Hong Kong 5 September 2023	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental Holdings 2 Limited	Hong Kong 29 March 2021	HK$10	100%	Provision of financing	Limited liability entity
ZF Oriental Assets Limited	Hong Kong 3 January 2019	HK$1	100%	Aircraft trading	Limited liability entity
CALC Aviation Assets Limited	Labuan 30 December 2015	US$100	100%	Aircraft leasing	Limited liability entity
CALC Aviation Capital Limited	Labuan 30 December 2015	US$100	100%	Aircraft leasing	Limited liability entity
CALC Sebelas Limited	Labuan 22 April 2021	US$100	100%	Aircraft leasing	Limited liability entity
CALC Sembilan Limited	Labuan 12 July 2016	US$100	100%	Aircraft leasing	Limited liability entity
CALC Sepuluh Limited	Labuan 22 April 2021	US$100	100%	Aircraft leasing	Limited liability entity
CALC Enam Limited	Labuan 7 November 2014	US$10,000	100%	Aircraft leasing	Limited liability entity

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
CALC Dua Belas Limited	Labuan 22 April 2021	US$100	100%	Aircraft leasing	Limited liability entity
ZF Finance Limited	Malta 11 November 2020	EUR1,200	100%	Provision of financing	Limited liability entity
Linkasia Airlines Group Limited	Cayman Islands 3 August 2016	US$38,451,000	72.82%	Investment holding	Limited liability entity
中永順融資租賃(上海)有限公司 (China Aircraft Leasing Company Limited (Shanghai))	PRC 27 November 2013	US$186,000,000	100%	Investment holding	Limited liability entity
中永崇寧一飛機租賃(上海)有限公司(Zhongyong Chongning 1 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧二飛機租賃(上海)有限公司(Zhongyong Chongning 2 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧三飛機租賃(上海)有限公司(Zhongyong Chongning 3 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧四飛機租賃(上海)有限公司(Zhongyong Chongning 4 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧五飛機租賃(上海)有限公司(Zhongyong Chongning 5 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧六飛機租賃(上海)有限公司(Zhongyong Chongning 6 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭一號租賃(天津)有限公司 (Jianzhao 1 Leasing (Tianjin) Co. Ltd.)	PRC 11 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
建昭二號租賃(天津)有限公司 (Jianzhao 2 Leasing (Tianjin) Co. Ltd.)	PRC 11 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭三號租賃(天津)有限公司 (Jianzhao 3 Leasing (Tianjin) Co. Ltd.)	PRC 11 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭四號租賃(天津)有限公司 (Jianzhao 4 Leasing (Tianjin) Co. Ltd.)	PRC 12 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建昭五號租賃(天津)有限公司 (Jianzhao 5 Leasing (Tianjin) Co. Ltd.)	PRC 13 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍一飛機租賃(上海)有限公司(Zhongyong Xiyong 1 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍二飛機租賃(上海)有限公司(Zhongyong Xiyong 2 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍三飛機租賃(上海)有限公司(Zhongyong Xiyong 3 Aircraft Leasing (Shanghai) Company Limited)	PRC 19 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍四飛機租賃(上海)有限公司(Zhongyong Xiyong 4 Aircraft Leasing (Shanghai) Company Limited)	PRC 21 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍七飛機租賃(上海)有限公司(Zhongyong Xiyong 7 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙雍八飛機租賃(上海)有限公司(Zhongyong Xiyong 8 Aircraft Leasing (Shanghai) Company Limited)	PRC 20 October 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中龍元康租賃(天津)有限公司 (China Aero II Leasing (Tianjin) Company Limited)	PRC 12 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛干寧租賃(天津)有限公司 (CALC Ganning Limited)	PRC 15 August 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛天复租賃(天津)有限公司 (CALC Tianfu Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛文明租賃(天津)有限公司 (CALC Wenming Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛永淳租賃(上海)有限公司 (CALC Yong Chun Limited)	PRC 10 October 2012	RMB1,000,000	100%	Aircraft leasing	Limited liability entity
中飛長慶租賃(天津)有限公司 (CALC Changqing Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建中租賃(天津)有限公司 (CALC Jianzhong Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建元租賃(天津)有限公司 (CALC Jianyuan Limited)	PRC 8 November 2011	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛租融資租賃有限公司 (China Asset Leasing Company Limited)	PRC 13 December 2010	US$1,000,000,000	100%	Investment holding	Limited liability entity
中飛開成租賃(天津)有限公司 (CALC Kaicheng Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳五號租賃(天津)有限公司 (Jianfeng 5 Leasing (Tianjin) Co. Ltd.)	PRC 14 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳六號租賃(天津)有限公司 (Jianfeng 6 Leasing (Tianjin) Co. Ltd.)	PRC 16 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳七號租賃(天津)有限公司 (Jianfeng 7 Leasing (Tianjin) Co. Ltd.)	PRC 16 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳八號租賃(天津)有限公司 (Jianfeng 8 Leasing (Tianjin) Co. Ltd.)	PRC 13 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
建鳳九號租賃(天津)有限公司 (Jianfeng 9 Leasing (Tianjin) Co. Ltd.)	PRC 16 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
建鳳十號租賃(天津)有限公司 (Jianfeng 10 Leasing (Tianjin) Co. Ltd.)	PRC 12 March 2020	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機崇禎租賃(天津)有限公司 (ZJ Chongzhen Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機會昌租賃(天津)有限公司 (ZJ Huichang Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機靖康租賃(天津)有限公司 (ZJ Jingkang Leasing (Tianjin) Co.,Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機弘治租賃(天津)有限公司 (ZJ Hongzhi Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛開禧租賃(天津)有限公司 (CALC Kaixi Limited)	PRC 19 January 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛嗣聖租賃(天津)有限公司 (CALC Sisheng Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛嘉定租賃(天津)有限公司 (CALC Jiading Limited)	PRC 20 January 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛儀鳳租賃(天津)有限公司 (CALC Yifeng Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛咸亨租賃(天津)有限公司 (CALC Xianheng Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛顯慶租賃(天津)有限公司 (CALC Xianqing Limited)	PRC 1 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛聖曆租賃(天津)有限公司 (CALC Shengli Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛光啟租賃(天津)有限公司 (CALC Guangqi Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中飛大中租賃(天津)有限公司 (CALC Dazhong Company Limited)	PRC 8 October 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機明政租賃(天津)有限公司 (ZJ Mingzheng Leasing (Tianjin) Co., Ltd.)	PRC 17 August 2017	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機進通租賃(天津)有限公司 (ZJ Jintong Leasing (Tianjin) Co., Ltd.)	PRC 18 August 2017	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機開寶租賃(天津)有限公司 (ZJ Kaibao Leasing (Tianjin) Co., Ltd.)	PRC 23 April 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機治平租賃(天津)有限公司 (ZJ Zhiping Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機大曆租賃(天津)有限公司 (ZJ Dali Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機皇慶租賃(天津)有限公司 (ZJ Huangqing Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機證聖租賃(天津)有限公司 (ZJ Zhengsheng Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機天慶租賃(天津)有限公司 (ZJ Tianqing Leasing (Tianjin) Co., Ltd.)	PRC 28 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機宣德租賃(天津)有限公司 (ZJ Xuande Leasing (Tianjin) Co., Ltd.)	PRC 28 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機延載租賃(天津)有限公司 (ZJ Yanzai Leasing (Tianjin) Co., Ltd.)	PRC 28 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機神功租賃(天津)有限公司 (ZJ Shengong Leasing (Tianjin) Co., Ltd.)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity

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39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中機建安飛機租賃(上海)有限公司(ZJ Jianan Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機永漢飛機租賃(上海)有限公司(ZJ Yonghan Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機永康飛機租賃(上海)有限公司(ZJ Yongkang Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機建寧飛機租賃(上海)有限公司(ZJ Jianning Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機建和飛機租賃(上海)有限公司(ZJ Jianhe Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機永壽飛機租賃(上海)有限公司(ZJ Yongshou Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機永興飛機租賃(上海)有限公司(ZJ Yongxing Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機熹平飛機租賃(上海)有限公司(ZJ Xiping Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機初平飛機租賃(上海)有限公司(ZJ Chuping Aircraft Leasing (Shanghai) Company Limited	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機元嘉飛機租賃(上海)有限公司(ZJ Yuanjia Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity

39 SUBSIDIARIES *(continued)*

Company name	Country/place of operation and incorporation/ establishment and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中機興平飛機租賃(上海)有限公司(ZJ Xingping Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機昭寧飛機租賃(上海)有限公司(ZJ Zhaoning Aircraft Leasing (Shanghai) Company Limited)	PRC 14 July 2021	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機至正租賃(天津)有限公司(ZJ Zhizheng Leasing (Tianjin) Company Limited)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機至治租賃(天津)有限公司(ZJ Zhizhi Leasing (Tianjin) Company Limited)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中機大觀租賃(天津)有限公司(ZJ Daguan Leasing (Tianjin) Company Limited)	PRC 29 June 2018	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛睿天成融資租賃(天津)有限公司(CALC RuiTianCheng Financial Leasing Limited)	PRC 28 July 2016	RMB100,000	100%	Aircraft leasing	Limited liability entity

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

40 SUBSEQUENT EVENT

In October 2023, a subsidiary of the Group has entered into the fourth supplemental shareholders' loan and guarantee agreement with ARI Group (the "Fourth Supplemental Agreement"), pursuant to which the term of the shareholders' loan and guarantee was extended to 31 December 2026 and the annual cap was reduced 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. For details of the arrangement, please refer to the Circular dated 29 November 2023.

ISSUER

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PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

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