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

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

**(Stock code: 1848)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board of Directors (the “Board”) of China Aircraft Leasing Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) announces the unaudited interim results of the Group for the six months ended 30 June 2015 as follows:

**FINANCIAL HIGHLIGHTS**

*(in million Hong Kong dollars, unless otherwise stated)*

	<b>For the six months ended 30 June</b>		
	<b>2015</b>	2014	Change
Revenue and other income	<b>635.7</b>	432.4	47.0%
Profit before income tax ( <i>Note 1</i> )	<b>157.8</b>	86.3	82.9%
Income tax expense	<b>(41.1)</b>	(23.5)	74.9%
Profit attributable to owners of the Company	<b>116.7</b>	62.8	85.8%
Earnings per share (Basic) ( <i>HK cents</i> )	<b>19.8</b>	13.4	47.8%
Interest coverage ( <i>Note 2</i> )	<b>160%</b>	148%	12.0 p.p.
	<b>As at</b>	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>	
	<b>2015</b>	2014	Change
Net assets per share ( <i>HK\$</i> )	<b>3.22</b>	3.04	5.9%
Gearing ratio (Interest-bearing debts to total assets)	<b>87.4%</b>	87.3%	0.1 p.p.

*Notes:*

- (1) Profit before income tax after deducted initial public offering (“IPO”) listing expense of HK\$24.7 million for the six months period ended 30 June 2014 but no such expense in 2015
- (2) Interest coverage = EBITDA/Interest expense

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY PROFILE**

The growth of passenger travel in countries experiencing continued wealth progression is driving global demand in the leisure and business travel sectors. As the market for air travel continues to climb, airlines are linking their network strategies to their long-term requirements for aircraft replacement and fleet planning in order to create the most efficient and flexible fleet. There is also a growing demand for the managed obsolescence of certain previous generation aircraft.

Commercial aircraft deliveries in 2015 are expected to exceed US\$120 billion, while lessors including the Group are expected to fund approximately 40% of these<sup>1</sup>, representing the largest share of new deliveries. In China, there is the desire for airlines to renew their fleets at a relatively young age, creating the demand for aircraft lifecycle management amid an endemic gap in the industry.

### **INTERIM BUSINESS REVIEW**

#### **Aircraft Leasing**

In line with the Group's mission to realise a globalised business strategy, the first half of 2015 was marked by several major milestones and breakthroughs. We have come a long way since our first delivery in 2007, successfully crossing the 50-aircraft mark in the last half year.

Since the collaboration with our first overseas client Air India, we signed four Airbus aircraft lease agreements with Air Macau in May 2015. The momentum carried us into June 2015, when we signed a Letter of Intent to lease two A320 aircraft to Pegasus Airlines, our first European client and the fastest growing airline in Turkey, marking the beginnings of our European foray.

The Group's long-term commitment to the aviation industry and continued efforts to introduce value-added offerings to our airline customers continue to distinguish us in the sector. In June 2015, we fitted 18 of our A320neo aircraft with PurePower® engines from the US company Pratt & Whitney. This made us one of the leasing industry's pioneers in the area of new generation aircraft and reflected our proactive approach to planning for our mid-term deliveries. The Group's fleet is currently on schedule to expand to 168 aircraft by 2022.

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<sup>1</sup> Current Aircraft Finance Market Outlook Issued December 2014 by Boeing Capital Corporation

## Financing

As China's pioneer in aircraft financing, the Group introduced and completed one of the nation's first realisation of lease receivables, a financing channel that demonstrates its innovation in business and financing, while facilitating its capital flow. In the first half of 2015, the Group started its work in the realisation of some of its aircraft lease receivables, and expects to complete those transactions by the end of 2015, in parallel with its negotiations for further contracts. In March, we signed a framework agreement with the Bank of Communications Company Limited regarding the lease receivable realisation for 20 aircraft.

The Group also made strategic moves to secure financing through other channels throughout the first half of 2015. In March 2015, the Company obtained its first guarantee arrangement from the three European Export Credit Agencies – Coface, Hermes and UK Export Finance (UKEF) for the financing of five A320 aircraft being delivered to Air India this year.

In April and May 2015, convertible bonds at total per value of HK\$892.2 million were placed to three renowned asset managers: China Everbright Financial Investments Limited, Huarong (HK) International Holdings Limited and Great Wall Pan Asia International Investment Co., Limited.

China Asset Leasing Company Limited, registered in Tianjin and a wholly-owned subsidiary of the Company, was approved in May 2015 to issue RMB340 million medium-term notes, becoming the first aircraft lessor to obtain approval and the first member of the Tianjin Free-Trade Zone to be approved for note issuance. The medium-term notes acquired an AA credit rating from China Cheng Xin International Credit Rating Co. Ltd. (CCXI), and were successfully issued in mid-July 2015.

In June 2015, we were awarded an intent line of credit for RMB4.4 billion by signing a strategic cooperation agreement with the Shanghai Branch of the China Construction Bank. Other existing intent credit facilities include agreements with the Export-Import Bank of China for RMB10 billion, and the Hong Kong Branch of the China Development Bank for US\$1.5 billion.

We foresee minimal impact on the Group's business from the depreciation of the RMB against the US dollar. The majority of the Group's leases are payable in US dollars and matched with US dollar aircraft loans. Only four leases are payable in RMB, and these are matched with RMB denominated aircraft loans, eliminating the risk of currency mismatch. Moreover, the depreciation of the RMB may delay the rise of US interest rates, which will in fact be favourable to the Group.

## **Other Important Developments**

### ***Government Support and Collaboration***

China Asset Leasing Company Limited was honoured to be selected as one of the Tianjin Free-Trade Zone's nine pilot enterprises for cross-boundary foreign currency cash pooling, and the only leasing company among them. We are also the first aircraft leasing company to obtain the approval of the State Administration of Foreign Exchange (SAFE) to be a capital account liberalisation pilot enterprise.

On 24 June 2015, a strategic framework agreement was reached with the Dongjiang Free-Trade Port Zone of the Tianjin Administration Committee for a total of 40 aircraft to be delivered over a period of 4 years. This enables us to leverage the zone's favourable leasing environment, rich industrial resources and local government support to further strengthen and diversify our own value-chain solutions.

## **RESULTS OVERVIEW**

For the six months ended 30 June 2015, the Group delivered 6 aircraft. Revenue and other income grew by 47.0% from HK\$432.4 million to HK\$635.7 million compared to the corresponding period of 2014, while the profit before income tax was significantly increased by 82.9% to HK\$157.8 million (six months ended 30 June 2014: HK\$86.3 million), which was mainly due to the period of 2014, the profit before income tax after deducted IPO listing expense of HK\$24.7 million but no such expense was in 2015.

The profit attributable to owners of the Company for the six months ended 30 June 2015 was HK\$116.7 million (six months ended 30 June 2014: HK\$62.8 million), representing a year-on-year rise of 85.8%.

Total asset value was HK\$20,039.8 million as at 30 June 2015, which is up 9.4% from HK\$18,313.0 million as at 31 December 2014. Because the Company's aircraft acquisitions are funded through project financing, liabilities were up correspondingly by 9.4% from HK\$16,532.3 million to HK\$18,089.9 million which was in line with the assets growth.

Equity attributable to owners of the Company was HK\$1,930.4 million as at 30 June 2015 (31 December 2014: HK\$1,761.3 million). Including non-controlling interests, total equity was HK\$1,949.9 million as at 30 June 2015 (31 December 2014: HK\$1,780.7 million).

## Analysis of Income and Expenses

For the six months ended 30 June 2015, the Group experienced a healthy and rapid growth in its business. Comparing with the corresponding period of last year, revenue and other income was HK\$635.7 million, increased by 47.0%; profit for the period was HK\$116.7 million, an increase of 85.8%.

	For the six months ended 30 June		Change %
	2015 <i>HK\$ million</i> Unaudited	2014 <i>HK\$ million</i> Unaudited	
Revenue and other income	<b>635.7</b>	432.4	47.0%
Profit before income tax	<b>157.8</b>	86.3	82.9%
Income tax expense	<b>(41.1)</b>	(23.5)	74.9%
Profit for the period	<b><u>116.7</u></b>	<b><u>62.8</u></b>	85.8%

## ***Revenue and Other Income***

Our revenue and other income is principally generated from the lease income of aircraft leases, which may broadly be classified under finance lease income and operating lease income according to our accounting policies in line with the Hong Kong Accounting Standard (“HKAS”) 17.

For the six months ended 30 June 2015, revenue and other income amounted to HK\$635.7 million, or 47.0% increased from that in the corresponding period of last year, mainly due to the increase in the lease income and subsidies received from the government in the Mainland China.

	<b>For the six months ended 30 June</b>		<b>Change %</b>
	<b>2015</b>	2014	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
	<b>Unaudited</b>	Unaudited	
Finance lease income	<b>461.2</b>	342.0	34.9%
Operating lease income	<b>109.1</b>	73.8	47.8%
Government subsidies	<b>64.1</b>	15.8	305.7%
Others	<b>1.3</b>	0.8	62.5%
Revenue and other income	<b><u>635.7</u></b>	<u>432.4</u>	47.0%

The growth in lease income during the six months was principally attributable to the increase in our fleet size. During the six months ended 30 June 2015, 6 additional aircraft were delivered and all were classified under finance lease (six months ended 30 June 2014: 7 aircraft under finance lease, 2 aircraft under operating lease).

During the six months ended 30 June 2015, the Group received government subsidies amounting to HK\$64.1 million (six months ended 30 June 2014: HK\$15.8 million).

## *Expenses*

During the six months ended 30 June 2015, we had three principal types of operating expenses, namely (a) interest expense on aircraft acquisition financing and business expansion, (b) depreciation for property, plant and equipment, and (c) other operating expenses. In addition, we had one-off IPO listing expense incurred for our listing exercise in year 2014.

	For the six months ended 30 June		Change %
	2015	2014	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
	<b>Unaudited</b>	Unaudited	
Interest expense	<b>337.2</b>	237.6	41.9%
Depreciation	<b>44.6</b>	27.5	62.2%
Other operating expenses	<b>95.6</b>	*96.3	-0.7%
Total expenses	<b>477.4</b>	<b>361.4</b>	32.1%

\* Include IPO listing expense of HK\$24.7 million

### *(a) Interest expense*

For the six months ended 30 June 2015, the interest expense incurred by the Group amounted to HK\$337.2 million, or 41.9% increase from the corresponding period of last year, mainly due to increase in total borrowings as a result of increased aircraft fleet size and issue of convertible bonds.

### *(b) Depreciation*

This consisted of depreciation on our leasehold improvements, motor vehicles, office equipment and four aircraft which were leased and classified under operating lease. The depreciation charge for aircraft increased because two aircraft were acquired in June 2014 and six-month depreciation was charged for these two aircraft during the six months period ended 30 June 2015.

(c) *Other operating expenses*

During the six months ended 30 June 2015, our other operating expenses were incurred as follows:

	For the six months ended 30 June		Change %
	2015 <i>HK\$ million</i> Unaudited	2014 <i>HK\$ million</i> Unaudited	
Employee benefit expenses	30.2	18.8	60.6%
Business tax and surcharges	17.4	23.1	-24.7%
Professional fees	19.6	12.2	60.7%
Rental and utilities expenses	8.6	4.5	91.1%
Travelling and training expenses	7.7	4.3	79.1%
Office expenses	4.9	3.3	48.5%
IPO listing expense	–	24.7	N/A
Others	7.2	5.4	33.3%
	<u>95.6</u>	<u>96.3</u>	
Other operating expenses	<u>95.6</u>	<u>96.3</u>	-0.7%

To meet the needs of the Group's business expansion, new talent was recruited and the staff number increased to 101 as at 30 June 2015 (30 June 2014: 72), leading to an increase in manpower costs and running costs. As a result of business expansion and increased headcount, an additional office premise was rented in Beijing and the existing office premise in Hong Kong was expanded.

***Income Tax Expense***

Income tax expense for the six months ended 30 June 2015 was HK\$41.1 million (six months ended 30 June 2014: HK\$23.5 million), resulting from increased profits achieved through growth in the leasing business and increased receipts of government subsidies. The effective tax rate computed based on profit was 26.0% (six months ended 30 June 2014: 27.2%), slightly lower than the corresponding period of last year.

## Analysis of Financial Position

### Assets

We are an operating lessor, owning the aircraft and leasing them to airline operators. The Group reports all its aircraft on the Group level in accordance with HKAS 16 and HKAS 17, classifying aircraft into “Property, Plant and Equipment” and “Finance Lease Receivables” respectively.

As at 30 June 2015, the Group’s total assets increased by HK\$1,726.8 million, or 9.4%, to HK\$20,039.8 million as compared with that of 31 December 2014:

	<b>30 Jun</b>	31 Dec	
	<b>2015</b>	2014	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	%
	<b>Unaudited</b>	Audited	
Finance lease receivables – net	<b>13,301.7</b>	11,443.5	16.2%
Property, plant and equipment	<b>1,666.5</b>	1,706.7	-2.4%
Prepayments and other receivables	<b>3,760.8</b>	3,503.4	7.3%
<i>Pre-delivery payments (“PDP”)</i>	<b>3,378.6</b>	3,241.2	4.2%
<i>Deposit for land bidding</i>	<b>158.7</b>	–	N/A
<i>Other receivables</i>	<b>223.5</b>	262.2	-14.8%
Derivative financial assets	<b>14.1</b>	15.0	-6.0%
Cash and bank balances	<b>1,296.7</b>	1,644.4	-21.1%
	<hr/>	<hr/>	
Total assets	<b><u>20,039.8</u></b>	<b><u>18,313.0</u></b>	9.4%

#### (a) *Finance lease receivables – net and property, plant and equipment*

According to our accounting policies, there are 46 aircraft which were leased and classified under finance lease while 4 aircraft are leased and classified under operating lease, included under the heading of Property, Plant and Equipment. The increase in finance lease receivables was due to the delivery of 6 aircraft during the six months ended 30 June 2015.

The decrease in property, plant and equipment was mainly due to depreciation charge for the period.

(b) *Prepayments and other receivables*

*Pre-delivery payments (“PDP”)*

PDP are part of the terms of the aircraft acquisition agreement with Airbus. PDP paid by us increased from HK\$3,241.2 million as at 31 December 2014 to HK\$3,378.6 million as at 30 June 2015. The increase was in line with the aircraft delivery schedule as specified in two aircraft acquisition agreements with Airbus, which were signed in 2012 and 2014 respectively.

*Deposits for land bidding*

In June 2015, the Group paid a deposit of HK\$158.7 million to bid for the auction of a land in the Harbin Airport Economic Zone for construction of aircraft disassembly centre. The Group successfully bid for the land use right on 3 July 2015.

(c) *Derivative financial assets*

The amount of derivative financial assets of HK\$14.1 million (31 December 2014: HK\$15.0 million) represented the unrealised gain of an embedded currency swap contract which was entered for an aircraft lease receivable realisation done in year 2013 to cover the currency risk from conversion of USD lease rentals into RMB during the period from February 2024 to May 2025.

***Liabilities***

As at 30 June 2015, the Group’s total liabilities increased by HK\$1,557.6 million, or 9.4% to HK\$18,089.9 million as compared with that as at 31 December 2014. The increase was principally in the bank borrowings, due to business expansion through the increase in our fleet size, and issue of convertible bonds.

The analysis is shown as follows:

	<b>30 Jun</b>	31 Dec	
	<b>2015</b>	2014	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	%
	<b>Unaudited</b>	Audited	
Bank borrowings	<b>16,094.0</b>	15,342.6	4.9%
Long-term borrowings	<b>641.7</b>	642.1	-0.1%
Convertible bonds	<b>778.2</b>	–	N/A
Derivative financial liabilities	<b>42.1</b>	33.4	26.0%
Others	<b>533.9</b>	514.2	3.8%
	<u><b>18,089.9</b></u>	<u>16,532.3</u>	
Total liabilities			9.4%

(a) *Bank borrowings*

As at 30 June 2015, a significant portion of bank borrowings was related to the long-term bank borrowings for aircraft acquisition and PDP financing. The increase in balance of bank borrowings was due to our business expansion through the increase in our fleet size.

The analysis of bank borrowings is shown as follows:

	<b>30 Jun</b>	31 Dec	
	<b>2015</b>	2014	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	%
	<b>Unaudited</b>	Audited	
Secured bank borrowings for aircraft acquisition	<b>12,445.7</b>	12,262.7	1.5%
PDP borrowings	<b>2,741.2</b>	2,304.9	18.9%
Working capital borrowings	<b>907.1</b>	775.0	17.0%
	<u><b>16,094.0</b></u>	<u>15,342.6</u>	
Total bank borrowings			4.9%
Less: current portion	<b>3,629.7</b>	4,689.5	-22.6%
	<u><b>12,464.3</b></u>	<u>10,653.1</u>	
Non-current portion			17.0%

The bank borrowings for aircraft acquisition are secured bank borrowings mainly subject to fixed or floating three-month or six-month USD London Interbank Offered Rate (“LIBOR”) terms. The bank borrowings are secured, in addition to the legal charges on our aircraft leased to airline companies under either finance lease or operating lease, by pledges of the shares of the subsidiaries which are the registered owners of the related aircraft, corporate guarantees from certain members of our Group, and pledged deposits amounting to HK\$87.8 million and HK\$158.3 million as of 30 June 2015 and 31 December 2014, respectively.

The original repayment term of the long-term bank borrowings for aircraft acquisition is mainly in the range of 12 and 20 years. Each leased aircraft that forms part of our fleet is subject to a separate long-term bank borrowing with the relevant lease term.

As at 30 June 2015, 43 aircraft were financed by long-term bank borrowing, of which 19 aircraft are under fixed interest rates of between 4.5% and 6.5% and the remaining 24 aircraft are under floating interest rates with reference to three-month or six-month USD LIBOR rates adjusted on a regular basis and margins in the range between 0.5% and 4.6%, or the RMB benchmark loan interest rate published by the People’s Bank of China applicable to loan with terms of three to five years or over five years.

PDP is required to be made under the aircraft acquisition agreement with Airbus. The PDP financing was subject to floating interest rates and was used for the settlement of the PDP for the aircraft committed to be purchased and delivered to us under the aircraft acquisition agreement with Airbus.

<b>Delivery year</b>	<b>Number of aircraft</b>	<b>PDP due and financed by 30 June 2015</b>	<b>PDP not due by 30 June 2015 but already financed</b>	<b>PDP not yet due by 30 June 2015</b>
Aircraft acquisition agreement signed in 2012				
2015	12	12	–	–
2016	6	6	–	–
Aircraft acquisition agreement signed in 2014				
2015	1	1	–	–
2016	6	6	–	–
2017-2022	93	9	8	76

As of 30 June 2015 and 31 December 2014, the PDP financing was secured by our rights and benefits in respect of the purchase of the aircraft and pledged deposits of HK\$12.6 million and HK\$10.3 million, respectively.

As at 30 June 2015, our total banking facilities for working capital purposes stood at HK\$1,019.1 million, of which 89.2% was drawn.

The Group's financial position remains strong. Its financial resources, including cash on hand and banking facilities and banking framework agreements, will provide sufficient financial resources for its operating activities and its current and potential investment opportunities.

The Group always maintains its prudent treasury policy. Its objectives are to minimise the finance costs and optimise the return on assets.

*(b) Long-term borrowings*

As at 30 June 2015, total borrowing of HK\$641.7 million (31 December 2014: HK\$642.1 million) was related to five loan agreements (31 December 2014: five) provided by two trust plans to the Group subsidiaries as part of the arrangement for the realisation of the finance lease receivables in respect of four and one aircraft completed in year 2014 and year 2013 respectively. The loans had remaining terms of nine to eleven years with annual interest rates ranging from 6.2% to 7.8% (31 December 2014: 6.2% to 7.8%) and were pledged by the related aircraft held by the Group. No realisation of finance lease receivables was completed during the six months ended 30 June 2015.

*(c) Convertible bonds*

In April and May 2015, the Group completed the issue of three-year convertible bonds at total par value of HK\$892.2 million, bearing a coupon rate of 3.0% per annum and arrangement fee of 3.5% per annum to Huarong (HK) International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited. The bonds mature in three years from the issue date and can be converted into shares at the holder's option at any time on or after 41st day from the bonds issue date to the 10th day prior to the maturity date. The conversion price is HK\$11.28 per share, subject to adjustment in accordance with the terms and conditions of the bonds. Transaction cost amounting to HK\$15.5 million has been netted off against the carrying amount at issue date. As at 30 June 2015, HK\$778.2 million was recognised as liabilities and HK\$116.5 million was recognised in the reserves of equity based on the fair values of bonds at the issue date after deducting the transaction costs and including the interest accretion expense.

*(d) Derivative financial liabilities*

The derivative financial liabilities represented the unrealised loss at period end which were either recognised in the hedging reserve of equity on effectively-hedged interest rate swap contracts or recognised in the profit or loss on ineffectively-hedged interest rate swap contracts.

## **FUTURE DEVELOPMENT STRATEGY**

### **Full Lifecycle Value-Chain**

Unlike traditional aircraft lessors, the Group is a full value-chain aircraft solutions provider. Our lease offerings are complemented by a range of value-added services including fleet planning consultation, structured leasing, aircraft trading and re-marketing, as well as the planned aircraft disassembly.

In the first half of 2015, key developments took us closer to the realisation of our proposed aircraft disassembly centre, which will be the first of its kind in China. Since reaching an agreement with the Harbin Municipal Government for the establishment of our disassembly facilities, the Group won via auction for an approximately 300,000 square metre plot of land in south of the Harbin Taiping International Airport in the Harbin Airport Economic Zone in July, allowing work to formally commence. Once completed, the new aircraft disassembly centre in Harbin will meet a need in the industry that is as yet unfulfilled, and further consolidate our position as a full value-chain aircraft solutions provider. By answering the strong demand for the disposal of aged aircraft, we grow ever closer to realising our long-term vision of extending China's aviation value chain, aiding in the development of the country's aviation industry and consolidating our leadership position on a global scale.

The next decade will see the implementation of our three-step strategy to progressively develop the aircraft disassembly centre into a premier global disassembly base. The ultimate goal is to equip the site to handle over 100 aircraft per annum.

The first phase of the project is expected to reach completion in 2018, with a target annual capacity for handling 20 aircraft. The scrap parts obtained through disassembly will be sold directly once their airworthiness has been certified.

## **Globalisation Strategy**

Banking on the wealth of opportunities presented by the growing markets, the Group's strategy for the second half year includes plans to diversify our client base and increase our overseas market share in line with our business blueprint. To this end, we will continue to seek out markets in high-growth regions, particularly those possessing a strong synergy with the Chinese market as part of the Group's risk mitigation measures, internationally recognised carriers will be selectively targeted.

Our immediate plans for the rest of the year also include the active consolidation of our position in the Chinese market. As a full value-chain service provider, building effective relationships with our client base remains an ever present priority. Attesting to our ability to retain existing clients, agreements were reached in July 2015 with the Group's long-time partner China Eastern Airline Corporation Limited for the lease of six additional A320 aircraft, cementing an already strong relationship.

## **Expanding Financing Channels**

Institutional investors are showing strong appetites for aircraft asset exposure in 2015. Capitalising on this trend, the Group continues to actively seek new investors to diversify our financing channels, with a long-term plan to develop our aircraft leasing business into a new asset management model. We are also exploring the possibility of establishing a China Aircraft Global Fund, which will serve as a new platform for our global aircraft leasing business.

## **INTERIM DIVIDEND**

The Board has declared the payment of an interim dividend of HK\$0.04 per share in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil) to shareholders whose names appear on the register of members of the Company on 15 October 2015. The interim dividend will be paid on or about 30 October 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from 13 October 2015 to 15 October 2015, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the interim dividend is 15 October 2015. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 12 October 2015.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2015.

## **CORPORATE GOVERNANCE PRACTICES**

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

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

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

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

The Company has complied with all Code Provisions set out in the CG Code for the six months ended 30 June 2015 with the exception of Code Provision A.2.1 due to the overlapping roles of Chairman and chief executive officer of the Company performed by Mr. CHEN Shuang with effect from 18 June 2015. The Board considers that the balance of power and authority of the Board will not be impaired even the roles of the Chairman and the chief executive officer are performed by the same individual. At present, the Board also believes that under the leadership of Mr. CHEN Shuang as the Chairman and the chief executive officer, the Board's decision could be made effectively and it is beneficial to the management and development of the Group's businesses.

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

## **AUDIT COMMITTEE**

Audit Committee comprises four members, namely Mr. NG Ming Wah, Charles (Chairman of the Audit Committee), Mr. GUO Zibin, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan, among whom, three are independent non-executive Directors (including one independent non-executive Director who holds appropriate professional qualifications or expertise in accounting or relevant finance management). The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control and financial reporting, including reviewing the financial results of the Group for the six months ended 30 June 2015.

## **REVIEW OF INTERIM RESULTS**

The consolidated financial statements of the Company for the period ended 30 June 2015 have been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Financial Reporting Standards.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the websites of the Company at [www.calc.com.hk](http://www.calc.com.hk) and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2015 interim report will be dispatched to the shareholders of the Company and available on the same websites in due course.

## INTERIM CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2015 HK\$'000	Audited As at 31 December 2014 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
Property, plant and equipment	4	1,666,442	1,706,695
Finance lease receivables – net	5	13,301,676	11,443,485
Derivative financial assets		14,104	14,979
Prepayments and other receivables	6	3,760,824	3,503,360
Restricted cash		185,044	218,951
Cash and cash equivalents		1,111,697	1,425,570
		<u>20,039,787</u>	<u>18,313,040</u>
<b>Total assets</b>			
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	7	60,584	58,578
Reserves		1,418,653	1,273,531
Retained earnings			
– Proposed dividends		24,234	93,725
– Others		426,967	335,446
		<u>1,930,438</u>	<u>1,761,280</u>
Non-controlling interests		19,465	19,416
		<u>1,949,903</u>	<u>1,780,696</u>
<b>Total equity</b>			
<b>LIABILITIES</b>			
Deferred income tax liabilities	8	97,971	67,161
Bank borrowings	9	16,094,019	15,342,648
Long-term borrowings	10	641,690	642,116
Convertible bonds	11	778,194	–
Derivative financial liabilities		42,084	33,361
Income tax payables		19,623	21,991
Interest payable		51,425	42,411
Other payables and accruals	12	364,878	382,656
		<u>18,089,884</u>	<u>16,532,344</u>
<b>Total liabilities</b>			
<b>Total equity and liabilities</b>		<u>20,039,787</u>	<u>18,313,040</u>

## INTERIM CONSOLIDATED STATEMENT OF INCOME

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>			
Finance lease income	<i>13</i>	<b>461,158</b>	342,031
Operating lease income	<i>13</i>	<b>109,114</b>	73,742
		<u>570,272</u>	415,773
Other income		<b>65,462</b>	16,636
		<u>635,734</u>	432,409
<b>Expenses</b>			
Interest expense	<i>14</i>	<b>(337,230)</b>	(237,625)
Depreciation		<b>(44,588)</b>	(27,521)
Other operating expenses		<b>(95,640)</b>	(96,257)
		<u>(477,458)</u>	(361,403)
<b>Operating profit</b>		<b>158,276</b>	71,006
Other (losses)/gains		<b>(466)</b>	15,283
		<u>157,810</u>	86,289
<b>Profit before income tax</b>		<b>157,810</b>	86,289
Income tax expense	<i>15</i>	<b>(41,083)</b>	(23,490)
		<u>116,727</u>	62,799
<b>Profit for the period</b>		<b>116,727</b>	62,799
<b>Profit attributable to:</b>			
Owners of the Company		<b>116,678</b>	62,827
Non-controlling interests		<b>49</b>	(28)
		<u>116,727</u>	62,799

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Profit for the period</b>	<b>116,727</b>	62,799
	<b>Other comprehensive income for the period:</b>		
	<i>Items that may be reclassified subsequently to profit or loss</i>		
	Change in fair value of interest rate swaps		
	– cash flow hedges	<b>(10,489)</b>	(33,458)
	Reclassified from other comprehensive income to profit or loss – cash flow hedges	<b>2,436</b>	(596)
	Currency translation differences	<b>323</b>	(470)
	<b>Total other comprehensive income for the period, net of tax</b>	<b>(7,730)</b>	(34,524)
	<b>Total comprehensive income for the period</b>	<b>108,997</b>	28,275
	<b>Total comprehensive income for the period attributable to:</b>		
	Owners of the Company	<b>108,948</b>	28,303
	Non-controlling interests	<b>49</b>	(28)
		<b>108,997</b>	28,275
	<b>Earnings per share for profit attributable to owners of the Company</b>		
	<i>(expressed in HK\$ per share)</i>		
	– Basic earnings per share	<b>0.198</b>	0.134
	– Diluted earnings per share	<b>0.194</b>	0.134

Details of the dividends proposed and paid for the period are disclosed in Note 16.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total equity HK\$'000
	Attributable to owners of the Company				Non- controlling interests HK\$'000	
	Share capital HK\$'000	Reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2014</b>	78	743,099	195,421	938,598	19,500	958,098
Comprehensive income						
Profit for the period	–	–	62,827	62,827	(28)	62,799
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges	–	(33,458)	–	(33,458)	–	(33,458)
Reclassified from other comprehensive income to profit or loss						
– cash flow hedges	–	(596)	–	(596)	–	(596)
Currency translation differences	–	(470)	–	(470)	–	(470)
<b>Total comprehensive income</b>	<b>–</b>	<b>(34,524)</b>	<b>62,827</b>	<b>28,303</b>	<b>(28)</b>	<b>28,275</b>
Transaction with owners:						
Issue of new shares (Note 7(a))	1	(1)	–	–	–	–
Share repurchase and cancellation (Note 7(a))	(78)	78	–	–	–	–
Capitalisation of share premium (Note 7(a))	46,894	(46,894)	–	–	–	–
Dividends (Note 16)	–	–	(69,000)	(69,000)	–	(69,000)
<b>Total transactions with owners</b>	<b>46,817</b>	<b>(46,817)</b>	<b>(69,000)</b>	<b>(69,000)</b>	<b>–</b>	<b>(69,000)</b>
<b>Balance at 30 June 2014</b>	<b>46,895</b>	<b>661,758</b>	<b>189,248</b>	<b>897,901</b>	<b>19,472</b>	<b>917,373</b>
<b>Balance at 1 January 2015</b>	<b>58,578</b>	<b>1,273,531</b>	<b>429,171</b>	<b>1,761,280</b>	<b>19,416</b>	<b>1,780,696</b>
Comprehensive income						
Profit for the period	–	–	116,678	116,678	49	116,727
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges	–	(10,489)	–	(10,489)	–	(10,489)
Reclassified from other comprehensive income to profit or loss						
– cash flow hedges	–	2,436	–	2,436	–	2,436
Currency translation differences	–	323	–	323	–	323
<b>Total comprehensive income</b>	<b>–</b>	<b>(7,730)</b>	<b>116,678</b>	<b>108,948</b>	<b>49</b>	<b>108,997</b>
Transaction with owners:						
Dividends (Note 16)	–	–	(94,648)	(94,648)	–	(94,648)
Employee share option scheme:						
– Value of employee services	–	7,253	–	7,253	–	7,253
– Issue of new shares from exercise of share options (Note 7(c))	2,006	29,058	–	31,064	–	31,064
Convertible bonds						
– equity component (Note 11)	–	116,541	–	116,541	–	116,541
<b>Total transactions with owners</b>	<b>2,006</b>	<b>152,852</b>	<b>(94,648)</b>	<b>60,210</b>	<b>–</b>	<b>60,210</b>
<b>Balance at 30 June 2015</b>	<b>60,584</b>	<b>1,418,653</b>	<b>451,201</b>	<b>1,930,438</b>	<b>19,465</b>	<b>1,949,903</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Profit after income tax	<b>116,727</b>	62,799
Adjustments for:		
– Depreciation	<b>44,588</b>	27,521
– Interest expense	<b>337,230</b>	237,625
– Share-based payments	<b>7,253</b>	–
– Unrealised currency exchange (gain)/loss	<b>(1,811)</b>	4,017
– Unrealised loss/(gain) on currency swap	<b>864</b>	(6,487)
– Fair value loss on interest rate swap	<b>1,271</b>	–
– Interest income	<b>(664)</b>	(384)
	<b>505,458</b>	325,091
<b>Changes in working capital:</b>		
– Finance lease receivables – net	<b>(1,864,155)</b>	(1,887,655)
– Prepayments and other receivables	<b>(38,877)</b>	(88,755)
– Other payables and accruals	<b>(17,778)</b>	68,628
– Income tax payables	<b>(2,368)</b>	6,453
– Deferred income tax liabilities	<b>30,767</b>	7,723
Net cash flows used in operating activities	<b>(1,386,953)</b>	(1,568,515)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(2,880)</b>	(298,677)
Deposits paid for acquisition of aircraft	<b>(139,787)</b>	(370,427)
Interest received	<b>664</b>	384
Net cash flow used in investing activities	<b>(142,003)</b>	(668,720)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options		<b>31,064</b>	–
Proceeds from bank borrowings		<b>3,063,311</b>	3,198,205
Repayments of bank borrowings		<b>(2,319,589)</b>	(1,765,748)
Repayments of long-term borrowings		<b>(194)</b>	(38)
Interest paid on bank borrowings		<b>(357,592)</b>	(235,206)
Interest paid on long-term borrowings		<b>(19,144)</b>	(4,068)
Deposits pledged in respect of borrowings		<b>60,146</b>	(2,151)
Deposits pledged in respect of derivative financial instruments		<b>(25,780)</b>	(17,072)
Dividends paid to shareholders	<i>16</i>	<b>(94,648)</b>	(69,000)
Issue of convertible bonds, net of transaction costs	<i>11</i>	<b>876,676</b>	–
		<hr/>	<hr/>
Net cash flows generated from financing activities		<b>1,214,250</b>	1,104,922
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		<b>(314,706)</b>	(1,132,313)
Cash and cash equivalents at beginning of the period		<b>1,425,570</b>	1,367,344
Currency exchange difference on cash and cash equivalents		<b>833</b>	(4,959)
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>		<b>1,111,697</b>	230,072
		<hr/>	<hr/>

## **NOTES**

### **1 GENERAL INFORMATION OF 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 using the name “China Aircraft Leasing Company Limited”. On 19 September 2013, the Company changed its name to “China Aircraft Leasing Group Holdings Limited”. 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 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 Group has operations mainly in the People’s Republic of China (“PRC”).

The interim condensed consolidated financial information for the six months ended 30 June 2015 (“Interim Financial Information”) is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

### **2 BASIS OF PREPARATION**

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the Group’s financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and included in the 2014 annual report of the Company.

As at 30 June 2015, the Group’s current liabilities exceeded its current assets by HK\$2,295.0 million. The Group had capital commitments amounting to HK\$43,698.5 million in relation to acquisition of aircraft, of which HK\$5,772.5 million is payable within one year. In view of such circumstance, the directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil these commitments and continue as a going concern. The directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

- The net current liabilities position of the Group is mainly because the Group uses short-term borrowings to finance the pre-delivery payments (“PDP”) to the aircraft manufacturer when the new aircraft ordered by the Group are being built. PDP represents approximately 30% to 40% of the purchase consideration of the aircraft. The Group normally uses PDP financing for settlement of PDP and PDP financing is repayable after the aircraft is delivered. As at 30 June 2015, PDP amounting to HK\$3,378.6 million had been paid (Note 6) and the balance of corresponding PDP financing amounted to HK\$2,741.2 million (Note 9), of which HK\$1,971.8 million is related to the 19 aircraft to be delivered in the next 12 months from 30 June 2015 and repayable within one year. The Group uses long-term aircraft borrowings to repay PDP financing and settle the balance payments of aircraft acquisition costs. However, the long-term aircraft borrowings can only be confirmed shortly before taking delivery of the aircraft. Based on the industry practice and prior experience, long-term aircraft borrowings would be granted by the banks if the aircraft can be leased out to airline companies.

Lease agreements or irrevocable letters of intent have already been signed for the aircraft scheduled for delivery in the next 12 months from 30 June 2015 and thus the directors of the Company believe that long-term aircraft borrowings can be obtained to repay PDP financing and settle the balance payments of the aircraft acquisition costs due in the next 12 months from 30 June 2015.

- According to the relevant aircraft acquisition agreements, PDP scheduled to be paid in the next 12 months from 30 June 2015 amounted to HK\$1,672.1 million. As at 30 June 2015, the Group had already signed PDP financing agreements with four banks to secure funding commitment of US\$77.8 million (equivalent to HK\$603.1 million) in the next 12 months from 30 June 2015. Subsequent to 30 June 2015, the Group obtained a term sheet from a bank which agrees, in principle, to provide PDP financing facility of US\$89.6 million (equivalent to HK\$694.6 million) to the Group available up to 30 November 2018, of which US\$77.6 million (equivalent to HK\$601.6 million) will be drawn down in the next 12 months from 30 June 2015 subject to the signing and execution of the loan agreements. The remaining balance of PDP amounting to HK\$467.4 million is to be funded by internally generated financial resources of the Group and additional financing which is expected to be obtained in the coming 12 months. As at the approval date of the Interim Financial Information, a commercial bank has granted the Group certain working capital facilities amounting to US\$24.0 million (equivalent to HK\$186.1 million), which are available up to 2 February 2018.
- In June 2013, the Group entered into a cooperative agreement with China Development Bank, Hong Kong Branch, pursuant to which the bank agrees to provide to the Group a conditional loan facility amounting to US\$1.5 billion (equivalent to approximately HK\$11.7 billion) during the period of 2013 to 2018 for the purpose of purchasing aircraft. The granting of each specific loan under this facility will be subject to the credit assessment by the bank and the agreement of terms and conditions, which will only be confirmed shortly before taking delivery of the relevant aircraft. The Group also entered into a framework strategic cooperative agreement with The Export-Import Bank of China on 4 November 2014, pursuant to which the bank agrees to provide the Group with a credit facility up to RMB10.0 billion (equivalent to approximately HK\$12.5 billion). The term of the framework agreement is three years from the date of signing of the framework agreement. The granting of each specific loan under this facility will be subject to the credit assessment by the bank and the agreement of terms and conditions.
- On 15 July 2015, the subsidiary of the Company issued 5-year medium term notes in the aggregate principal amount of RMB340.0 million (equivalent to HK\$432.9 million). The proceeds of the medium term notes will be used to finance the payment of aircraft acquisition cost.
- For the existing long-term aircraft borrowings, under the business model of the Group, the expected cash inflows from lease receivables generally match the required cash outflows for instalment repayments of the long-term aircraft borrowings over the entire lease term of the aircraft.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, covering a period of not less than 12 months from the balance sheet date. Based on these projections, the sufficiency of cash flows for the Group's present requirements for at least the next twelve months is heavily dependent on the Group's ability to obtain the necessary funding from the long-term aircraft borrowings and the availability of banking and other sources of financing. Based on the industry practice and prior experience, the directors are of the view that long-term aircraft borrowings can be obtained as the related lease agreements or irrevocable letters of intent have already been signed for the aircraft scheduled for delivery in the next 12 months from 30 June 2015.

On this basis, the directors of the Company are of the opinion that, taking into account the Group's operating performance and business prospects, internal resources, available banking facilities that have been granted or will be granted as detailed above, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those aircraft acquisition commitments in the next 12 months from 30 June 2015. Accordingly, the directors consider that the Group will be in a position to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group's financial statements for the year ended 31 December 2014.

New standards, amendments and interpretation to the existing standards that are effective during the six months ended 30 June 2015 have been adopted by the Group consistently unless prohibited by the relevant standard to apply retrospectively.

The following new accounting standards, interpretation and amendments to standards that are relevant to the Group have been issued but are not effective and have not been early adopted by the Group:

	<b>Effective for annual periods beginning on or after</b>
Annual improvements 2014, "changes from the 2012-2014 cycle of the annual improvements project"	1 January 2016
Amendments to HKAS 1, "Disclosure initiative"	1 January 2016
Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016
Amendment to HKAS 27, "Equity method in separate financial statements"	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, "Investment entities: applying the consolidation exception"	1 January 2016
Amendments to HKAS 1, "Disclosure initiative"	1 January 2016
HKFRS15, "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9, "Financial Instruments"	1 January 2018

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

#### 4 PROPERTY, PLANT AND EQUIPMENT

	Aircraft HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2015</b>					
Opening net book amount	1,704,356	260	115	1,964	1,706,695
Additions	–	1,333	–	1,547	2,880
Depreciation	(43,484)	(619)	(87)	(398)	(44,588)
Currency translation difference	1,426	35	–	(6)	1,455
	<u>1,662,298</u>	<u>1,009</u>	<u>28</u>	<u>3,107</u>	<u>1,666,442</u>
Closing net book amount					
<b>Six months ended 30 June 2014</b>					
Opening net book amount	1,485,546	530	288	763	1,487,127
Additions	298,531	–	–	146	298,677
Depreciation	(27,154)	(120)	(87)	(160)	(27,521)
Currency translation difference	2	(60)	–	19	(39)
	<u>1,756,925</u>	<u>350</u>	<u>201</u>	<u>768</u>	<u>1,758,244</u>
Closing net book amount					

#### 5 FINANCE LEASE RECEIVABLES – NET

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Finance lease receivables	13,095,747	11,410,919
Guaranteed residual values	3,951,273	3,361,473
Unguaranteed residual values	5,071,104	4,459,299
	<u>22,118,124</u>	<u>19,231,691</u>
Gross investment in leases	22,118,124	19,231,691
Less: unearned finance income	(8,816,448)	(7,788,206)
	<u>13,301,676</u>	<u>11,443,485</u>
Net investment in leases	13,301,676	11,443,485
Less: accumulated allowance for impairment (i)	–	–
	<u>13,301,676</u>	<u>11,443,485</u>
Finance lease receivables – net		

- (i) The directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from airline companies is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 30 June 2015.

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

	<b>30 June 2015</b> <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Gross investment in finance lease	<b>22,118,124</b>	19,231,691
Less: unguaranteed residual values	<b>(5,071,104)</b>	(4,459,299)
Minimum lease payments receivable	<b>17,047,020</b>	14,772,392
Less: unearned finance income related to minimum lease payments receivable	<b>(6,083,979)</b>	(5,336,229)
Present value of minimum lease payments receivable	<b><u>10,963,041</u></b>	<u>9,436,163</u>

The table below analyses the Group's gross investment in finance lease by relevant maturity groupings at the end of each reporting period:

	<b>30 June 2015</b> <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Gross investment in finance lease		
– Not later than 1 year	<b>1,321,740</b>	1,125,802
– Later than 1 year and not later than 5 years	<b>5,593,257</b>	4,894,837
– Later than 5 years	<b>15,203,127</b>	13,211,052
	<b><u>22,118,124</u></b>	<u>19,231,691</u>

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

	<b>30 June 2015</b> <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Present value of minimum lease payments receivable		
– Not later than 1 year	<b>602,403</b>	506,936
– Later than 1 year and not later than 5 years	<b>2,558,773</b>	2,234,647
– Later than 5 years	<b>7,801,865</b>	6,694,580
	<b><u>10,963,041</u></b>	<u>9,436,163</u>

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

	30 June 2015		31 December 2014	
	HK\$'000	%	HK\$'000	%
Customer:				
Airline Company-A	2,365,170	18%	2,395,877	21%
Airline Company-B	2,680,695	20%	2,721,504	24%
Airline Company-C	1,600,562	12%	1,629,914	14%
Airline Company-D	416,315	3%	400,184	3%
Airline Company-E	704,832	5%	713,798	6%
Airline Company-F	1,206,997	9%	556,167	5%
Airline Company-G	1,676,045	13%	680,840	6%
Airline Company-H	2,011,982	15%	2,037,551	18%
Airline Company-I	304,451	2%	307,650	3%
Airline Company-J	334,627	3%	–	–
	<u>13,301,676</u>	<u>100%</u>	<u>11,443,485</u>	<u>100%</u>

## 6 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
PDP (i)	3,378,643	3,241,157
Interest capitalised	99,409	63,158
Prepayments and receivables relating to aircraft acquisition	107,558	190,762
Deposit for land bidding	158,730	–
Others (ii)	16,484	8,283
	<u>3,760,824</u>	<u>3,503,360</u>

- (i) The Group entered into aircraft acquisition agreement with Airbus SAS for the acquisition of various aircraft for future lease projects. Such prepayments were made according to the payment schedules set out in the aircraft acquisition agreement.
- (ii) “Others” above were unsecured, interest-free and repayable on demand.

## 7 SHARE CAPITAL

Movements of the ordinary share capital of the Company are as follows:

	Par value of each share	Number of issued shares	Share capital in HK\$
Issued			
At 1 January 2014	US\$1	10,000	78,000
Share repurchase and cancellation (a)(i)	US\$1	(10,000)	(78,000)
Issue of new shares (a)(i)	HK\$0.1	10,000	1,000
Capitalisation of share premium (a)(ii)&(iii)	HK\$0.1	468,971,000	46,897,100
Issue of new shares (b)	HK\$0.1	116,800,000	11,680,000
		<u>585,781,000</u>	<u>58,578,100</u>
At 31 December 2014 and 1 January 2015			
Issue of new shares from exercise of share options (c)	HK\$0.1	<u>20,060,960</u>	<u>2,006,096</u>
		<u>605,841,960</u>	<u>60,584,196</u>
At 30 June 2015			

(a) On 23 June 2014, the following changes in the share capital of the Company took place:

- (i) The authorised share capital of the Company was increased to HK\$1,000,000,000 by the creation of 10,000,000,000 new shares of HK\$0.1 each. The Company repurchased from China Aircraft Leasing Holdings Limited (“CALH”) all of the 10,000 shares of US\$1 each then in issue in the consideration of allotment and issue of 10,000 new shares of HK\$0.1 each to CALH. Immediately thereafter, the Company cancelled 50,000 shares of US\$1 each in the authorised capital of the Company.
- (ii) The Company allotted and issued 468,941,929 new shares, credited as fully paid at par, by capitalising and applying in full up to an amount of HK\$46,894,192.90 standing to the credit of the share premium account of the Company.
- (iii) Pursuant to a shareholders’ resolution dated 23 June 2014, conditional on the share premium account of the Company being credited as a result of the global offering, the directors were authorised to capitalise the amount of HK\$2,907.10 standing to the credit of the share premium account of the Company to pay up in full at par value of 29,071 shares for allotment and issue to the shareholders in proportion to their respective shareholdings. As at 30 June 2014, the global offering was not completed and the 29,071 shares were not issued.

(b) On 11 July 2014, the Company issued 116,800,000 new ordinary shares of HK\$0.1 each in the Company at HK\$5.53 per share. After deducting the issuance cost, HK\$11,680,000 and HK\$608,996,000 were credited to share capital and share premium respectively. On the same date, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited.

- (c) During the six months ended 30 June 2015, certain employees and consultants exercised share options granted under share option schemes, resulting in 20,060,960 new shares being issued, with total exercise proceeds of HK\$31,064,000. The related weighted average price at the time of exercise was HK\$10.76 per share.

Movement of outstanding share options granted by the Group on 4 August 2011 (Pre-IPO Share Option Scheme) and 2 September 2014 (Post-IPO Share Option Scheme) is as follows:

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Pre-IPO	Post-IPO	Total	Pre-IPO	Post-IPO	Total
Beginning of period	42,030,000	26,890,000	68,920,000	42,030,000	–	42,030,000
Exercised	(18,912,560)	(1,148,400)	(20,060,960)	–	–	–
Lapsed	(67,000)	(291,000)	(358,000)	–	–	–
End of period	<u>23,050,440</u>	<u>25,450,600</u>	<u>48,501,040</u>	<u>42,030,000</u>	<u>–</u>	<u>42,030,000</u>

The exercise price per share of Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme for the six months ended 30 June 2015 was US\$0.161 and HK\$6.38, respectively.

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the six months ended 30 June 2015 are as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Directors and employee	1,819	–
Consultants	5,434	–
	<u>7,253</u>	<u>–</u>

## 8 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>30 June 2015</b> <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Deferred income tax liabilities:		
– To be settled after 12 months	<u>97,971</u>	<u>67,161</u>

The movement of the deferred income tax liabilities during the six months ended 30 June 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>Accelerated depreciation of leased assets</b> <i>HK\$'000</i>
Deferred income tax liabilities	
At 1 January 2014	26,267
Charged to profit or loss	<u>7,723</u>
At 30 June 2014	<u>33,990</u>
At 1 January 2015	<b>67,161</b>
Charged to profit or loss	<b>30,767</b>
Currency translation difference	<u>43</u>
At 30 June 2015	<u><b>97,971</b></u>

The Group offsets its deferred tax assets and deferred tax liabilities to the extent that they relate to the same entity and the same taxation authority.

## 9 BANK BORROWINGS

	<b>30 June 2015</b> <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Secured bank borrowings for aircraft acquisition financing (i)	<b>12,445,759</b>	12,262,667
PDP financing (ii)	<b>2,741,195</b>	2,304,913
Working capital borrowings (iii)	<u>907,065</u>	<u>775,068</u>
	<u><b>16,094,019</b></u>	<u>15,342,648</u>

- (i) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating USD LIBOR rates. As at 30 June 2015, the bank borrowings were secured by, in addition to other legal charges, all of the Group's aircraft leased to airline companies under either finance lease or operating lease, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain of the Group companies and pledge of deposits amounting to HK\$87,847,000 (31 December 2014: HK\$158,285,000).
- (ii) As at 30 June 2015, bank borrowings for PDP for the acquisition of aircraft amounting to HK\$2,741,195,000 (31 December 2014: HK\$2,304,913,000) were secured by certain rights and benefits in respect of the acquisition of the aircraft, guarantees from the Company and China Aircraft Leasing Company Limited ("CALC (BVI)"), pledge of the shares in CALC Asset Limited and China Aircraft Purchase Limited and pledge of deposits of HK\$12,602,000 (31 December 2014: HK\$10,344,000).
- (iii) As at 30 June 2015, the Group had outstanding working capital borrowings of HK\$907,065,000 (31 December 2014: HK\$775,068,000) from four banks (31 December 2014: three banks) which were guaranteed by the Company and CALC (BVI) (31 December 2014: Same).

The Group has the following undrawn borrowing facilities:

	<b>30 June 2015</b>	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Floating rate:		
– Expiring within one year	<b>109,616</b>	77,577
– Expiring beyond one year	<b>588,488</b>	318,458
	<b>698,104</b>	396,035

## 10 LONG-TERM BORROWINGS

	<b>30 June 2015</b>	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings from independent third parties	<b>641,690</b>	642,116

As at 30 June 2015, 5 borrowings (31 December 2014: 5 borrowings) were provided by trust plans to five subsidiaries (31 December 2014: five subsidiaries) of the Group. The effective interest rates of long-term borrowings are from 6.2% to 7.8% (31 December 2014: 6.2% to 7.8%) per annum for remaining terms of nine years to eleven years. These long-term borrowings were secured by aircraft held by each subsidiary and the shares in China Asset Leasing Company Limited ("CALCL"), and guaranteed by CALCL. The trust plans are also counterparties to the transfer of finance lease receivable transactions entered into with each subsidiary.

## 11 CONVERTIBLE BONDS

In April and May 2015, the Company completed the issue of convertible bonds at a par value of HK\$387.9 million, HK\$116.4 million and HK\$387.9 million to Huarong (HK) International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited, respectively. The bonds bear interest rate of 3.0% per annum and arrangement fee of 3.5% per annum with maturity of three years from the issue date and can be converted into shares at the holder's option at any time on or after 41st day from the bonds issue date to the 10th day prior to the maturity date. The conversion price is HK\$11.28 per share, subject to adjustment in accordance with the terms and conditions of the bonds.

The fair value of the liability component was estimated at the respective date of issue using an interest rate (inclusive of arrangement fee) that would be available at that date to the Company for a non-convertible bond with equivalent terms ("effective interest rate"). The residual amount, being the par value of the bonds less the fair value of the liability component, represents the value of the equity conversion option. The transaction costs of HK\$15,494,000, consisting mainly of the underwriting commission, are netted off against the liability component and the equity conversion option component proportionately to arrive at the carrying amounts of the respective components on initial recognition.

Interest expense (Note 14) on the carrying amount of the liability component is accrued at the effective interest rate of 11.8% to 14.0% (inclusive of arrangement fee) to adjust the carrying amount of the liability component to its amortised cost, being the present value of the expected future cash flows relating to periodic interest payments and principal repayment at par value at the maturity date.

	<b>30 June 2015</b>		
	<b>Liability</b> <i>HK\$'000</i>	<b>Equity</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Par value of convertible bonds issued	<b>773,456</b>	<b>118,714</b>	<b>892,170</b>
Transaction costs	<b>(13,321)</b>	<b>(2,173)</b>	<b>(15,494)</b>
	<hr/>	<hr/>	<hr/>
Carrying value on initial recognition	<b>760,135</b>	<b>116,541</b>	<b>876,676</b>
Accumulated interest accrued at effective interest rate	<b>18,059</b>	<b>–</b>	<b>18,059</b>
	<hr/>	<hr/>	<hr/>
Carrying value at 30 June 2015	<b><u>778,194</u></b>	<b><u>116,541</u></b>	<b><u>894,735</u></b>

## 12 OTHER PAYABLES AND ACCRUALS

	<b>30 June 2015</b>	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits received (i)	<b>152,674</b>	142,619
Consultant fee and insurance premium payable	<b>88,650</b>	99,006
Business tax, value-added tax and withholding tax payables	<b>76,488</b>	76,588
Operating lease rentals received in advance	<b>22,669</b>	22,523
Others (include salary and bonus payable)	<b>24,397</b>	41,920
	<b><u>364,878</u></b>	<u>382,656</u>

(i) Deposits received from airline companies for lease projects.

Except for the “Operating lease rental received in advance”, the above amounts were unsecured, interest-free and repayable within one year.

## 13 LEASE RENTAL INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2015, the Group was engaged in a single business segment, i.e. provision of aircraft leasing services to airline companies in Mainland China and other countries or regions in Asia. The Group leases its aircraft to airline companies under finance lease or operating lease under which it receives rentals.

For the six months ended 30 June 2015, the Group leased aircraft to 10 (six months ended 30 June 2014: 8) airline companies.

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

	<b>Six months ended 30 June</b>			
	<b>2015</b>		<b>2014</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Customer:				
Airline Company-A	<b>89,196</b>	<b>16%</b>	106,175	26%
Airline Company-B	<b>102,954</b>	<b>18%</b>	68,524	17%
Airline Company-C	<b>62,686</b>	<b>11%</b>	68,240	16%
Airline Company-D	<b>88,689</b>	<b>15%</b>	111,410	27%
Airline Company-E	<b>25,144</b>	<b>4%</b>	25,873	6%
Airline Company-F	<b>73,233</b>	<b>13%</b>	24,788	6%
Airline Company-G	<b>40,631</b>	<b>7%</b>	8,746	2%
Airline Company-H	<b>67,006</b>	<b>12%</b>	2,017	–
Airline Company-I	<b>10,471</b>	<b>2%</b>	–	–
Airline Company-J	<b>10,262</b>	<b>2%</b>	–	–
	<b><u>570,272</u></b>	<b><u>100%</u></b>	<u>415,773</u>	<u>100%</u>
Total finance and operating lease income	<b><u>570,272</u></b>	<b><u>100%</u></b>	<u>415,773</u>	<u>100%</u>

## 14 INTEREST EXPENSE

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Interest expense on bank borrowings	366,790	269,122
Interest expense on long-term borrowings	22,695	4,068
Interest expense on convertible bonds (i)	18,059	–
Less: interest capitalised on qualifying assets (ii)	(70,314)	(35,565)
	<u>337,230</u>	<u>237,625</u>

- (i) Interest expense on convertible bonds consists of interest payable of HK\$4,537,000 which is calculated based on interest rate of 3.0% per annum. The remaining amount represents arrangement fee based on a rate of 3.5% per annum and the notional adjustment to accrete the carrying amount of liability component of convertible bonds to the present value of estimated future cash flows expected to be required for settlement up to maturity date.
- (ii) Interest capitalised on qualifying assets represents the amount of interest on interest-bearing debts which is directly attributable to the acquisition of aircraft and was capitalised or will be capitalised as the cost of aircraft upon delivery of aircraft.

## 15 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current income tax: Mainland China, Hong Kong and others	10,316	15,767
Deferred income tax	30,767	7,723
	<u>41,083</u>	<u>23,490</u>

### Mainland China

For the six months ended 30 June 2015, the subsidiaries incorporated in Mainland China were subject to the PRC corporate income tax (“CIT”) at a rate of 25%. The leasing income was subject to business tax (“BT”) at 5% or value added tax (“VAT”) at 17% depending on when the leasing contracts were entered into between the subsidiaries and the customers. The comparative tax rates for the six months ended 30 June 2014 were same.

For the six months ended 30 June 2015, BT at 5% and CIT at 10% or 6% (tax treaty rate) were withheld on lease rental income payable by lessees in Mainland China to non-Mainland China tax resident subsidiaries of the Group. Interest payable to the group companies incorporated in Hong Kong was subject to BT at 5% and CIT at 7%. The comparative tax rates for the six months ended 30 June 2014 were same.

## Hong Kong

For the six months ended 30 June 2015, the subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% (six months ended 30 June 2014: 16.5%).

## 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 are subject to income tax at a rate of 25% under the S110 tax regime.

The subsidiary incorporated in the Netherlands is subject to income tax at a rate of 20% over the first Euro 200,000 of its taxable income and a rate of 25% over its taxable income in excess of Euro 200,000.

The subsidiaries incorporated in Labuan are subject to income tax at a rate of 3% on the net profits or to be taxed at Malaysian Ringgit 20,000 if annual election is made.

## 16 DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Interim dividend proposed of HK\$0.04 per ordinary share	<u>24,234</u>	<u>–</u>

On 26 March 2015, the Company declared a final dividend of HK\$0.16 per ordinary share totalling HK\$94.6 million for the year ended 31 December 2014 which was paid in May 2015 (six months ended 30 June 2014: HK\$69.0 million for the year ended 31 December 2013 which was paid in June 2014).

On 25 August 2015, the Board declared an interim dividend of HK\$0.04 (six months ended 30 June 2014: Nil) per ordinary share amounting to HK\$24,234,000 which is calculated based on 605,841,960 issued shares as at 25 August 2015. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 30 June 2015, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

## 17 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2014 and 2015.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>116,678</b>	62,827
Weighted average number of ordinary shares in issue	<b>588,890,628</b>	468,951,929
Basic earnings per share ( <i>HK\$ per share</i> )	<b>0.198</b>	0.134

### (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 two categories of dilutive potential ordinary shares: convertible bonds and share options. For convertible bonds, the weighted average number of ordinary shares is adjusted to include the additional shares issued upon conversion and the net profit is adjusted to eliminate the post-tax interest expense charged to profit or loss during the financial period. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
<b>Earnings</b>		
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>116,678</b>	62,827
Adjustments for:		
– Interest expense net of tax on convertible bonds, excluding capitalised amount ( <i>HK\$'000</i> )	<b>5,847</b>	–
	<b>122,525</b>	62,827
<b>Weighted average number of ordinary shares for diluted earnings per share</b>		
Weighted average number of ordinary shares in issue	<b>588,890,628</b>	468,951,929
Adjustments for:		
– Assumed conversion of convertible bonds	<b>27,586,634</b>	–
– Share options	<b>16,372,917</b>	–
	<b>632,850,179</b>	468,951,929
Diluted earnings per share ( <i>HK\$ per share</i> )	<b>0.194</b>	0.134

## OTHER INFORMATION

### Capital Management

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

For the six months ended 30 June 2015, the objective, policies or processes for managing capital remained largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital by gearing ratio:

	<b>30 Jun 2015</b>	31 Dec 2014	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	%
	<b>Unaudited</b>	Audited	
Total assets	<b>20,039.8</b>	18,313.0	9.4%
Interest-bearing debts included in the total liabilities*	<b>17,513.9</b>	15,984.7	9.6%
Gearing ratio (Interest-bearing debts to total assets)	<b>87.4%</b>	87.3%	0.1 p.p.

\* Interest-bearing debts included bank borrowings, long-term borrowings and convertible bonds.

## Capital Expenditure

During the six months ended 30 June 2015, our capital expenditure was principally used for business expansion purposes including the purchase of aircraft to generate lease income. The primary source of financing for our capital expenditure was our bank borrowings.

The following table sets out our capital expenditure:

	For the six months ended 30 June		Change %
	2015 <i>HK\$ million</i> Unaudited	2014 <i>HK\$ million</i> Unaudited	
Acquisition of aircraft (for finance and operating lease)	2,037.6	2,327.5	-12.5%
Acquisition of property, plant and equipment excluding aircraft	<u>2.9</u>	<u>0.1</u>	2,800%
Total	<u>2,040.5</u>	<u>2,327.6</u>	-12.3%

## Risk Management

Our principal financial instruments include finance lease receivables, interest-bearing borrowings and cash and cash equivalents. The main purpose of these financial instruments is to support our business operations and aircraft acquisition plans. We also have various financial assets and financial liabilities arising from our business operations. The principal risks arising from our financial instruments are market risk (including currency exchange risk and the interest rate risk), credit risk, and liquidity risk. We intend to achieve an appropriate balance between the risks and the investment returns so as to minimize the potential adverse impact on our business and financial condition.

### ***Currency exchange risk***

In the normal course of business, the Group is exposed to currency exchange risks as certain portion of cash and cash equivalents, financial assets including finance lease receivables, prepayments and other receivables, financial liabilities including borrowings, other payables and accruals held by the Group are denominated in currencies other than HK\$. The Group derived its aircraft leasing income from finance lease receivables and the corresponding borrowing used to finance the leases mainly denominated in United State dollars and Reminbi. Currency exchange risk may arise when the finance lease receivables and corresponding borrowings are denominated in different currencies. The management minimises the currency exchange risk by matching the finance lease receivables and borrowings under the same currency and considers hedging significant currency exchange exposure where it is necessary and appropriate.

### ***Interest rate risk***

Our interest rate risk mainly arises from finance lease receivables and bank borrowings. Finance lease receivables and bank borrowings issued at floating rates expose us to cash flow interest rate risk. Finance lease receivables and bank borrowings issued at fixed rates expose us to fair value interest rate risk.

We manage interest rate risk by way of matching the interest rates of the finance lease receivables with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the finance lease receivables and the corresponding bank borrowings cannot be matched. As at 30 June 2015, there were 23 aircraft lease agreements with rentals fixed for the whole lease term while the associated bank borrowings bear floating rates. Given the above scenario, we have managed our cash flow interest rate risk by entering into floating-to-fixed interest rate swaps for the associated floating rate bank borrowings for 8 aircraft lease projects. Such interest rate swaps have the economic effect of converting bank borrowings from floating rates to fixed rates. Under the interest rate swaps, we agree with other parties to exchange, at specified intervals (primarily quarterly), the difference in amounts between the fixed leg and the floating leg calculated by reference to the agreed notional amounts. For the remaining cases of interest rate mismatch, management monitors the interest rate exposure closely and will consider hedging the exposure where necessary and appropriate. We are not engaged in any interest hedging activity for the PDP financing and working capital facilities, as PDP financing is under short terms of approximately two years.

The following table shows an analysis of the interest rate exposure against the lease income receivable for the aircraft delivered up to 30 June 2015 by us:

	<b>Number of aircraft</b>
Aircraft with fixed rental and fixed interest rate repayments	19
Aircraft with fixed rental and floating interest rate repayments (with hedging)	8
Aircraft with floating rental and floating interest rate repayments	3
Aircraft under realisation arrangements	5
Aircraft with fixed rental and floating interest rate repayments (without hedging)	15
	<hr/>
Total	<b>50</b>
	<hr/>

Given the availability of the USD interest rate swaps, we will continue to use interest rate swap arrangements for those aircraft with interest rate mismatch.

### ***Credit risk***

We take on exposure to credit risk, by virtue of the fact that counterparty could cause a financial loss to us by failing to discharge an obligation. Significant changes in the economy or in the operating environment of a particular industry segment that represents a concentration in our portfolio, could result in losses that are different from those provided for as of the balance sheet date. We therefore carefully manage our exposure to credit risk. Our credit exposure is generally arising from counterparty risk in the course of providing aircraft leasing services. We implement our risk management system according to our plan based on our industry research, counterparty credit rating, and understanding of the counterparty's operations, financial condition, and its shareholders' support. We believe that all of these are able to strengthen the control and the management of our credit risk.

Default risk – in the event of default, we may demand return of aircraft, repossession of aircraft or disposal of aircraft, as appropriate.

Late payment risk – in the event of late payment, we are 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, we may request a security deposit which we may apply towards the payment or discharge of any obligation owed by the lessee.

We manage, limit and control concentrations of credit risk wherever they are identified, in particular, periodically to assess the lessee' repayment ability.

As to impairment and allowance policies, we assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Our policy requires the review of the financial statements of the lessee or its parent company and the valuation and residual value of the aircraft (effectively the collateral held) under the lease at least annually or more regularly when circumstances require.

Lease receivables (both finance lease and operating lease) and financial assets of our Group are neither past due nor impaired. We have not encountered any delay or default in the collection of lease receivables. No impairment allowance was made for our finance lease receivables and financial assets of our Group as of 30 June 2015.

### ***Liquidity risk***

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

Our Group manages its liquidity risk through daily monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets, and maintaining an efficient internal fund transfer mechanism to ensure liquidity of the Group.

The table below summarizes the maturity profile of the Group's financial assets, PDP and financial liabilities based on the contractual undiscounted cash flows.

	<b>Less than 1 year HK\$ million</b>	<b>1 to 5 years HK\$ million</b>	<b>Over 5 years HK\$ million</b>	<b>Total HK\$ million</b>
<b>As of 30 June 2015</b>				
PDP	2,220.4	1,041.6	116.6	3,378.6
Total financial assets	2,826.9	6,024.1	11,200.1	20,051.1
Total financial liabilities	<u>(4,639.1)</u>	<u>(6,313.4)</u>	<u>(10,759.6)</u>	<u>(21,712.1)</u>
Net	<u>408.2</u>	<u>752.3</u>	<u>557.1</u>	<u>1,717.6</u>
<b>As of 31 December 2014</b>				
PDP	2,294.3	828.4	118.5	3,241.2
Total financial assets	2,879.0	5,362.1	9,926.6	18,167.7
Total financial liabilities	<u>(5,638.8)</u>	<u>(5,378.1)</u>	<u>(9,637.2)</u>	<u>(20,654.1)</u>
Net	<u>(465.5)</u>	<u>812.4</u>	<u>407.9</u>	<u>754.8</u>

### **Charges on Assets**

Bank borrowings for aircraft acquisition are secured by legal charges over the leased aircraft; pledges of the shares of the relevant subsidiaries, as the registered owners of the aircraft; corporate guarantees provided by certain members of our Group; and pledged deposits amounting to HK\$87.8 million and HK\$158.3 million as at 30 June 2015 and 31 December 2014, respectively. Bank borrowings for PDP are secured by our Group companies' certain rights and benefits in respect of the purchase of aircraft; and pledged deposits of HK\$12.6 million and HK\$10.3 million as at 30 June 2015 and 31 December 2014, respectively.

### **Material Investment, Acquisition, and Disposal**

Except for the disclosure of elsewhere, as at 30 June 2015, the Company had no material investment and there was no material acquisition and disposal of subsidiaries and associated companies.

## **Human Resources**

During the six months ended 30 June 2015, the Group incurred employee benefit expenses of HK\$30.2 million (six months ended 30 June 2014: HK\$18.8 million), maintaining approximately 4.8% of the Group's total revenue and other income for the six months ended 30 June 2015 (six months ended 30 June 2014: 4.3%).

To cope with our Group's expansion, new talent was recruited and the staff number increased to 101 as at 30 June 2015 (30 June 2014: 72).

Our Group believes it has a high quality work force with specialised aircraft industry expertise. They are located in Hong Kong, China and overseas. Approximately 82% of the Group's employees held bachelor's degrees and above.

Our Group has established effective employee incentive schemes to link the remuneration of our employees with their overall performance and contributions, and have established a merit-based remuneration awards system.

## **Contractual Obligations, Contingent Liabilities and Capital Commitments**

### ***Contingent Liabilities***

As at 30 June 2015, no legal proceedings were initiated by any of the third parties against the Group as defendant, nor were there any outstanding claims.

### ***Capital Commitment for Acquisition of Aircraft***

In October 2012, the Group entered into the aircraft acquisition agreement with Airbus for the purchase of 36 aircraft of A320 family which are currently planned to be delivered to us before the end of 2016, out of which 18 aircraft have been delivered up to 30 June 2015, and 18 to be delivered throughout second half of 2015 to the end of 2016.

In December 2014, we entered into another aircraft acquisition agreement with Airbus for the purchase of 100 aircraft of A320 family which are planned to be delivered to us mainly throughout 2016 to 2022.

Our agreements to purchase these aircraft have secured a series of scheduled deliveries which will enable us to achieve our targeted growth. For each aircraft, we are obliged to make PDP at specific dates prior to its scheduled delivery.

The prices are not fixed at the time of entering into the relevant agreement and can only be determined upon the final specifications of the aircraft. The final purchase prices paid by us will be lower than the listed prices because of different aircraft specifications and various price concessions, credits or discounts that may be provided by the aircraft manufacturer. These concessions take the form of credit memoranda, which we may apply towards the purchase of goods and services. These credit memoranda are generally incorporated into the final aircraft invoices and thus reduce the amount to be paid by us for each aircraft. As a result, the final purchase prices of the aircraft purchased by us are expected to be substantially less than the manufacturer's listed prices.

The contracted capital commitment for the acquisition of aircraft as at 30 June 2015 was HK\$43,698.5 million (31 December 2014: HK\$45,901.7 million), representing total estimated purchase costs of the aircraft which are contracted to be purchased and delivered to us under the aircraft acquisition agreement, net of PDP paid as at 30 June 2015.

By order of the Board  
**China Aircraft Leasing Group Holdings Limited**  
**CHEN SHUANG**  
*Executive Director, Chairman and  
Chief Executive Officer*

Hong Kong, 25 August 2015

*As at the date of this announcement, (i) the executive Directors are Mr. CHEN Shuang and Ms. LIU Wanting; (ii) the non-executive Directors are Mr. TANG Chi Chun and Mr. GUO Zibin; and (iii) the independent non-executive Directors are Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan.*