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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “Board”) of China Aircraft Leasing Group Holdings Limited (the “Company”) announces the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 as follows:

FINANCIAL HIGHLIGHTS

(in million Hong Kong dollars, unless otherwise stated)

	Year ended 31 December		
	2015	2014	Change %
Revenue and other income	1,549.3	1,145.0	35.3%
Profit before income tax	480.2	380.7	26.1%
Profit attributable to owners of the Company	380.2	302.8	25.6%
EPS (Basic) <i>(HK cents)</i>	63.6	57.7	10.2%
Gearing ratio <i>(Note)</i>	86.7%	87.3%	-0.6 p.p.
Return on average shareholders' equity	19.2%	22.4%	-3.2 p.p.
Total dividend per share <i>(HK\$)</i>	0.22	0.16	37.5%
Final dividend per share <i>(HK\$)</i>	0.18	0.16	12.5%

Note: Interest-bearing debts/Total assets

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	HK\$'000	HK\$'000
ASSETS			
Property, plant and equipment		2,412,544	1,706,695
Finance lease receivables – net	4	16,473,038	11,443,485
Derivative financial assets		19,439	14,979
Prepayments and other receivables		3,444,332	3,503,360
Restricted cash		208,387	218,951
Cash and cash equivalents		1,389,289	1,425,570
Total assets		23,947,029	18,313,040
EQUITY			
Equity attributable to owners of the Company			
Share capital		60,592	58,578
Reserves		1,437,497	1,273,531
Retained earnings		690,452	429,171
		2,188,541	1,761,280
Non-controlling interests		19,461	19,416
Total equity		2,208,002	1,780,696
LIABILITIES			
Deferred income tax liabilities		122,132	67,161
Bank borrowings	5	18,775,249	15,342,648
Long-term borrowings	6	794,221	642,116
Medium-term notes	7	400,547	–
Convertible bonds	8	796,506	–
Derivative financial liabilities		32,103	33,361
Income tax payables		37,654	21,991
Interest payables		73,303	42,411
Other payables and accruals		707,312	382,656
Total liabilities		21,739,027	16,532,344
Total equity and liabilities		23,947,029	18,313,040

CONSOLIDATED STATEMENT OF INCOME

		Year ended 31 December	
		2015	2014
	Note	HK\$'000	HK\$'000
Revenue			
Finance lease income	9	1,015,395	714,724
Operating lease income	9	223,881	182,127
		<u>1,239,276</u>	<u>896,851</u>
Other income		310,026	248,114
		<u>1,549,302</u>	<u>1,144,965</u>
Expenses			
Interest expense		(753,691)	(520,532)
Depreciation		(91,298)	(71,312)
Other operating expenses		(223,258)	(199,886)
		<u>(1,068,247)</u>	<u>(791,730)</u>
Operating profit		481,055	353,235
Other (losses)/gains	10	(814)	27,480
		<u>480,241</u>	<u>380,715</u>
Profit before income tax		480,241	380,715
Income tax	11	(100,031)	(78,049)
		<u>380,210</u>	<u>302,666</u>
Profit for the year		380,210	302,666
Profit attributable to:			
Owners of the Company		380,165	302,750
Non-controlling interests		45	(84)
		<u>380,210</u>	<u>302,666</u>
Earnings per share for profit attributable to owners of the Company (expressed in HK\$ per share)			
– Basic earnings per share	12(a)	<u>0.636</u>	<u>0.577</u>
– Diluted earnings per share	12(b)	<u>0.624</u>	<u>0.545</u>

Details of the dividends proposed and paid for the year are disclosed in Note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	380,210	302,666
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of interest rate swaps – cash flow hedges	4,734	(40,461)
Reclassified from other comprehensive income to profit or loss – cash flow hedges	1,844	(1,267)
Currency translation differences	(795)	(2,023)
Total other comprehensive income for the year, net of tax	5,783	(43,751)
Total comprehensive income for the year	385,993	258,915
Attributable to:		
Owners of the Company	385,948	258,999
Non-controlling interests	45	(84)
	385,993	258,915

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance as at 1 January 2014	78	743,099	195,421	938,598	19,500	958,098
Comprehensive income						
Profit for the year	–	–	302,750	302,750	(84)	302,666
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges	–	(40,461)	–	(40,461)	–	(40,461)
Reclassified from other comprehensive income to profit or loss – cash flow hedges	–	(1,267)	–	(1,267)	–	(1,267)
Currency translation differences	–	(2,023)	–	(2,023)	–	(2,023)
Total comprehensive income	–	(43,751)	302,750	258,999	(84)	258,915
Transactions with owners						
Issue of new shares	11,681	608,996	–	620,677	–	620,677
Share repurchase and cancellation	(78)	78	–	–	–	–
Capitalisation of shares	46,897	(46,897)	–	–	–	–
Employee share option scheme: – Value of employee services	–	12,006	–	12,006	–	12,006
Dividends (<i>Note 13</i>)	–	–	(69,000)	(69,000)	–	(69,000)
Total transactions with owners	58,500	574,183	(69,000)	563,683	–	563,683
Balance as at 31 December 2014	<u>58,578</u>	<u>1,273,531</u>	<u>429,171</u>	<u>1,761,280</u>	<u>19,416</u>	<u>1,780,696</u>

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance as at 1 January 2015	58,578	1,273,531	429,171	1,761,280	19,416	1,780,696
Comprehensive income						
Profit for the year	–	–	380,165	380,165	45	380,210
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges	–	4,734	–	4,734	–	4,734
Reclassified from other comprehensive income to profit or loss – cash flow hedges	–	1,844	–	1,844	–	1,844
Currency translation differences	–	(795)	–	(795)	–	(795)
Total comprehensive income	–	5,783	380,165	385,948	45	385,993
Transactions with owners						
Employee share option scheme: – Value of employee services	–	12,182	–	12,182	–	12,182
– Issue of new shares from exercise of share options	2,014	29,460	–	31,474	–	31,474
Convertible bonds – equity component	–	116,541	–	116,541	–	116,541
Dividends (<i>Note 13</i>)	–	–	(118,884)	(118,884)	–	(118,884)
Total transactions with owners	2,014	158,183	(118,884)	41,313	–	41,313
Balance as at 31 December 2015	<u>60,592</u>	<u>1,437,497</u>	<u>690,452</u>	<u>2,188,541</u>	<u>19,461</u>	<u>2,208,002</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Year ended 31 December	
		2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash flows from operating activities			
Profit after income tax		380,210	302,666
Adjustments for:			
– Depreciation of property, plant and equipment		91,298	71,312
– Interest expense		753,691	520,532
– Share-based payments		12,182	12,006
– Unrealised currency exchange loss		7,426	4,260
– Fair value gain on currency swap		(1,183)	(15,935)
– Fair value loss on interest rate swap		3,225	–
– Interest income		(1,728)	(1,376)
		<u>1,245,121</u>	<u>893,465</u>
Changes in working capital:			
– Finance lease receivables – net		(4,906,045)	(3,806,252)
– Prepayments and other receivables		8,622	(156,748)
– Other payables and accruals		272,570	176,383
– Income tax payables		15,663	13,378
– Deferred income tax liabilities		56,120	40,894
Net cash flows used in operating activities		<u>(3,307,949)</u>	<u>(2,838,880)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(800,333)	(299,017)
Deposit for purchase of land use rights		(195,231)	–
Deposits refund/(paid) for acquisition of aircraft		296,017	(1,173,953)
Interest received		1,728	1,376
Net cash flows used in investing activities		<u>(697,819)</u>	<u>(1,471,594)</u>
Cash flows from financing activities			
Proceeds from issuance of new shares		31,474	620,677
Proceeds from bank borrowings		9,114,823	7,832,293
Proceeds from long-term borrowings		152,631	492,423
Repayments of bank borrowings		(5,681,754)	(3,867,049)
Repayments of long-term borrowings		(426)	(116)
Interest paid on bank borrowings		(745,321)	(501,077)
Interest paid on long-term borrowings		(42,190)	(12,953)
Interest paid on convertible bonds		(29,696)	–
Decrease/(increase) in deposits pledged in respect of bank borrowings		32,491	(91,419)
Increase in deposits pledged in respect of derivative financial instruments		(26,519)	(25,764)
Issue of convertible bonds, net of transaction costs		876,676	–
Issue of medium-term notes, net of transaction costs		422,674	–
Dividend paid to shareholders	13	(118,884)	(69,000)
Net cash flows generated from financing activities		<u>3,985,979</u>	<u>4,378,015</u>
Net (decrease)/increase in cash and cash equivalents		(19,789)	67,541
Cash and cash equivalents at beginning of the year		1,425,570	1,367,344
Currency exchange difference on cash and cash equivalents		(16,492)	(9,315)
Cash and cash equivalents at end of the year		<u>1,389,289</u>	<u>1,425,570</u>

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 December 2012 as an exempted company with limited liability under the Companies Law (2012 Revision) of the Cayman Islands 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 (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”) has operations mainly in the People’s Republic of China (“PRC”).

The consolidated financial statements for the year ended 31 December 2015 are presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

As at 31 December 2015, the Group’s current liabilities exceeded its current assets by HK\$1,873.2 million. Together with the acquisition of two additional aircraft subsequent to year-end, the Group had capital commitments amounting to HK\$41,091.2 million mainly relating to acquisition of aircraft, of which HK\$5,558.2 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 its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

- 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 31 December 2015, PDP amounting to HK\$2,942.2 million had been paid and the balance of the corresponding PDP financing amounted to HK\$2,063.6 million, of which HK\$1,247.7 million is repayable within one year and is related to aircraft to be delivered in 2016. The Group uses long-term aircraft borrowings for the repayment of PDP financing and the settlement of the balance payments of aircraft acquisition costs. However, the long-term aircraft borrowings can only be confirmed shortly before delivery of the relevant 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 letters of intent have already been signed for the aircraft scheduled for delivery in 2016 and thus the directors of the Company believe that long-term aircraft borrowings can be obtained to settle PDP financing and the balance payments of the aircraft acquisition costs due in 2016.
- According to the relevant aircraft purchase agreements (including the acquisition of 2 additional aircraft subsequent to year-end), PDP scheduled to be paid in the next twelve months from 31 December 2015 amounted to HK\$1,626.4 million. As at the approval date of the consolidated financial statements, the Group had signed PDP financing agreements with various commercial banks which agree to provide financing of US\$66.3 million (equivalent to HK\$513.7 million) to the Group during 2016. The Group

also obtained term sheets from two banks which agree, in principle, to provide total PDP financing facility of US\$142.0 million (equivalent to HK\$1,100.6 million) to the Group. Such PDP financing facility is available till 31 December 2018, of which US\$118.2 million (equivalent to HK\$916.1 million) will be drawn down in the next twelve months from 31 December 2015 subject to the signing and execution of the loan agreements. The remaining balance of PDP amounting to HK\$196.6 million is to be funded by internally generated financial resources of the Group and additional financing expected to be obtained. As at the approval date of the consolidated financial statements, two commercial banks have granted the Group certain working capital facilities amounting to US\$40.0 million (equivalent to HK\$310.0 million), which are available in the coming twelve months from 31 December 2015.

- The Group entered into cooperative agreements with certain banks pursuant to which these banks agreed to provide to the Group conditional loan facilities for aircraft acquisition. The granting of each specific loan will be subject to the banks' credit assessments and approvals and the agreement of terms and conditions of the respective loan agreements, which will only be confirmed shortly before the delivery of the relevant aircraft.
- For the existing long-term aircraft borrowings, under the business model of the Group, the expected cash inflows from lease receivables generally match with 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 twelve months from the balance sheet date. Based on these projections, the sufficiency of cash flows for the Group's present requirements for the next twelve months from 31 December 2015 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 letters of intent have already been signed for the aircraft scheduled for delivery in 2016.

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 capital commitments in the next twelve months from 31 December 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

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle

The adoption of these amendments does not have a material impact on the Group.

(ii) New Hong Kong Companies Ordinance (Chapter 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Chapter 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(iii) New standards and interpretations not yet adopted

The following new/revised standards and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2015:

HKFRSs (Amendments) ⁽ⁱ⁾	Annual Improvements 2012–2014 Cycle
HKAS 1 (Amendments) ⁽ⁱ⁾	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments) ⁽ⁱ⁾	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment) ⁽ⁱ⁾	Agriculture: Beater Plants
HKAS 27 (Amendments) ⁽ⁱ⁾	Equity Method in Separate Financial Statements
HKFRS 9 (2014) ⁽ⁱⁱⁱ⁾	Financial Instruments
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) ⁽ⁱ⁾	Investment Equities: Applying the Consolidation Exceptions
HKFRS 10 and HKAS 28 ⁽ⁱⁱⁱ⁾	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 (Amendment) ⁽ⁱ⁾	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14 ⁽ⁱ⁾	Regulatory Deferral Accounts
HKFRS 15 ⁽ⁱⁱ⁾	Revenue from Contracts with Customers

⁽ⁱ⁾ Effective for annual periods beginning on or after 1 January 2016

⁽ⁱⁱ⁾ Effective for annual periods beginning on or after 1 January 2018

⁽ⁱⁱⁱ⁾ No mandatory effective date yet determined but is available for adoption

The impact of adoption of these new/revised standards and amendments to existing standards in future periods is not currently known or cannot be reasonably estimated.

4 FINANCE LEASE RECEIVABLES — NET

	31 December	
	2015	2014
	HK\$'000	HK\$'000
Finance lease receivables	15,970,062	11,410,919
Guaranteed residual values	5,123,495	3,361,473
Unguaranteed residual values	6,142,055	4,459,299
	<hr/>	<hr/>
Gross investment in leases	27,235,612	19,231,691
Less: unearned finance income	(10,762,574)	(7,788,206)
	<hr/>	<hr/>
Net investment in leases	16,473,038	11,443,485
Less: accumulated allowance for impairment (a)	—	—
	<hr/>	<hr/>
Finance lease receivables — net	<u>16,473,038</u>	<u>11,443,485</u>

(a) 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 31 December 2015.

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

	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross investment in finance leases	27,235,612	19,231,691
Less: Unguaranteed residual values	(6,142,055)	(4,459,299)
Minimum lease amounts receivable	21,093,557	14,772,392
Less: Unearned finance income related to minimum lease amounts receivable	(7,506,573)	(5,336,229)
Present value of minimum lease amounts receivable	<u>13,586,984</u>	<u>9,436,163</u>

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

	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
– Not later than 1 year	1,604,293	1,125,802
– Later than 1 year and not later than 5 years	6,879,054	4,894,837
– Later than 5 years	18,752,265	13,211,052
	<u>27,235,612</u>	<u>19,231,691</u>

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

	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
– Not later than 1 year	720,090	506,936
– Later than 1 year and not later than 5 years	3,146,287	2,234,647
– Later than 5 years	9,720,607	6,694,580
	<u>13,586,984</u>	<u>9,436,163</u>

The carrying amounts of the Group's finance lease receivables are principally denominated in US\$.

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

	31 December			
	2015		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Categorised by customer in term of lease receivables:				
Five largest airline companies	11,288,283	69%	9,498,644	83%
Other airline companies	5,184,755	31%	1,944,841	17%
Finance lease receivables – net	<u>16,473,038</u>	<u>100%</u>	<u>11,443,485</u>	<u>100%</u>

5 BANK BORROWINGS

	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank borrowings for aircraft acquisition financing (a)	15,908,923	12,262,667
PDP financing (b)	2,063,645	2,304,913
Working capital borrowings (c)	802,681	775,068
	<u>18,775,249</u>	<u>15,342,648</u>

- (a) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating US\$ LIBOR rates. As at 31 December 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 leases or operating leases, 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\$119,214,000 (2014: HK\$158,285,000).
- (b) As at 31 December 2015, PDP financing was 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)"), and pledge of deposits of HK\$6,356,000 (2014: HK\$10,344,000).
- (c) As at 31 December 2015, the Group borrowed an aggregate amount of working capital borrowings of HK\$802,681,000 (2014: HK\$775,068,000) from four banks (2014: three banks) which was guaranteed by the Company and CALC (BVI) (2014: Same).

The borrowings are repayable as follows:

	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	3,411,695	4,689,521
Between 1 and 2 years	1,702,979	993,735
Between 2 and 5 years	3,481,454	2,448,475
Over 5 years	10,179,121	7,210,917
	<u>18,775,249</u>	<u>15,342,648</u>

The exposure of bank borrowings to interest rate changes and the contractual interest rate repricing dates at the end of balance sheet date are as follows:

	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-interest rate	6,669,105	5,256,250
Floating-interest rate	12,106,144	10,086,398
	<u>18,775,249</u>	<u>15,342,648</u>

The average effective interest rate as at 31 December 2015 of bank borrowings was 4.67% (2014: 4.62%). The carrying amounts of borrowings are principally denominated in US\$.

6 LONG-TERM BORROWINGS

	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings from trust plans	<u>794,221</u>	<u>642,116</u>

As at 31 December 2015, seven borrowings (2014: five borrowings) were provided by trust plans to seven subsidiaries (2014: five subsidiaries) of the Group. The effective interest rates of long-term borrowings are from 6.2% to 7.8% (2014: from 6.4% to 7.8%) per annum for terms of 8 years to 11 years. These long-term borrowings were secured by shares of and aircraft held by each subsidiary and guaranteed by China Asset Leasing Company Limited. The trust plans are also counterparties to the transfer of finance lease receivable transactions entered into with each subsidiary.

7 MEDIUM-TERM NOTES

On 15 July 2015, a subsidiary of the Company issued 5-year medium term notes in the aggregate principal amount of RMB340.0 million (equivalent to HK\$406.0 million) in the PRC, net of transaction cost of HK\$5.5 million. The notes bear interest at 6.5% per annum.

8 CONVERTIBLE BONDS

	31 December 2015		
	Liability	Equity	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Par value of convertible bonds issued during 2015	773,456	118,714	892,170
Transaction costs	<u>(13,321)</u>	<u>(2,173)</u>	<u>(15,494)</u>
Carrying amount on initial recognition	760,135	116,541	876,676
Accumulated interest expense accrued at effective interest rate	66,067	–	66,067
Accumulated interest paid (inclusive of arrangement fee)	<u>(29,696)</u>	<u>–</u>	<u>(29,696)</u>
Carrying amount as at 31 December 2015	<u>796,506</u>	<u>116,541</u>	<u>913,047</u>

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 China Huarong International Holdings Limited (formerly known as 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 the 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 adjustments 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 on the carrying amount of the liability component is accrued at the effective interest rate of 11.8% to 14.1% (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.

Interest expense on convertible bonds consists of interest paid or payable of HK\$18,338,000 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.

9 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2015, the Group is engaged in a single business segment, 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 leases or operating leases under which it receives rentals.

The Group leased aircraft to eleven airline companies for the year ended 31 December 2015 (2014: nine).

The following table sets forth the amounts of rentals attributable to individual airline companies:

	Year ended 31 December			
	2015		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Categorised by customer in terms of lease income:				
Five largest airline companies	866,458	70%	779,373	87%
Other airline companies	372,818	30%	117,478	13%
Total finance and operating lease income	<u>1,239,276</u>	<u>100%</u>	<u>896,851</u>	<u>100%</u>

10 OTHER (LOSSES)/GAINS

	Year ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrealised gain on currency swap	1,183	15,935
Fair value loss on interest rate swap	(3,225)	–
Currency exchange gain	1,228	11,545
	<u>(814)</u>	<u>27,480</u>

11 INCOME TAX

	Year ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
Mainland China, Hong Kong and others	43,911	37,155
Deferred income tax	56,120	40,894
	<u>100,031</u>	<u>78,049</u>

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2014 and 2015.

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (<i>HK\$'000</i>)	380,165	302,750
Weighted average number of ordinary shares in issue (<i>number of shares</i>)	<u>597,454,864</u>	<u>524,661,000</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u><u>0.636</u></u>	<u><u>0.577</u></u>

(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.

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (<i>HK\$'000</i>)	380,165	302,750
Adjustments for:		
– Interest expense net of tax on convertible bonds, excluding capitalised amount (<i>HK\$'000</i>)	<u>35,522</u>	–
	<u>415,687</u>	<u>302,750</u>
Weighted average number of ordinary shares in issue (<i>number of shares</i>)	597,454,864	524,661,000
Adjustment for:		
– Share options	15,137,044	30,526,027
– Assumed conversion of convertible bonds	<u>53,551,529</u>	–
Weighted average number of ordinary shares for diluted earnings per share	<u>666,143,437</u>	<u>555,187,027</u>
Diluted earnings per share (<i>HK\$ per share</i>)	<u><u>0.624</u></u>	<u><u>0.545</u></u>

13 DIVIDENDS

On 26 March 2015, the Board 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 (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 (2014: Nil) per ordinary share totalling HK\$24.2 million which was paid in October 2015.

On 22 March 2016, the Board declared a final dividend of HK\$0.18 per ordinary share totally HK\$110.1 million for the year ended 31 December 2015 which is calculated based on 611,923,800 issued shares as at 22 March 2016. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2015, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

	Year ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid of HK\$0.04 (2014:Nil) per ordinary share	24,236	—
Proposed final dividend of HK\$0.18 (2014: HK\$0.16) per ordinary share	110,146	94,648
Total	<u>134,382</u>	<u>94,648</u>

CHAIRMAN'S STATEMENT

On behalf of the Group, I am pleased to present our annual results for the year ended 31 December 2015.

RESULTS

During the period under review, the Group's revenue comprising lease income, gains from realisation of lease receivables and government subsidies amounted to HK\$1,549.3 million, a year-on-year increase of 35.3%, while net profit was HK\$380.2 million, up 25.6% year-on-year.

DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.18 per share to the shareholders whose names appear on the register of members of the Company on 3 June 2016. Including the interim dividend of HK\$0.04 per share paid in October 2015, total dividend amounts to HK\$0.22 per share for the year (2014: HK\$0.16 per share).

BUSINESS REVIEW

During the period under review, 19 aircraft were delivered, increasing our fleet size to 63 aircraft at the end of 2015 from 44 at the end of 2014.

In 2015, we successfully established a presence in Europe and South-East Asia to further realise our globalisation strategy. During the period under review, we delivered five Airbus A320 aircraft to Air India and two to Air Macau. Moreover, we entered into a letter of intent with Pegasus Airlines, our first European client and the fastest growing airline in Turkey, on the lease of two aircraft. We also entered into a declaration of intent with Vietnam's Jetstar Pacific Airlines on the lease of four aircraft.

The Group strategically opened up a number of overseas financing channels during the year. In March 2015, we obtained the first guarantee arrangement from the Export Credit Guarantee Department of the UK for the financing of the three A320 aircraft delivered to Air India in 2015, and secured financing from the Korea Development Bank for the two aircraft delivered to Air Macau.

In addition, we further broadened our financing channels in Hong Kong and Mainland China. Convertible bonds to a total par value of HK\$892.2 million were placed with three renowned asset managers. A wholly-owned subsidiary of the Company registered in Tianjin issued RMB340.0 million medium-term notes, becoming the first Chinese domestic aircraft lessor to have successfully issued such notes. Moreover, the Group also completed two transactions for the realisation of lease receivables during the year, and plans to increase the number of transactions in that respect in 2016.

At the same time, we are realising our long-term vision of extending the value-chain of China's aviation industry in an orderly manner as a means of further consolidating the Group's unique positioning as a full value-chain aircraft solutions provider. After reaching an agreement with the Harbin Municipal Government for the establishment of disassembly facilities, the Group won the bid for a plot of land with an area of approximately 300,000 square metres in the south of the Harbin Taiping International Airport in the Harbin Airport Economic Zone in July 2015, and officially launched a project for the construction of an aircraft disassembly base, taking an important step forward in the establishment of the first aircraft disassembly centre in China. The first phase of this project, capable of disassembling 20 aircraft annually, is scheduled for completion in 2018.

The Group was included as a constituent stock of the Hang Seng Global Composite Index and Hang Seng Composite Index in September 2015. The Group's eligibility for being included as a constituent stock of the Hang Seng Index marks another milestone in its history, and affirms that the Group has been able to secure support and recognition from investors at home and abroad in just one year since its flotation.

Moreover, the Group was named "Aircraft Lessor of the Year" 2015 by Global Transport Finance for its expertise in delivering outstanding services and providing effective financing solutions to its clients, the first Chinese aircraft lessor to be awarded this international title.

PROSPECTS

The Group will continue to implement two strategies in 2016 – provide more aircraft full-life solutions and achieve globalisation – in order to seize valuable opportunities arising from the growing aviation market to generate value for all our partners.

Having observed airline clients' robust demand for the Group's aircraft in 2016, we purchased a total of four additional aircraft from Airbus at the end of 2015 and the beginning of 2016. We plan to deliver no fewer than 17 aircraft in 2016, and increase the fleet to at least 80 aircraft by the end of the year. Based on the order commitments, our fleet will increase to 172 aircraft by the end of 2022.

We signed a framework agreement with the Bank of Communications Company Limited and the Shanghai Branch of China Construction Bank Corporation in March 2015 and January 2016 regarding the realisation of lease receivables for 20 aircraft and 15 aircraft respectively. Given that the devaluation of the Renminbi has boosted the demand of investors for fixed-income assets denominated in US dollars, we expect the market demand for the realisation of lease receivables to become stronger. The Group plans to step up a number of transactions in this respect in 2016, and to grasp the opportunities arising from the market for aircraft asset realisation. Moreover, we shall continue to explore more different and innovative financing channels as part of our strategy to lower our financing costs.

Taking its own initiative in the aircraft leasing market, the Group will expand its favourable advantages to airline operators by providing them with effective fleet management and business flexibility, thus boosting the sustainable growth of the airline business overall. We will seek to open up this fast-growing market, especially in areas having strong synergies with the China market, while collaborating with leading international airlines to broaden our existing client base and increase overseas market share.

Despite the challenges still being posed to the global economy in 2016, we believe the aviation industry will continue to grow steadily. Against the backdrop of the Chinese Government's strong support for the development of the aviation industry coupled with the fluctuation of oil prices at low levels and low interest rates in various nations, we have confidence in the outlook for the aviation industry and expect the Group's business to continue growing.

ACKNOWLEDGEMENT

In the ten years since 2006, the Group has grown rapidly from a small-sized local company into a dynamic, sizeable listed company with operations across the globe. I believe this is attributable to the strong support from our shareholders, partners, management members and all our staff over the years. On behalf of all the Board members, I extend my heartfelt thanks to all of you. In the year ahead, we shall be more committed than ever to attaining our corporate mission, consolidating our existing achievements, improving our core capabilities and realising the sustainable development of our business.

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

For the year ended 31 December 2015, the Group delivered 19 aircraft, experiencing healthy and rapid growth in its business. Revenue and other income in 2015 was HK\$1,549.3 million, an increase of HK\$404.3 million or 35.3% compared with the HK\$1,145.0 million in 2014. This revenue growth was mainly driven by the Group's business growth in aircraft leasing and the receipt of government subsidies. Profit attributable to owners of the Company in 2015 amounted to HK\$380.2 million, an increase of HK\$77.4 million or 25.6% on the 2014 figure of HK\$302.8 million.

Total asset value in 2015 was HK\$23,947.0 million, compared with HK\$18,313.0 million in 2014, an increase of HK\$5,634.0 million or 30.8%. Total liabilities amounted to HK\$21,739.0 million, 31.5% higher than the HK\$16,532.3 million in 2014. The increase in liabilities was consistent with the increase in total asset value because the Company's aircraft acquisitions were mainly funded through project financing.

Equity attributable to owners of the Company was HK\$2,188.5 million as at 31 December 2015 compared with HK\$1,761.3 million in 2014, an increase of HK\$427.2 million or 24.3%. Including amounts attributable to non-controlling interests, total equity was HK\$2,208.0 million, compared with HK\$1,780.7 million in 2014, an increase of HK\$427.3 million or 24.0%. Return on average shareholders' equity was 19.2% in 2015 while it was 22.4% in 2014.

2. ANALYSIS OF INCOME AND EXPENSES

	Year ended 31 December		Change %
	2015	2014	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
	Audited	Audited	
Finance lease income	1,015.4	714.7	42.1%
Operating lease income	223.9	182.1	23.0%
Gain from disposal of finance lease receivables	54.1	111.5	-51.5%
Government subsidies	242.6	133.9	81.2%
Sundry income	13.3	2.8	375.0%
Total revenue and other income	<u>1,549.3</u>	<u>1,145.0</u>	<u>35.3%</u>
Profit before income tax	480.2	380.7	26.1%
Income tax	(100.0)	(78.0)	28.2%
Profit for the year	<u>380.2</u>	<u>302.7</u>	<u>25.6%</u>

2.1 Revenue and Other Income

For the year ended 31 December 2015, revenue and income amounted to HK\$1,549.3 million compared with HK\$1,145.0 million in 2014, an increase of HK\$404.3 million or 35.3%. This was mainly due to an increase in lease income and subsidies received from the government in Mainland China.

Lease income for the year totalled HK\$1,239.3 million, compared with HK\$896.8 million in 2014, an increased of HK\$342.5 million or 38.2%. The growth in lease income during the year was principally attributable to the increase in the Group's fleet size from 44 aircraft as at 31 December 2014 to 63 aircraft as at 31 December 2015. During the year ended 31 December 2015, 19 additional aircraft were delivered, of which 17 were classified as finance leases and two as operating leases (2014: 17 aircraft as finance leases and two as operating leases).

Government subsidies for the year amounted to HK\$242.6 million, compared with HK\$133.9 million in 2014, an increase of HK\$108.7 million or 81.2%.

In addition, the Group completed disposal of two aircraft lease receivables during the year (2014: four leases). This realised a total gain of HK\$54.1 million (2014: HK\$111.5 million).

2.2 Expenses

During the year ended 31 December 2015, the Group had three principal types of operating expense, namely (a) interest expense on aircraft acquisition financing and business expansion; (b) depreciation on property, plant and equipment; and (c) other operating expenses.

	Year ended 31 December		Change %
	2015	2014	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
	Audited	Audited	
Interest expense	753.7	520.5	44.8%
Depreciation	91.3	71.3	28.1%
Other operating expenses	223.2	199.9	11.7%
Total expenses	<u>1,068.2</u>	<u>791.7</u>	<u>34.9%</u>

(a) Interest Expense

For the year ended 31 December 2015, interest expense incurred by the Group amounted to HK\$753.7 million compared with HK\$520.5 million in 2014, an increase of HK\$233.2 million or 44.8%. This was mainly due to an increase in total borrowings as a result of increased aircraft fleet size and the issue of convertible bonds and medium-term notes.

(b) *Depreciation*

Depreciation on our leasehold improvements, motor vehicles, office equipment and aircraft under operating leases for the year was HK\$91.3 million compared with HK\$71.3 million in 2014, an increase of HK\$20.0 million or 28.1%. This was because two aircraft were acquired and classified under operating leases in 2015.

(c) *Other Operating Expenses*

During the year ended 31 December 2015, other operating expenses were incurred as follows:

	Year ended 31 December		Change %
	2015	2014	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
	Audited	Audited	
Employee benefit expenses	61.3	55.6	10.3%
Business tax and surcharges	41.9	33.6	24.7%
Audit and professional service expenses	54.3	40.9	32.8%
Rental and utilities expenses	19.7	8.8	123.9%
Office and meeting expenses	13.2	8.4	57.1%
Travelling and training expenses	15.4	9.4	63.8%
IPO listing expenses	–	29.1	N/A
Others	17.4	14.1	23.4%
	<u>223.2</u>	<u>199.9</u>	<u>11.7%</u>
Total operating expenses	<u>223.2</u>	<u>199.9</u>	<u>11.7%</u>

In line with the Group's globalisation strategy, which includes plans to diversify its overseas customer base and expand overseas offices, new talent was recruited and the staff number increased to 119 as at 31 December 2015 (2014: 89). This led to an increase in manpower and running costs. Office premises were expanded in Beijing and Hong Kong.

2.3 Income Tax

Income tax for the year ended 31 December 2015 was HK\$100.0 million (2014: HK\$78.0 million), resulting from increased profits achieved through growth in the leasing business and increased receipts of government subsidies. The effective tax rate was 20.8% (2014: 20.5%).

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

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

As at 31 December 2015, the Group’s total assets amounted to HK\$23,947.0 million compared with HK\$18,313.0 million in 2014, an increase of HK\$5,634.0 million or 30.8%.

	31-Dec-15 <i>HK\$'Million</i> Audited	31-Dec-14 <i>HK\$'Million</i> Audited	Change %
Property, plant and equipment	2,412.6	1,706.7	41.4%
Finance lease receivables, net	16,473.0	11,443.5	44.0%
Prepayments and other receivables	3,444.3	3,503.4	-1.7%
<i>Pre-delivery payments (“PDP”)</i>	2,942.2	3,241.2	-9.2%
<i>Other receivables</i>	502.1	262.2	91.5%
Derivative financial assets	19.4	15.0	29.3%
Cash and bank balances	1,597.7	1,644.4	-2.8%
Total assets	<u>23,947.0</u>	<u>18,313.0</u>	<u>30.8%</u>

The majority of the increase in total assets was attributable to increased finance lease receivables and property, plant and equipment. There were 57 aircraft under finance leases as at 31 December 2015 compared with 40 aircraft as at 31 December 2014, due to the delivery of 17 aircraft during 2015. There were six aircraft under operating leases as at 31 December 2015, compared with four aircraft as at 31 December 2014, due to the delivery of two aircraft during 2015.

3.2 Liabilities

As at 31 December 2015, the Group’s total liabilities amounted to HK\$21,739.0 million compared with HK\$16,532.3 million in 2014, an increase of HK\$5,206.7 million or 31.5%. The increase was principally attributable to bank borrowings, due to business expansion through the increase in fleet size and issue of convertible bonds and medium-term notes during year 2015.

An analysis is given as follows:

	31-Dec-15 <i>HK\$'Million</i> Audited	31-Dec-14 <i>HK\$'Million</i> Audited	Change %
Bank borrowings	18,775.2	15,342.6	22.4%
Long-term borrowings	794.2	642.1	23.7%
Medium-term notes	400.5	–	N/A
Convertible bonds	796.5	–	N/A
Derivative financial liabilities	32.1	33.4	–3.9%
Deferred income tax liabilities	122.1	67.2	81.7%
Income tax payables	37.7	22.0	71.4%
Interest payables	73.3	42.4	72.9%
Other payables and accruals	707.4	382.6	84.9%
	<hr/> 21,739.0 <hr/>	<hr/> 16,532.3 <hr/>	<hr/> 31.5% <hr/>
Total liabilities			

3.2.1 Bank borrowings

The analysis of bank borrowings is as follows:

	31-Dec-15 <i>HK\$'Million</i> Audited	31-Dec-14 <i>HK\$'Million</i> Audited	Change %
Secured bank borrowings for aircraft acquisition financing	15,908.9	12,262.7	29.7%
PDP borrowings	2,063.6	2,304.9	–10.5%
Working capital borrowings	802.7	775.0	3.6%
	<hr/> 18,775.2 <hr/>	<hr/> 15,342.6 <hr/>	<hr/> 22.4% <hr/>
Total bank borrowings			

The bank borrowings for aircraft acquisition financing are secured borrowings mainly subject to fixed or floating three-month or six-month USD London Interbank Offered Rate (“LIBOR”) terms. They are secured, in addition to legal charges on our aircraft leased to airline companies under either finance leases or operating leases, by pledge of the shares of the subsidiaries that are registered owners of the related aircraft, by corporate guarantees from certain members of the Group, and by pledged deposits amounting to HK\$119.2 million compared with HK\$158.3 million in 2014, a decrease of HK\$39.1 million or 24.7%.

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 under the aircraft acquisition agreement with Airbus.

As at 31 December 2015 and 2014, all the PDP financing was secured by our rights and benefits in respect of the purchase of the aircraft and pledged deposits of HK\$6.4 million and HK\$10.3 million, respectively.

As at 31 December 2015, the Group borrowed an aggregate amount of working capital borrowings of HK\$802.7 million which utilised 70.4% of total facilities.

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.

3.2.2 Long-term borrowings

As at 31 December 2015, the Group had total borrowings of HK\$794.2 million (2014: HK\$642.1 million), comprising seven borrowings (2014: five borrowings) provided by trust plans to Group subsidiaries as part of the arrangements for disposal of finance lease receivables since 2013. These loans had remaining terms of 8 to 11 years with annual interest rates ranging from 6.2% to 7.8% (2014: 6.4% to 7.8%) per annum and were pledged by the related aircraft held by the Group.

3.2.3 Medium-term notes

On 15 July 2015, a subsidiary of the Company issued five-year medium term notes in the aggregate principle amount of RMB340.0 million (equivalent to HK\$406.0 million) in the Mainland China, net of transaction cost of HK\$5.5 million. These notes bear interest at 6.5% per annum.

3.2.4 Convertible bonds

In April and May 2015, the Company completed the issue of convertible bonds at a 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 China Huarong International Holdings Limited (formerly known as 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 between the 41st day after their issue date and the 10th day before their maturity date. The conversion price is HK\$11.28 per share, subject to adjustment in accordance with the terms and conditions of the bonds.

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the year ended 31 December 2015:

	2015 <i>HK\$'million</i>	2014 <i>HK\$'million</i>
I: Aircraft in operation		
Lease income	1,535.6	1,228.6
Bank repayment	<u>(1,390.1)</u>	<u>(1,063.3)</u>
	<u>145.5</u>	<u>165.3</u>
II: Aircraft purchase and delivery		
Capital expenditure	(6,474.5)	(5,726.6)
Bank borrowings	<u>5,626.3</u>	<u>5,444.4</u>
	<u>(848.2)</u>	<u>(282.2)</u>
III: New aircraft not yet delivered		
PDP	(1,998.2)	(2,503.8)
PDP refund	2,495.1	1,329.9
PDP financing	1,768.1	1,709.3
Repayment of PDP financing	<u>(2,126.4)</u>	<u>(1,291.6)</u>
	<u>138.6</u>	<u>(756.2)</u>
IV: China aircraft disassembly centre		
Deposit for land use rights and capital expenditure	<u>(210.6)</u>	–
	<u>(210.6)</u>	–
V: Net capital movement		
Dividend paid	(118.9)	(69.0)
Realisation proceeds and long-term borrowings	616.6	1,944.9
Early loan repayment on realisation	(1,190.9)	(1,744.7)
Issue of convertible bonds and medium-term notes	1,299.4	–
Working capital financing and net cash generated from other operating activities	<u>148.7</u>	<u>809.4</u>
	<u>754.9</u>	<u>940.6</u>
Net (decrease)/increase in cash and cash equivalents	(19.8)	67.5
Cash and cash equivalents at the beginning of the year	1,425.6	1,367.3
Currency exchange difference on cash and cash equivalents	<u>(16.5)</u>	<u>(9.2)</u>
Cash and cash equivalents at the end of the year	<u><u>1,389.3</u></u>	<u><u>1,425.6</u></u>

5. CAPITAL MANAGEMENT

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

Operations and capital expenditure requirements are funded by a combination of cash generated from our operating activities, long-term bank borrowings, PDP financing, issuance of debts and the proceeds from disposal of finance lease receivables as part of our financing strategies. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities.

For the year ended 31 December 2015, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

	31-Dec-15 <i>HK\$'Million</i> Audited	31-Dec-14 <i>HK\$'Million</i> Audited	Change %
Interest-bearing debts included in total liabilities	20,766.5	15,984.8	29.9%
Total assets	23,947.0	18,313.0	30.8%
Gearing ratio	86.7%	87.3%	-0.6p.p.

6. CAPITAL EXPENDITURE

During the year ended 31 December 2015, our capital expenditure was principally used for business expansion purpose including the purchase of aircraft to generate lease income. The primary source of financing for our capital expenditure was bank borrowings.

The following table sets out the Group's capital expenditure:

	2015 <i>HK\$'Million</i> Audited	2014 <i>HK\$'Million</i> Audited	Change %
Acquisition of aircraft (for finance and operating leases)	6,474.5	5,726.6	13.1%
Acquisition of property, plant and equipment (excluding aircraft)	21.1	1.9	1,010.5%
Total	6,495.6	5,728.5	13.4%

7. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

7.1 Contingent Liabilities

As at 31 December 2015, no legal proceedings were initiated by any third parties against the Group as defendant, nor were there any outstanding claims.

7.2 Capital Commitments for Aircraft Acquisition

In October 2012, we entered into an aircraft acquisition agreement with Airbus for the purchase of 36 aircraft of the A320 family which are currently planned to be delivered before the end of 2016. Of these, 30 aircraft have been delivered up to 31 December 2015, and six are to be delivered during 2016.

In December 2014, we entered into another aircraft acquisition agreement with Airbus for the purchase of 100 aircraft of the A320 family out of which one aircraft has been delivered up to 31 December 2015, and the rest are planned to be delivered between 2016 and 2022.

In December 2015 and January 2016, we entered into aircraft acquisition agreements with Airbus for the purchase of four additional aircraft of the A320 family, executed in the form of an amendment to the purchase agreement signed in 2014. These aircraft are planned to be delivered during 2016.

In our agreements to purchase these aircraft, we 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 their 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 list 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 list prices.

Together with the acquisition of two additional aircraft subsequent to year-end, the Group's total aircraft purchase commitment amounted to HK\$41.1 billion (2014: HK\$45.9 billion), representing our estimated total purchase costs of the aircraft contracted to be purchased and delivered to us, net of PDP paid as at 31 December 2015.

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

FINAL DIVIDENDS

The Board has recommended the payment of a final dividend of HK\$0.18 per share (2014: HK\$0.16 per share) in respect of the year ended 31 December 2015 to shareholders whose names appear on the register of members of the Company on 3 June 2016. The proposed final dividend will be paid on or about 17 June 2016, following approval at the Annual General Meeting of the Company to be held on 17 May 2016 (the “AGM”).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders’ eligibility to attend and vote at the AGM and entitlement to the final dividend, the register of members of the Company will be closed in accordance with the following timetable:

- (i) For determining shareholders’ eligibility to attend and vote at the AGM:
 - a) Latest time to lodge transfer documents for registration 4:30 pm on 13 May 2016
 - b) Closure of Register of Members 16 May 2016 to 17 May 2016
(both dates inclusive)
 - c) Record date 17 May 2016

- (ii) For determining entitlement to the final dividend:
 - a) Latest time to lodge transfer documents for registration 4:30 pm on 1 June 2016
 - b) Closure of Register of Members 2 June 2016 to 3 June 2016
(both dates inclusive)
 - c) Record date 3 June 2016

During the above closure periods, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, or to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than the time set out above.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Board is committed to maintaining good corporate governance standards. The Group acknowledges the vital importance of good 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 set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of 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 year ended 31 December 2015 with the exception of Code Provision A.2.1 due to the overlapping roles of Chairman and Chief Executive Officer of the Company (“CEO”) 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 though the roles of the Chairman and CEO are performed by the same individual. At present, the Board also believes that under the leadership of Mr. CHEN Shuang as Chairman and the CEO, the Board’s decisions can be made effectively and are beneficial to the management and development of the Group’s businesses. The Board will review this structure from time to time and will consider the segregation of the two roles at an appropriate time.

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

The Company’s Audit Committee comprises four members, namely Mr. NG Ming Wah, Charles (Chairman of the Audit Committee), Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. GUO Zibin, among whom, three are Independent Non-Executive Directors. The 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 year ended 31 December 2015.

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Financial Reporting Standards.

AGM AND PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.calc.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The AGM is scheduled to be held on 17 May 2016. The notice of the AGM and the 2015 Annual Report will be dispatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 22 March 2016

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, Mr. GUO Zibin and Ms. CHEN Chia-Ling; 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.