FLY AHEAD

CALC

China Aircraft Leasing Group Holdings Limited

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

Stock code : 01848

Annual Report 2014

OUR MISSION ***To be a full-value chain aircraft solutions provider, utilising our expertise to create innovative, value-added fleet management solutions for airlines worldwide.***

OUR VISION ***To become a top-tier aircraft service provider with a global presence, originating from China and reaching out to the world.***

OUR SHORT-TERM GOAL ***To build a portfolio of 100 commercial aircraft by 2016 and initiate an aircraft disassembly business by 2017.***

A320ceo series:

Airbus launched its single-aisle product line with the A320, which continues to set industry standards for comfort and operating economy on short to medium haul routes. Typically seating 150 passengers in a two class cabin or up to 180 in a high density layout for low cost and charter flights, the A320 is in widespread service around the globe on services that vary from short commuter sectors in Europe, Asia and elsewhere to trans-continental flights across the United States.*

A320neo series:

As the world's best-selling product line, the NEO Family continues Airbus' reputation for non-stop innovation – incorporating two new engine choices, Sharklets fuel-saving wingtip devices and a further optimised cabin to deliver unbeatable efficiency and comfort. These improvements result in a per seat fuel burn saving of 20 per cent compared with current engine option (CEO) jetliners, along with additional range, reduced engine noise and lower emissions.*

B737-800 series:

The Boeing 737-800 is the best-selling version of the successful Next-Generation 737 family. Known for its reliability, fuel efficiency and economic performance, the 737-800 is selected by leading carriers throughout the world because it provides operators the flexibility to serve a wide range of markets. The Boeing 737-800 can seat between 162 and 189 passengers, which can fly maximum range 3,115 nautical miles. The 737-800 incorporates an advanced technology wing design that helps increase fuel capacity and efficiency, both of which increase range. The advanced wing airfoil design provides an economical cruise speed of.789 Mach (530 mph) – compared to.745 Mach for earlier 737 models.#

* Source: www.airbus.com
# Source: www.boeing.com

OUR STRENGTH ***CALC is the largest operating aircraft lessor in China in terms of new aircraft import under lease each year.***

OUR CREDENTIALS ***CALC was listed on the main board of the Stock Exchange of Hong Kong Limited on 11 July 2014 (Stock Code: 01848.HK), the first aircraft lessor listed in Asia.***

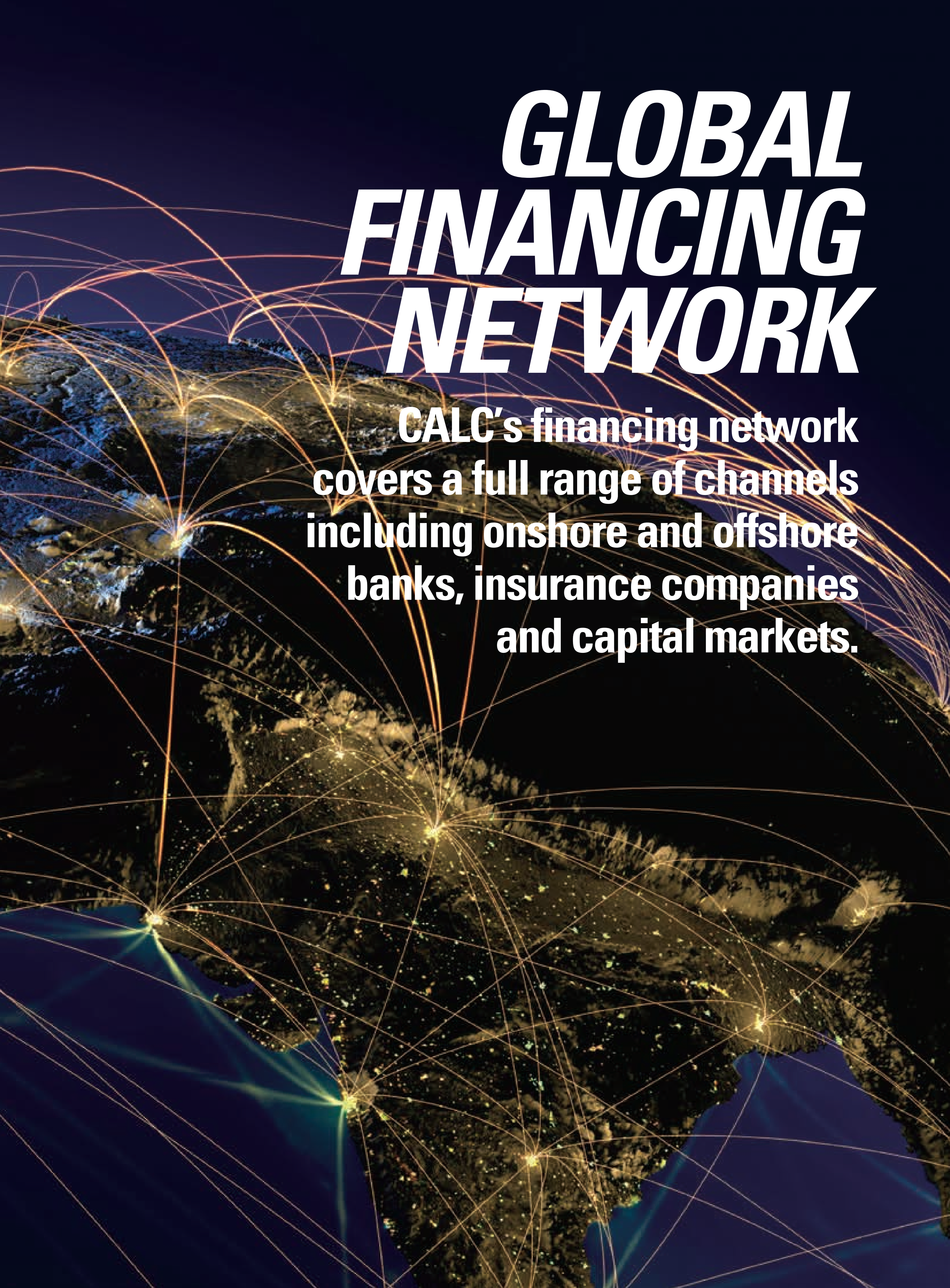
CONTENTS

LEADING THE WAY

CALC is a forerunner in China's aircraft leasing industry, with a distinctive and profitable business model.

GLOBAL FINANCING NETWORK

CALC's financing network covers a full range of channels including onshore and offshore banks, insurance companies and capital markets.



EXPERIENCED MANAGEMENT TEAM

CALC has brought together leading industry professionals from around the globe to create a management team with unrivalled expertise, dedication and track record.

FULL VALUE-CHAIN AIRCRAFT SOLUTIONS PROVIDER

CALC offers complete lease management solutions to its customers, optimising their operating return on assets.

COMPANY PROFILE

China Aircraft Leasing Group Holdings Limited ("the Group") is a leading independent aircraft leasing company focusing on the China aircraft leasing market. According to Ascend, a renowned global flight advisor, we are the largest independent aircraft lessor in China in terms of the total number of aircraft in service and on order in 2014.

The Group was founded in 2006, and the first aircraft was delivered in 2007. As at 31 December 2014, the Group had 44 aircraft delivered and leased.

Throughout our relatively short business development history, we have established our business model for long-term direct aircraft purchase and lease transactions and long-term aircraft sale and leaseback transactions with airline operators in China. Since 2015, we have started to lease and deliver aircraft to airline operators in Asia. Our aircraft leasing business is focused on generating long-term and constant cash inflows of lease income which match the cash outflows for repayments of our long-term bank borrowings for aircraft acquisition. This arrangement is designed to reduce our liquidity and refinancing risks associated with short-term aircraft acquisition financing. Upon the expiration of an aircraft lease agreement, we require our airline lessee to return to us the leased aircraft in full-life condition or such other condition as stipulated in the relevant lease agreement. As of December 2014, our aircraft lease agreements were of average term of around 12 years.

In addition to aircraft leasing, we provide our airline customers with value-added services that include the trading and marketing of used aircraft and other advisory services on fleet management. This distinguishes us from other established aircraft leasing companies.

Our business model also includes a key feature — realisation of finance lease receivables, which further demonstrates not only our business innovation capability but also our sustainable and expandable business in the future. This can improve our profitability and enhance our financial resources by realising the unearned finance income while also lowering our financial leverage and accelerating our asset rotation by derecognising the asset and liability. Moreover, it extends our business model much further from aircraft leasing to financial product development.

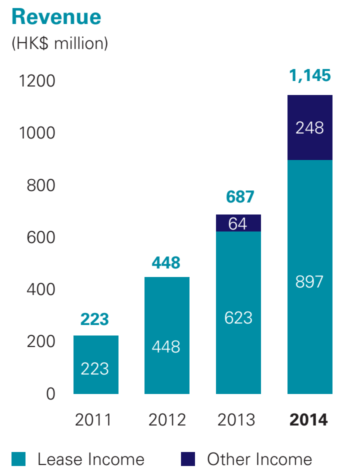
On 11 July 2014, the Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited.

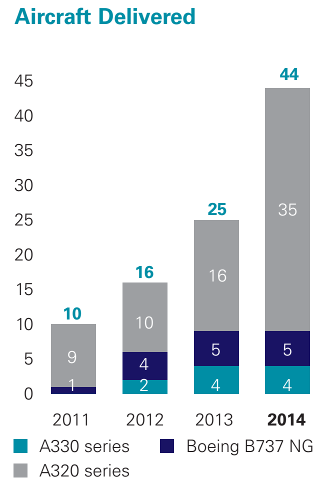
In December 2014, the Group embarked on two major transactions. Firstly, we have placed a bulk purchase order for 100 aircraft with Airbus S.A.S, our second order after an initial 36 aircraft ordered in 2012. We also signed up Memorandum of Understanding ("MOU") with Municipal Government of Harbin in relation to the establishment of China's most sizeable aircraft disassembly project. This project is expected to demonstrate the capability of the Group in providing full value-chain solutions to the airline operators.

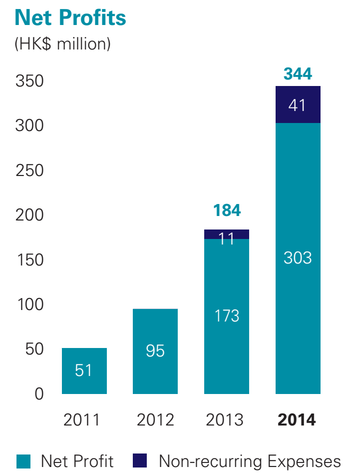
FINANCIAL HIGHLIGHTS

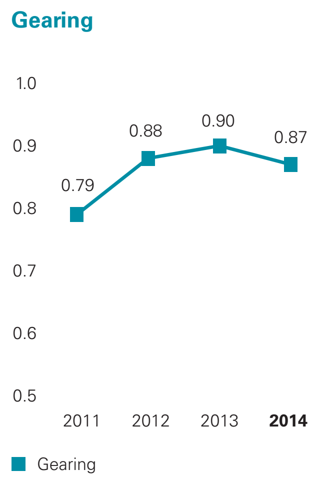
2014 RESULTS HIGHLIGHTS

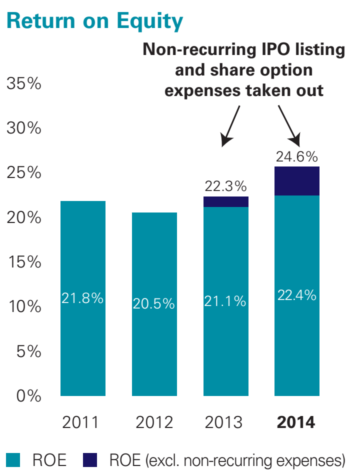
- **19** aircraft delivered, taking the fleet to **44** as at 31 December 2014
- Realisation of **4** aircraft lease receivables completed, contributing **HK$111 million** to revenue
- Revenue increased by **67%** to HK$1,145 million
- Recurring profit before tax increased by **91%** to HK$422 million (2013: HK$221 million)
- Non-recurring expenses (including IPO listing and share option expenses) amounted to **HK$41 million** (2013: HK$11 million)
- An order for **100** aircraft order placed with Airbus to secure adequate delivery up to 2022
- Memorandum of Understanding signed with Harbin Municipal Government to establish **China's most sizeable aircraft disassembly operation**

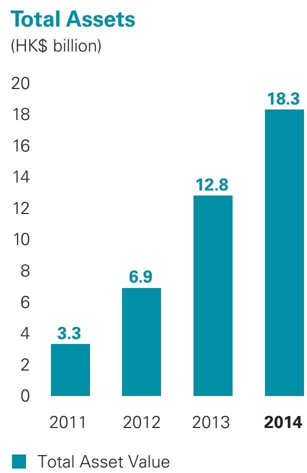












CONSOLIDATED RESULTS

	Year ended 31 December			
	2011	2012	2013	**2014**
	HK$'m	HK$'m	HK$'m	**HK$'m**
Revenues	223	448	687	**1,145**
Recurring profit before income tax (Note 1)	78	128	221	**422**
Profit before income tax	78	128	210	**381**
Income tax	(27)	(33)	(37)	**(78)**
Profit attributable to owners of the Company	51	95	173	**303**

CONSOLIDATED BALANCE SHEETS

	As at 31 December			
	2011	2012	2013	**2014**
	HK$'m	HK$'m	HK$'m	**HK$'m**
ASSETS				
Property, plant and equipment	1	1,541	1,487	**1,707**
Finance lease receivables – net	3,136	4,388	7,679	**11,443**
Derivative financial assets	–	–	14	**15**
Prepayments and other receivables	106	808	2,183	**3,503**
Cash and bank balances	97	152	1,470	**1,645**
Total assets	3,340	6,889	12,833	**18,313**
LIABILITIES				
Bank borrowings and long-term borrowings	2,623	6,087	11,592	**15,985**
Other liabilities	482	107	283	**547**
Total liabilities	3,105	6,194	11,875	**16,532**
Net assets	235	695	958	**1,781**

Per-Share-Basis	2011	2012	2013	**2014**
Basic earnings per share (HK cents)	15.3	25.3	37.6	**57.7**
Net asset value per share (HK$) (Note 2)	0.70	1.85	2.09	**3.04**

Financial Ratios	2011	2012	2013	**2014**
Gearing ratio (borrowings vs total assets)	79%	88%	90%	**87%**
Return on average shareholders' equity	21.79%	20.47%	21.12%	**22.42%**
Interest coverage (Note 3)	163%	164%	180%	**187%**

Note:

(1) Recurring profit before income tax is profit before tax excluding IPO and share option expenses.

(2) Per-share-basis calculation is based on the adjusted number of shares equivalent to Post-IPO's number of shares (in million of shares) 2011: 336; 2012: 376; 2013: 459; 2014: 586.

(3) Interest coverage = EBITDA/Interest expense.

CORPORATE MILESTONES

2006

MARCH

Establishment of CALC.

2010

DECEMBER

CALC (TIANJIN)

was the first wholly foreign-owned aircraft leasing company established in Tianjin Dongjiang Free Trade Port Zone.

2011

MAY

CHINA EVERBRIGHT

became one of our Controlling Shareholders with participation in our major management and investment decisions.

光大控股
EVERBRIGHT

2012

JANUARY

10 aircraft

Fleet size reached 10 aircraft.

MAY

China Aerospace became one of our strategic shareholders.

CASC
中国航天

OCTOBER

36

Entered into an agreement for the purchase of 36 of the current generation of Airbus A320 family aircraft.

2013

MAY

Completed the first package deal with China Eastern Airlines, in which we helped China Eastern Airlines resell three used A300 aircraft to an airline in Europe, and in return, they leased six new A320 aircraft from CALC.

DECEMBER

25 aircraft

Fleet size reached 25 aircraft and we completed the first realisation transaction of the finance lease receivable in respect of one aircraft.

2014

JULY

China Aircraft Leasing Group Holdings Limited (CALC) listed on the main board of the Stock Exchange of Hong Kong Limited.

NOVEMBER

10 billion

RMB10 billion facilities framework agreement was signed with Export-Import Bank of China.

2014

DECEMBER

MOU was signed with Municipal Government of Harbin to establish China's most sizeable aircraft disassembly project.

100

DECEMBER

Entered into purchase agreement for 100 aircraft with Airbus, S.A.S.

DECEMBER

44 aircraft

Fleet size reached 44 aircraft by the end of 2014.

2015

CALC successfully delivered a total of 19 aircraft in year 2014, thus addressing and meeting our objectives. We are well prepared for full speed take-off in 2015.

MARCH

892 million

Convertible Bond for HK$892 million was signed.

CALC is participating in the World Green Organisation's (WGO) Green Office Awards Labelling Scheme (GOALS) for 2015, a programme that strives to ensure environmental sustainability as set out in the United Nations Millennium Development Goals. Through participating in GOALS, CALC has implemented a number of green office best practices to reaffirm its strong commitment to sustainability.

“China is one of the most rapidly developing countries in the aviation industry. Its growing and sustainable economic growth, geographic advantages and diversified aircraft leasing demand contribute greatly to CALC's business expansion.”

Mr. CHEN Shuang
Chairman of the Board

CHAIRMAN STATEMENT

On behalf of China Aircraft Leasing Group Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present our annual results for the year ended 31 December 2014 to all our shareholders.

BUSINESS REVIEW

In 2014, the Chinese government continued placing emphasis on stable growth, actively expanding internal demand and guiding investments towards developing the real economy. Current and future economic development was well balanced through reforms and innovation. Ascend, a renowned global flight advisor, forecasts that China will be one of the key growth markets for air traffic and aircraft in the next 20 years. The key drivers of this growth include the strong economy, the growing middle class population, the increased desire to travel and the development of new airports. Ascend also shows that the demand for aircraft in the China market will continue to grow and the expected total number of leased commercial aircraft in the country will increase by 262 to 1,061 from 2014 to 2016.

During the year, the Group experienced high demand for aircraft leasing from the airline operators. The 36 aircraft, purchased in 2012 with delivery between 2013 and 2016 have been leased to or lease-engaged with airlines in China and overseas. There were 44 aircraft delivered as at 31 December 2014.

In order to cope with the increasing demand for air traffic in China, together with fleet expansion and increasing use of aircraft lease financing amongst airline operators in China, we have accelerated our rapid business growth by placing another bulk purchase order for 100 aircraft with Airbus. Delivery is mainly scheduled between 2016 and 2022.

Based on the committed purchase orders, our fleet will grow to ultimately 168 by 2022.

We did the first realisation of an aircraft lease receivable in December 2013. We completed another four aircraft lease receivable realisations in 2014. As aircraft lease receivable realisation is part of our business model, it will continue in the future.

Every year, around 100 aircraft are imported into China to replace ageing aircraft. In order to capture the value chain of the full aircraft life, the Group entered into a Memorandum of Understanding with the Municipal Government of Harbin in relation to the establishment of China's most sizeable aircraft disassembly project. The project is significant to the Group as it supports the development of the aviation market by (a) extending and realising the aviation industry value chain in China, (b) supporting and promoting the recycling of resources in line with PRC's national policy and (c) meeting the strong demand for aged aircraft disposal.

Thanks to the diligence at all levels of our staff, the Group has achieved encouraging results in all aspects of its work with record high results since its establishment in 2006.

The net profit attributable to shareholders was HK$302.7 million for the year, representing a year-on-year increase of 75%. As at the end of 2014, total assets of the Group increased by 43% from the beginning of the year to HK$18.3 billion. Gearing ratio (borrowings vs total assets) was maintained at a level of 90% as the aircraft project financing strategy continued.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.16 per share whose names appear in the register of members of the company on 15 May 2015.

CORPORATE SUSTAINABILITY

The Group believes that promoting sustainability is as important as achieving long-term business growth and taking care of shareholders' interests. It has therefore made continuous efforts to maintain a high degree of sustainability in its operations in Hong Kong, China and overseas. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders. The Group has established a Sustainability Steering Committee to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practice. To demonstrate its commitment to transparency and accountability to its stakeholders, the Group has completed its first Environmental, Social and Governance ("ESG") Report this year by reference to the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The report presents its company-wide commitment to sustainable development during the year under review, and covers the significant economic, environmental and social achievements and impact arising from the activities of the Group.

PROSPECTS

Looking forward to 2015, the overall world economy seems to be on the path to gradual recovery. The Eurozone is expected to have moderate GDP growth, despite the political tension in Ukraine. The US economy is obviously improving and is expected to continue its advancement. Should it be sustained, the US economic recovery will likely become a key growth driver to the global economy.

In China, the central government will continue its emphasis on stable growth, actively expanding internal demand and guiding investments towards developing the real economy. Balancing of current and future economic development through reforms and innovation is the key to the success of its policies.

The 12th Five-Year Plan (2010-2015) for the Civil Aviation Development is an important policy for the development of China's aviation industry. Pursuant to the Plan, China will continue to develop a comprehensive national air network, with the major focus on easing air capacity constraints, and will further increase the air traffic in China. Considering the underlying difference between China and the global average in terms of (i) the number of aircraft versus national population and (ii) the fundamental economic growth, the demand for aircraft in the China market will continue to grow. The expected total number of leased commercial aircraft in China will increase by 262 to 1,061 from 2014 to 2016.

The Group will continue to capitalise on the favorable conditions of the aircraft leasing market through proactive enhancement and management of its existing aircraft portfolio. All these efforts — such as the provision of proactive aircraft solutions to attract high-quality, sizeable airline operators, continuous enhancement of our dual platform model and lease receivable realisation deals, and positioning ourselves in the overseas aircraft leasing market — will expand our competitive advantages, strengthen our image as an innovative aircraft solution provider in Hong Kong, China and overseas, and eventually bring sustainable growth to the Group's business and shareholders' value.

Because of our successful business development experience in aircraft leasing, we have established business relationships with most of the leading airlines in China. We believe their demand for leased aircraft will continue to increase in the future and thus benefit our business growth.

In December 2014, we signed two important agreements: a Purchase Agreement for 100 aircraft with Airbus, and a Memorandum of Understanding with the Municipal Government of Harbin in relation to the establishment of China's most sizeable aircraft disassembly plant. Through the realisation of these two transactions, we believe that the Group's leading position in the operating lease market in China will be assured and the aircraft disassembly business will take the Group to another stage of growth. From 2015 and onwards, we will focus on the implementation of these two important transactions.

In order to demonstrate further the Group's financing capability, the Group has started its work in convertible bond issuance in Hong Kong and RMB debt issuance in China. On 26 March 2015, the Company signed subscription agreements in respect of the issuance of a three-year convertible bond of HK$892 million. The RMB debt issuance, which will positively confirm the Group's capabilities and qualifications for fund raising in the PRC debt market, as well as its credit rating in China is expected to be done within 2015. In addition to the debt issuance, the Group will explore more financing channels to facilitate growth.

ACKNOWLEDGEMENT

Finally, on behalf of all members of the Board, I would like to extend our sincere gratitude to shareholders, partners, management and all staff of the Group. I believe that, with strong support from our shareholders and partners, all our staff will be fully committed to attainment of our corporate mission, consolidating our existing achievements, improving our core capabilities and realising our sustainable development in 2015 and onwards.

CHEN Shuang
Chairman of the Board
Hong Kong, 26 March 2015

“CALC has moved into a new period of rapid growth. The Group’s performance in the past year has consolidated CALC’s leading position in China’s aircraft operating leasing industry, while the launch of its aircraft disassembly business will open up another high-growth area for the Group’s business.”

Mr. POON Ho Man
Chief Executive Officer

Q&A WITH THE CEO

PART 1: INDUSTRY RELATED QUESTIONS

Q: What is the outlook for the global airline industry?

A: The demand for air transportation is driven by the underlying demand for passenger and cargo movements, which is closely linked to the global economy. As forecasted by Ascend, an independent consultant in the aviation and aircraft leasing industry, the total number of commercial aircraft in service will continue to increase at a CAGR (compound annual growth rate) of 3.7% from 2013 to 2032. By the end of 2032, there will be over 41,000 commercial aircraft in service globally. To fulfill the growing demand, more than 34,900 new commercial aircraft, with an estimated worth of over USD4,000 billion, will be delivered between 2013 and 2032. In terms of regional allocation, Asia Pacific, North America and Europe are expected to account for 40.5%, 20.8% and 16.3% respectively of the total new commercial aircraft deliveries.

Q: By comparison, what is the outlook for the airline industry in China?

A: China's airline industry has experienced significant growth in the past decade. But compared with the US and global markets, it is still emerging and has great potential for further development. In 2013, the RPK* per capita in China was 335.0 kilometers, which was only 11.0% of the RPK per capita of 3,018.8 kilometers in the US and 43.8% of the RPK per capita of 764.7 kilometers globally. By the end of 2013, one million Chinese people own only 1.5 passenger aircraft, which was 8.5% of the 17.2 passenger aircraft in the US, and 53.9% of the 2.7 passenger aircraft in the world.

**RPK: Revenue passenger kilometers, equals the number of paying passengers multiplied by the travel distance of flights.*

Q: What is the concept of aircraft finance leasing?

A: Lessors purchase aircraft selected by airline operators from aircraft manufacturers, then lease them to the airline operators. The operators are entitled to purchase the aircraft upon the expiry of the lease terms. This business model combines the functions of financing and asset leasing, whilst the assets will be recognised on the balance sheets of the airline operators.

Q: What is the concept of aircraft operating leasing?

A: Lessors purchase the aircraft and lease them to airline operators. The airline operators are only entitled to the rights to use the aircraft and the ownership of the aircraft remains with the lessors upon the expiry of the lease terms. This business model provides airline operators with more flexibility in their fleet structure adjustment and effectively eases their funding pressure. In addition, the debt ratios and deferred tax can be effectively reduced as the assets are not recognised on the balance sheets of the airline operators. CALC is principally engaged in the operating aircraft leasing business.

PART 2: BUSINESS RELATED QUESTIONS

Q: The aircraft leasing market in China has previously been dominated by foreign investments, how did CALC become the largest independent aircraft leasing company in China ?

A: The competitive strength of CALC is the provision of one-stop aircraft solutions and services to airline operators. From rentals and aircraft delivery to disposal of used aircraft, CALC provides a wide range of professional value-added services to airline operators.

Firstly, as one of the leaders in the aircraft leasing industry in China, we have a unique business model that provides solutions covering the whole value chain of the aircraft industry. CALC helps airline customers with the disposal of used aircraft while leasing aircraft at the same time. Such services allow customers to manage their fleets more effectively;

Secondly, we maintain high customer loyalty by providing value-added solutions to airline customers;

Thirdly, as an independent aircraft leasing company, we do not belong to any aircraft manufacturer, commercial bank or airline operator. We are not restricted in our assets allocation, customer selection or financing arrangements, and are able to meet the business requirements of airline customers with flexible solutions;

Fourthly, we have diversified financing channels, which include various banks, insurance companies and capital markets both within and outside China;

Fifthly, we have a young and modern fleet which caters to market demand;

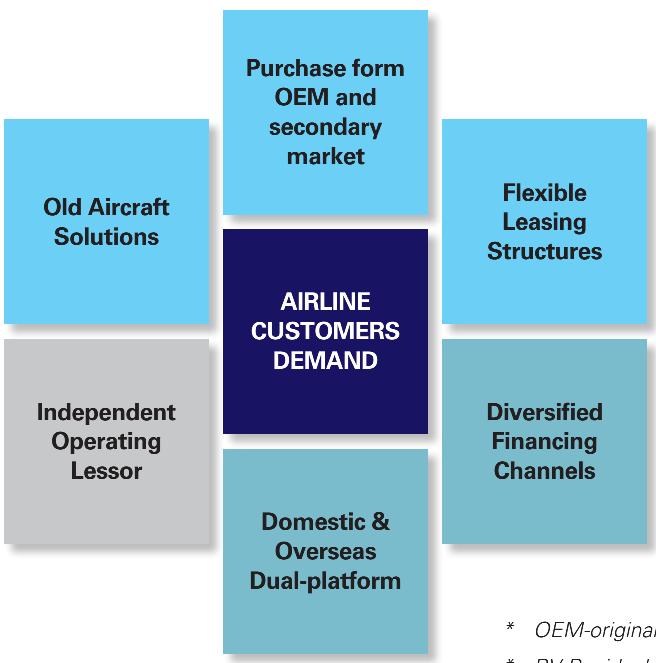
Lastly, our management team possesses extensive experience in the global aircraft leasing industry. The whole team is professional, dedicated and has strong execution capability.

One-Stop Aircraft Solutions Provider

- Provides solutions for old aircraft as part of our service offering
- First Chinese aircraft lessor offering old aircraft disposal
- Adds high value to airlines when renewing their fleets

- Not affiliate of OEM*, bank or airline
- Able to deliver flexible solutions for clients
- Proactive asset management of aircraft bearing RV*

- The first wholly foreign-owned aircraft leasing company in the Tianjin DFTP.*
- Complementary onshore and offshore dual platforms offering diversified solution to airline customers



- Direct ordering from OEM
- Purchases used aircraft from international markets

- Customised lease structures for new and old aircraft
- Lowers the overall costs of the lease

- Multiple financing channels including banks, ECAs, securitisations and capital markets
- Long-term leases allow CALC to acquire long-term loans from financial institutions

* *OEM-original equipment manufacturer*

* *RV-Residual value*

* *DFTP-Dongjiang Free Trade Port Zone*

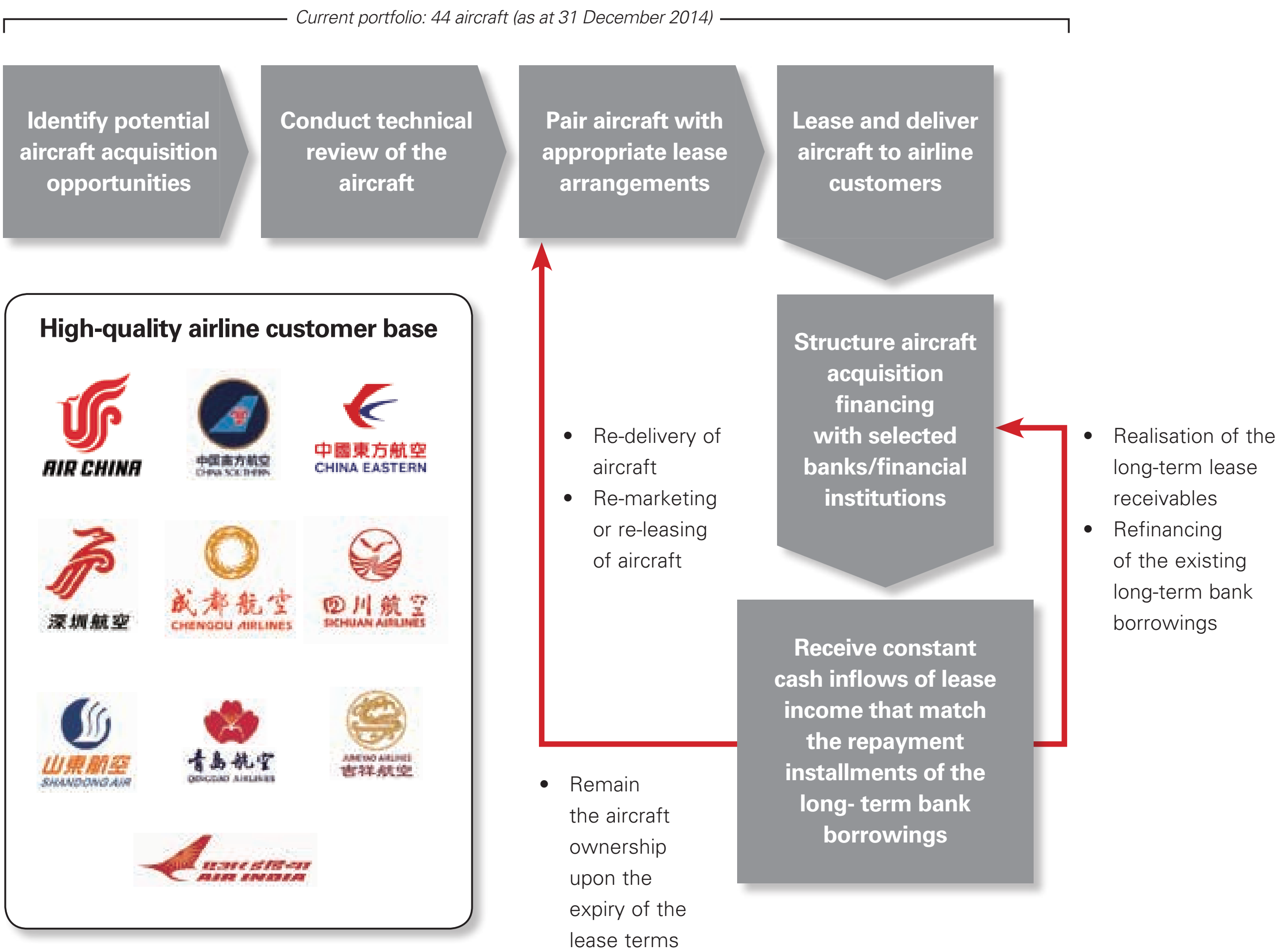
Q: What is so special about the business model of the Company?

A: Firstly, the business model of our operations both domestically and internationally brings unique competitive strengths. With a foreign merchandising platform, CALC will not be restricted by the examination and approval system of the PRC government when purchasing aircraft and is able to deliver the aircraft to domestic airline operators in less time;

Secondly, compared with other foreign leasing companies, the domestic leasing platform of CALC saves the withholding tax (approximately 12% of the rentals) for the lessees. Hence, CALC's rental pricing is more competitive than those of foreign leasing companies;

Thirdly, CALC securitises its finance lease receivables to realise the future leasing incomes in advance. CALC conducts one-off sales of long-term lease receivables due within a specific time to third parties. The purpose of this is to realise the outstanding receivables in advance, transfer the leasing risks, reduce liabilities, improve cash inflows and accelerate the process of business development and rotation.

Core Business: Aircraft Leasing



PART 3: CHINA AIRCRAFT DISASSEMBLY CENTRE ("CADC") RELATED QUESTIONS

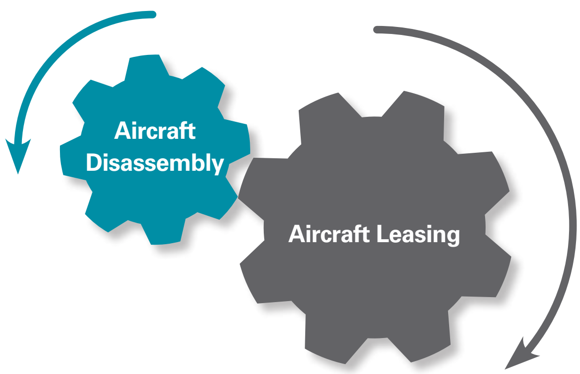
Q: Why has the Company become involved in the aircraft disassembly industry?

A: Aircraft disassembly is a well-established industry in developed aviation markets such as Europe and America. However, it is still untapped in China and there is no platform to address the issue of retiring aircraft at present. Dozens of aircraft purchased by airline operators in China are thus sold to Europe and America at a low price for disassembly each year. In these developed aviation markets, disposal of used aircraft is the last stage in the civil aircraft industry value chain and also a crucial part of realising the residual value of the aircraft. The Group's aircraft disassembly project will extend the aviation industry value chain of China and support national policy in promoting a circular economy.

Normally, aged passenger aircraft are either modified into cargo aircraft and put into use again or disassembled. After disassembling the aircraft, CALC sells high-value parts and components, precious metals and aviation materials to airline operators or aviation material recyclers through its sales channels to gain considerable profits. The Group expects this business to become another high-growth driver by 2017.

In addition, the aircraft disassembly business will dispose of used aircraft in a timely manner for airline operators and promote the growth of the Group's aircraft leasing business, while in turn strengthening CALC's position as the leading operating aircraft lessor in China.

Synergies between Aircraft Leasing and Disassembly



CADC project significance

1. Extends the aviation industry value-chain in China
2. Supports national policy in promoting resources recycling
3. Fulfills the strong and recurrent demand for aged aircraft disposal solutions

Establishes stronger ties with customers

1. Disposal of retired aircraft for airline customers
2. Accelerates airlines' expansion and fleet upgrades
3. Stimulates demand for the Group's aircraft leasing business

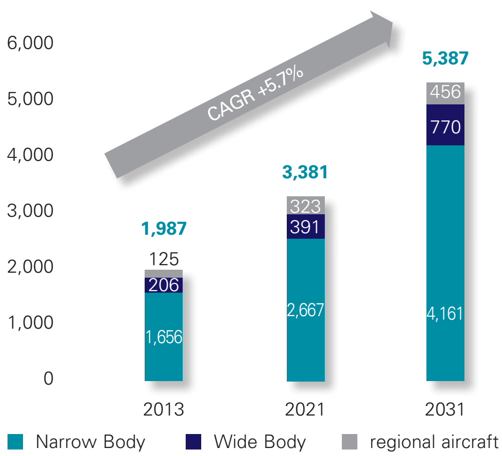
Q: What are the market prospects of the aircraft disassembly industry in China?

A: The civil aviation industry in China has been experiencing rapid expansion since 1995. Aircraft introduced during this period are gradually being retired. There were approximately 80 to 100 large civil aircraft exiting the domestic market in China in 2014 due to ageing, rising maintenance costs, a marginalised market and rising usage costs. The retirement age of this type of aircraft is between 14 and 20 years. It is expected that the number of retiring aircraft in China will increase at the rate of 15% to 20% each year from 2014.

Favorable Market Environment

Forecast of China fleet expansion

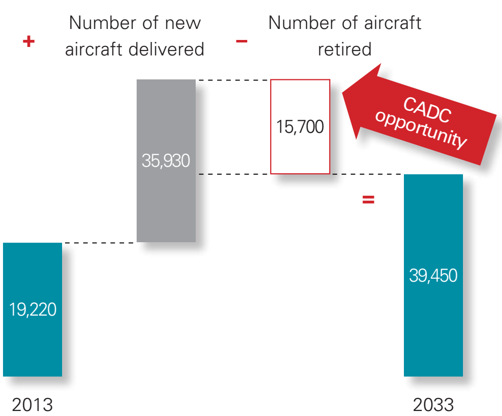
(No. of aircraft)



Sources: Ascend Report

15,700 aircraft to be retired from passenger fleet over the next 20 years

(No. of aircraft)



Sources: Boeing Current Market Outlook 2014-2033

The sustainable growth of this industry and the rising demand for aircraft provides a favorable environment for the Group's leasing business and its new disassembly operations.

MANAGEMENT DISCUSSION AND ANALYSIS

1 BUSINESS RESULT OVERVIEW

During the year, we continued our strategy of keeping in pace with the growing aircraft leasing market in China while preparing ourselves to go into the overseas aircraft leasing market. At the same time, we have started to develop a new business in aircraft disassembly in order to complete the missing part of the process. In this way, we believe that the full value chain for aircraft in China will be realised.

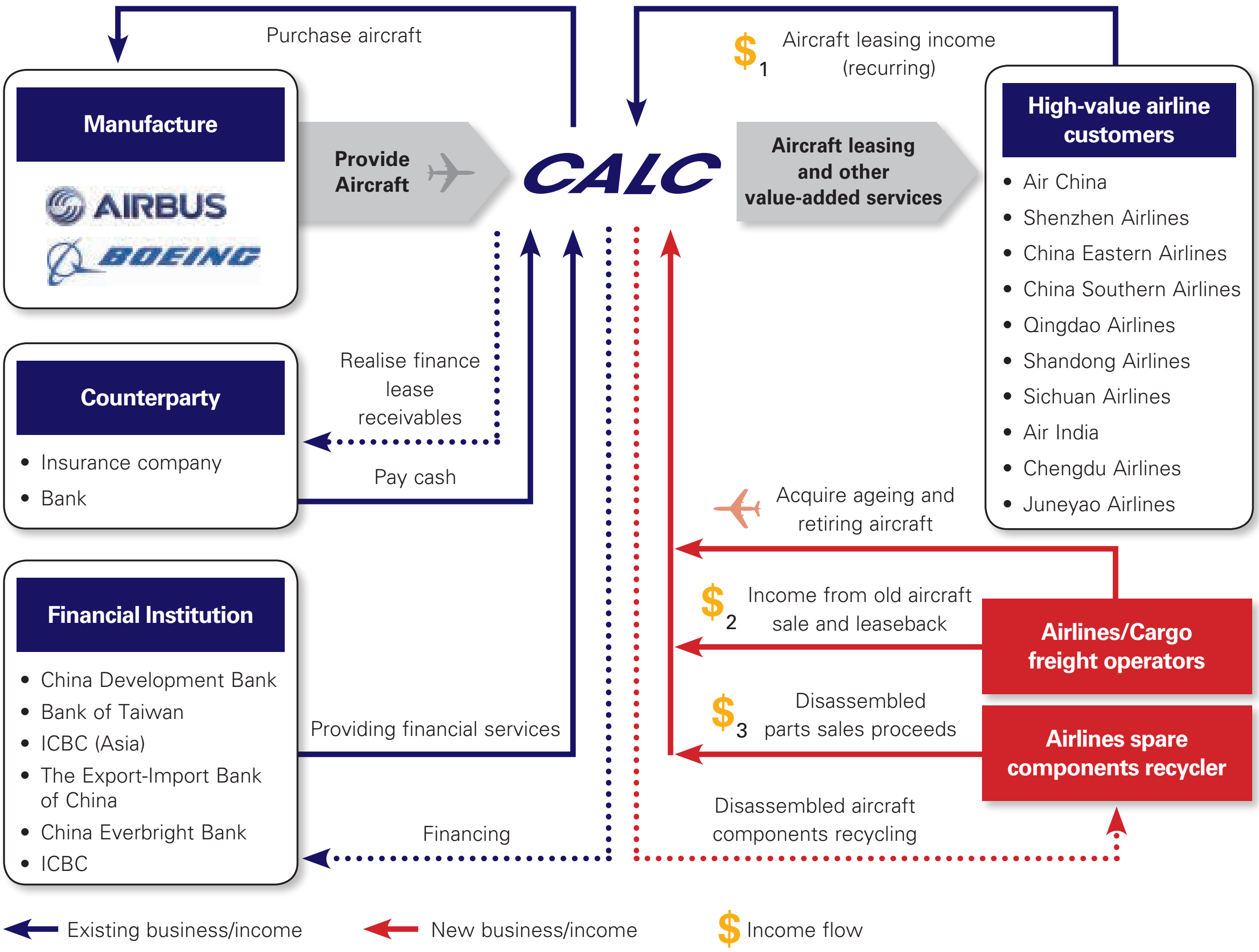
1.1 Business Model

Throughout the business model we have practiced since our founding in 2006, we have established long-term direct aircraft purchase and lease transactions and long-term aircraft sale and leaseback transactions with airline operators in China and overseas. Our aircraft leasing business is focused on generating long-term and constant cash inflows of lease income which match the cash outflows for repayments of our long-term bank borrowings for aircraft acquisition. This arrangement is designed to reduce our liquidity and refinancing risks associated with short-term aircraft acquisition financing. Upon the expiration of the aircraft lease agreements, we require our airline lessees to return the leased aircraft in full-life condition or such other condition as stipulated in the relevant lease agreements. As of December 2014, our aircraft lease agreements had an average term of around 12 years.

In addition to aircraft leasing, we provide our airline customers with value-adding services, which include the trading and marketing of used aircraft and advisory services on fleet management. This distinguishes us from other established aircraft leasing companies.

Our business model also includes a key feature – realisation of finance lease receivables, which further demonstrates not only our business innovation capability but also our sustainable and expandable business model for the future. This can improve our profitability and enhance our financial resources by realising the yet-to-be-earned finance income while also lowering our financial leverage and accelerating our asset rotation by derecognising the asset and liability. Moreover, it extends our business model much further from aircraft leasing to financial product development.

Full Value Chain Aircraft Solutions Provider

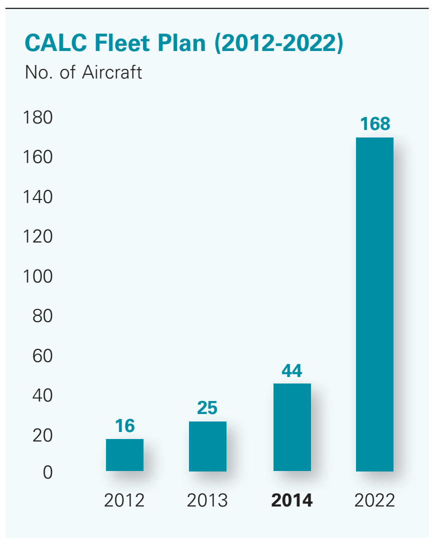


1.1.1 Fleet size

During the year ended 31 December 2014, the Group received high demand from airline operators for the leasing of 36 aircraft. These 36 aircraft, purchased in 2012 with the delivery between 2013 and 2016, have been leased to or lease-engaged with airlines in China and overseas. In total, the Group had delivered 44 aircraft as at 31 December 2014.

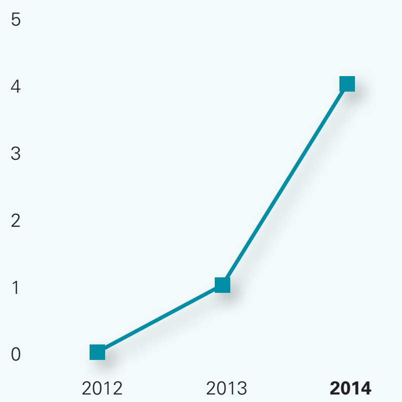
To address the increasing demand for aircraft capacity in China, together with fleet expansion and the increasing use of aircraft lease financing by airline operators in China, we have accelerated our business growth by placing another bulk purchase order with Airbus for 100 aircraft of the A320 family. Delivery is mainly scheduled for between 2016 and 2022.

Based on the committed purchase orders, our fleet will grow to 75 in total by the end of 2016 and ultimately 168 by 2022.



Lease Receivable Realisation Done for the year

No. of realised lease receivables



1.1.2 Realisation of lease receivables

The first realisation of an aircraft lease receivable was done in December 2013. We completed another four in 2014. The realisations done during the year brought the Group the revenue amounting to HK$111.5 million (2013: HK$57.1 million). As aircraft lease receivable realisation is an integral part of our business model, it will continue in the future.

1.2 China Aircraft Disassembly Centre

In order to capture the value chain of the full aircraft life, the Group signed a Memorandum of Understanding with the Municipal Government of Harbin in December 2014 to establish China's most sizeable aircraft disassembly project to date. This project will ensure the Group's leading position in the operating lease market by helping airline operators resolve their old aircraft disposal issues through an aged aircraft sale and leaseback program. At the same time, the project is supporting the development of the aviation market in China by (a) extending and realising the aviation industry value chain, (b) supporting and promoting resources recycling in line with PRC national policy and (c) meeting the strong demand for disposal of aged aircraft.

Five steps of aircraft disassembly

1 Acquisition
Source and purchase retired aircraft from airlines or other aircraft lessors.

2 Disassembly plan
Prepare a disassembly plan based on the condition and maintenance record of each retired aircraft.

3 Disassembly operation
Remove high market value parts (e.g. engines, APU, avionics and landing gears), then the remaining parts.

4 Component certification, labeling, inventory control and documentation
Ensure each disassembled part has proper ID and traceable information.

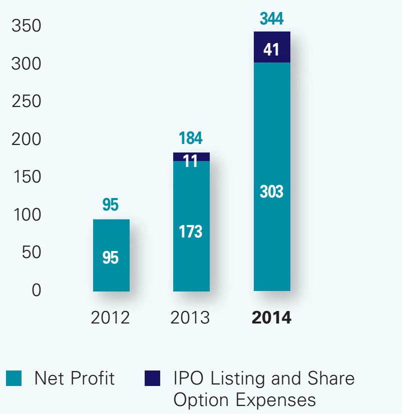
5 Selling of disassembled parts
After examination for serviceability, the parts can be sold through the global aviation market.

China Aircraft Disassembly Centre (CADC) Project Key Features		
Target	:	To build a disassembly plant which will be capable of disassemble 50 aircraft a year, eventually increasing to 100 a year; explore the overseas market and aim to become one of largest aircraft disassembly groups.
Total investment	:	USD2 billion
Location	:	Harbin, Heilongjiang Province
Capacity	:	Target is to disassemble 10 to 20 aircraft per year at the initial stage The production capacity will gradually be stepped up to disassemble 50 aircraft per annum
Facility	:	Disassembly equipment, material maintenance and certification centre, temperature and humidity control warehouse, aviation museum and training centre, logistics and distribution centre, staff dormitory, parking apron, tow way
Disassembled parts	:	High-value parts: engines, APUs, landing gear, etc. Important parts: hydraulic pressure systems, control systems, avionics, seats, survival equipment, etc. Non-important parts: wiring, pipelines, cabin decorations, airframes, etc.
Income	:	Market price for a retired aircraft is around USD5-10 million; the income for one dismantled aircraft could reach USD10-15 million

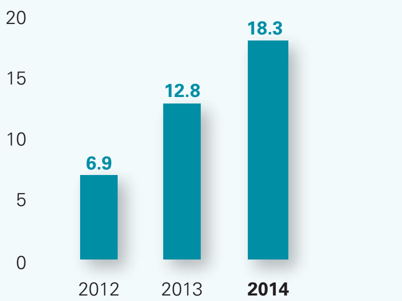
Strong strategic partnership with airline customers brings a sufficient supply of aged aircraft to enable the Group to form a scalable operation

Note: This image is simulation renderings

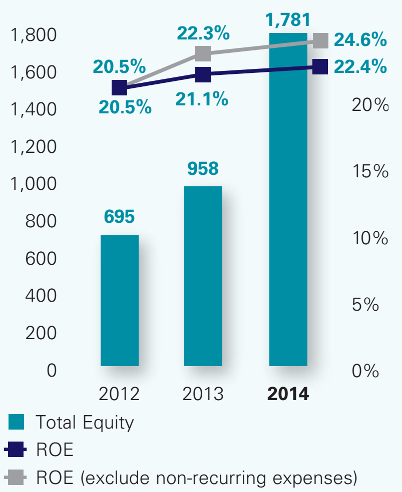
Recurring Profit and Net Profit After Tax (2012-2014)
(HK$'million)



Total Assets (2012-2014)
(HK$'billion)



Total Equity and ROE (2012-2014)
(HK$'million)



* *For the purpose of calculating the 2014 annual return on equity, the equity is the average of opening and closing balances of equity attributable to owners of the Company*

1.3 Results

The Group's revenues including lease income, gain from lease receivable realisations and government subsidies grew by 66.7% to HK$1,145.0 million, while recurring net profit after tax, excluding one-off IPO listing and 3-year amortised share option expenses, increased by 87.4% to HK$343.8 million compared with last year. The recurring net operating profit after tax margin was 30.0%, or around 3.3 p.p. higher than that of last year. This profit growth is mainly driven by the Group's expansion and business growth in aircraft leasing, the further cascading of aircraft lease receivable realisations and the receipt of government subsidies.

After deducting one-off IPO listing and 3-year amortised share option expenses, the net profit attributable to owners of the Company was HK$302.7 million (2013: HK$172.5 million), or 75.5% higher than that of last year.

As 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 Hong Kong Accounting Standards HKAS16 and HKAS17, classifying them into "Property, Plant and Equipment" and "Finance Lease Receivables" respectively. Total assets amounted to HK$18.3 billion as at 31 December 2014, representing a 42.7% increase from that at 31 December 2013. As our aircraft acquisition is funded largely by project financing, the borrowings increased to HK$16.0 billion correspondingly. Total liabilities increased in line with the assets growth.

Equity attributable to owners of the Company was HK$1,761.3 million as at 31 December 2014 (2013: HK$938.6 million). Including the non-controlling interests, the total equity was HK$1,780.7 million as at 31 December 2014 (2013: HK$958.1 million). Return on average shareholders' equity was maintained at 22.4%* as at 31 December 2014 (2013: 21.1%). Excluding the non-recurring expenses, the return on total equity was 24.6% (2013: 22.3%).

2 ANALYSIS OF PROFIT AND LOSS

For the year ended 31 December 2014, the Group saw a healthy and rapid growth in its business. Total revenue was HK$1,145.0 million, an increase of 66.7% compared with last year; recurring net profit after tax was HK$343.8 million, an increase of 87.4%; and net profit after the one-off IPO listing and 3-year amortised share option expenses was HK$302.7 million, an increase of 75.5%:-

	For the year ended 31 December		
	2014	2013	Change %
	HK$'million	HK$'million	
	Audited	Audited	
Revenues	**1,145.0**	686.9	66.7%
Recurring* profit before tax	**421.8**	220.9	91.0%
Income tax	**(78.0)**	(37.5)	108.4%
Recurring* net profit after tax	**343.8**	183.4	87.4%
Recurring* net profit margin %	**30.0%**	26.7%	3.3%
IPO listing and share option expenses	**(41.1)**	(10.9)	276.0%
Net profit after IPO listing and share option expenses	**302.7**	172.5	75.5%

** Recurring net profit does not include one-off IPO listing expenses and amortised share option expenses.*

2.1 Revenues

Our revenues are generated principally 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 HKAS17.

For the year ended 31 December 2014, revenues amounted to HK$1,145.0 million, or a 66.7% increase from last year, mainly due to the increase in finance lease income, gain from lease receivable realisations and government subsidies: -

	For the year ended 31 December		
	2014	2013	Change %
	HK$'million	HK$'million	
	Audited	Audited	
Finance lease income	**714.7**	478.0	49.5%
Operating lease income	**182.1**	145.3	25.3%
Gain from lease receivable realisations	**111.5**	57.1	95.3%
Government subsidies	**133.9**	5.5	2,331.9%
Sundry	**2.8**	1.0	165.4%
Total revenue	**1,145.0**	686.9	66.7%

The growth in lease income during the year was principally attributable to the increase in our fleet size. During the year ended 31 December 2014, 19 additional aircraft were delivered, 17 aircraft classified under finance leases and 2 aircraft under operating leases, taking the fleet size to 44 aircraft as at 31 December 2014 from 25 aircraft at the beginning of the year.

In addition to the leasing business income, we completed another 4 aircraft lease receivable realisations following the first in December 2013. This brought the Group a total gain of HK$111.5 million (2013: HK$57.1 million). During the year, the Group received government subsidies amounting to HK$133.9 million (2013: HK$5.5 million).

2.2 Expenses

During the year ended 31 December 2014, we had three principal types of operating expenses, namely (a) interest expenses on aircraft acquisition financing and business expansion, (b) depreciation for property, plant and equipment, and (c) operating expenses. In addition, we had one-off IPO listing expenses incurred on our listing exercise and share option expenses amortised over 3 years due to the granting of post-IPO share options to independent non-executive Directors, senior management and key staff, as well as to consultants conditional upon achieving pre-determined targets.

	For the year ended 31 December		
	2014	2013	Change %
	HK$'million	HK$'million	
	Audited	Audited	
Recurring			
Interest expenses	**520.5**	329.9	57.8%
Depreciation	**71.3**	54.1	31.7%
Operating expenses (without IPO listing and share option expenses)	**158.8**	79.5	99.7%
Non-recurring			
IPO listing expenses	**29.1**	9.8	197.7%
Share option expenses	**12.0**	1.2	939.5%

2.2.1 Interest expenses

For the year ended 31 December 2014, interest expenses on borrowings for the acquisition of aircraft amounted to HK$520.5 million, or 57.8% increase from last year, mainly due to the increase in the aircraft fleet size. The interest rates were in the range of 2.50% to 6.72% per annum.

2.2.2 Depreciation

This consisted of depreciation on our leasehold improvements, motor vehicles, office equipment and four aircraft, which were leased and classified under operating leases. Two aircraft under operating leases were acquired in June 2014.

	For the year ended 31 December		
	2014	2013	Change %
	HK$'million	HK$'million	
	Audited	Audited	
Aircraft under operating lease	**70.3**	53.4	31.8%
Leasehold improvements	**0.3**	0.3	2.1%
Office equipment	**0.5**	0.2	66.1%
Motor vehicles	**0.2**	0.2	–
Total	**71.3**	54.1	31.7%

2.2.3 Operating expenses

During the year ended 31 December 2014, our operating expenses were incurred as follows:-

	For the year ended 31 December		
	2014	2013	Change %
	HK$'million	HK$'million	
	Audited	Audited	
Manpower costs (excluding share option expenses)	**53.5**	17.4	207.5%
Business tax and VAT	**33.6**	21.4	57.0%
Professional fees (excluding share option expenses)	**31.0**	12.1	156.2%
Office expenses and travelling	**17.8**	13.1	35.9%
Rental and utilities	**8.8**	7.0	25.7%
Others	**14.1**	8.5	65.9%
Operating expenses without IPO listing and share option expenses	**158.8**	79.5	99.7%
IPO listing expenses	**29.1**	9.8	197.7%
Share option expenses	**12.0**	1.2	939.5%

To meet the needs of the Group's business expansion, new talent was recruited and the staff number increased to 89 as at 31 December 2014 from 64 at the last year end. Following the successful IPO, an incentive bonus of HK$12.3 million was paid to various levels of staff and management to recognise their efforts and contribution. In addition, the delivery of 19 aircraft during the year, compared with nine last year, led to increased VAT and increased use of professional services and running costs. Completion of more lease receivable realisations during the year also increased professional costs. All these factors resulted in a significant increase in operating expenses.

In July 2014, our Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited. One-off IPO listing expenses amounting to HK$29.1 million were incurred during the year.

In September 2014, our Company granted post-IPO share options to independent non-executive Directors, senior management and key staff, as well as to consultants conditional upon achieving pre-determined targets. In accordance with the Hong Kong Accounting Standard HKAS2, those share options were valued, expensed and amortised over the 3-year vesting period, from 2014 to 2016. For the year ended 31 December 2014, the amortised share option expenses were HK$12.0 million.

2.3 Income Tax

Income tax for the year ended 31 December 2014 was HK$78.0 million (2013: HK$37.5 million), due to increased profits achieved through growth in the leasing business, increased realisation of lease receivables and increased receipts of government subsidies.

The effective tax rate computed based on recurring profit was 18.5% (2013: 17.0%), slightly higher than last year mainly due to an increase in tax provision for the aircraft lease receivable realisations.

2.4 Profit Attributable to Owners of the Company

Based on the above discussion and analysis, profit attributable to owners of the Company was HK$302.7 million (2013: HK$172.5 million). Net recurring profit margin was 30.0% (2013: 26.7%).

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 on the Group level in accordance with the Hong Kong Accounting Standards HKAS16 and HKAS17, classifying aircraft into "Property, Plant and Equipment" and "Finance Lease Receivables" respectively.

As at 31 December 2014, the Group's total assets increased by HK$5.5 billion, or 42.7%, to HK$18.3 billion as compared with that as at 31 December 2013:

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
Finance lease receivables – net	**11,443.5**	7,678.9	49.0%
Property, plant and equipment	**1,706.7**	1,487.1	14.8%
Prepayments and other receivables	**3,503.4**	2,183.6	60.5%
• *Pre-delivery payments ("PDPs")*	***3,241.2***	*2,078.0*	*56.0%*
• *Other receivables*	***262.2***	*105.6*	*148.5%*
Derivative financial assets	**15.0**	13.6	10.0%
Cash and bank balances	**1,644.4**	1,469.7	11.9%
Total assets	**18,313.0**	12,832.9	42.7%

3.1.1 Finance lease receivables-net

According to our accounting policies, there are 40 aircraft leased and classified under finance leases while four aircraft are leased and classified under operating leases, included under the heading of Property, Plant and Equipment. The increase in finance lease receivables was due to the delivery of 17 aircraft during the year ended 31 December 2014.

3.1.2 Property, plant and equipment

The increase in property, plant and equipment was mainly due to the fact that two additional aircraft were acquired in June 2014, and leased and classified under operating leases.

3.1.3 Prepayment and other receivables

Pre-delivery payments ("PDPs")

PDPs are part of the terms of the Aircraft Purchase Agreement with Airbus. PDPs paid by us increased from HK$2.1 billion as at 31 December 2013 to HK$3.2 billion as at 31 December 2014. The increase is in line with the aircraft delivery schedule as specified in two Aircraft Purchase Agreements with Airbus, which were signed in 2012 and 2014 respectively.

Other receivables

Increase in other receivables was mainly due to prepayments for aircraft acquisition and capitalised interest, which was associated with the PDP financing.

3.1.4 Derivative financial assets

The amount of derivative financial assets of HK$15.0 million (2013: HK$13.6 million) represented the unrealised gain recognised in the hedging reserve in equity on the interest rate swap contracts entered into by us in 2012, 2013 and 2014 and one currency swap entered in 2013. The interest rate swap contracts were entered into for the purpose of exchanging our exposure to floating interest rates with reference to LIBOR under nine long-term bank borrowing agreements into fixed interest rates in the range of between 1.55% and 2.15%. The above interest rate swap contracts were accounted for as cash flow hedges, which were virtually effective in 2014 and 2013.

As at 31 December 2014, the notional principal of the nine (2013: five) outstanding interest rate swap contracts amounted to USD346.9 million (equivalent to HK$2,691.0 million) (2013: USD187.3 million (equivalent to HK$1,460.8 million)). These interest rate swap contracts were secured by pledged deposits of HK$25.8 million as at 31 December 2014 (2013: nil). Such pledged deposits can be used to settle the derivative financial liabilities under certain conditions.

We are not engaged in any interest rate hedging activity for the PDP financing and working capital facilities because PDP short-term financing is of approximately two-year terms and working capital facilities are on an annual revolving basis.

The currency swap was entered for an aircraft lease receivable realisation done in 2013 to cover the conversion of USD rental into RMB during the period February 2024 to May 2025.

3.1.5 Cash and bank balances

As at 31 December 2014, the cash and bank balances consist of restricted cash (HK$219.0 million) and free cash (HK$1,425.6 million).

Restricted cash

The analysis of restricted cash is shown as follows:-

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
Pledged for bank borrowings	**158.3**	70.6	124.2%
Pledged for letters of guarantee issued by a bank	**18.2**	19.4	(6.2%)
Pledged for aircraft acquisition	**10.3**	6.1	68.9%
Pledged for interest rate swap contracts	**25.8**	–	not applicable
Pledged for a currency swap contract	**6.4**	6.3	1.6%
Total	**219.0**	102.4	113.8%

The deposits pledged were used as part of the security for our long-term bank borrowings for aircraft acquisition. The other collaterals included legal charges on all of our leased aircraft, pledges of shares of the SPCs owning the related aircraft, and corporate guarantees from certain members of our Group.

The pledged deposits were for letters of guarantee issued by China Everbright Bank Co., Ltd. (Tianjin Branch) in favour of two of our subsidiaries for the purchase price payable for three aircraft purchased by us.

The deposits pledged for interest rate swap contracts were made under nine interest rate swap contracts entered into by us.

Cash on hand

The analysis of cash is shown as follows:-

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
USD	**1,102.8**	452.3	143.8%
RMB	**184.3**	909.2	(79.7%)
HK$	**138.0**	5.4	2,455.5%
Others	**0.5**	0.4	25.0%
Total	**1,425.6**	1,367.3	4.3%

The cash balance increased by HK$58.3 million from HK$1,367.3 million as at 31 December 2013 to HK$1,425.6 million as at 31 December 2014.

By reference to Note 4 "Analysis of Cashflow", the incremental cash for 2014 is due to the following reasons:

	HK$' million
Lease income	1,228.6
Bank borrowings	5,444.4
PDP financing and refunds	3,039.2
Realisation proceeds and long-term borrowings	1,944.9
Financing and net cash generated from other operating activities	809.4
	12,466.5
Capital expenditure	(5,726.6)
PDPs	(2,503.8)
Repayment of bank borrowings and PDP financing	(4,099.6)
Dividend paid	(69.0)
	(12,399.0)
Foreign exchange difference on cash and cash equivalents	(9.2)
Net increment	**58.3**

3.2 Liabilities

As at 31 December 2014, the Group's total liabilities increased by HK$4.7 billion, or 39.2% to HK$16.5 billion as compared with at 31 December 2013. The increase was principally in the bank borrowings, due to business expansion through the increase in our fleet size.

The analysis is shown as follows:-

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
Bank borrowings	15,342.6	11,436.4	34.2%
Long-term borrowings	642.1	155.2	313.8%
Derivative financial liabilities	33.4	7.5	345.5%
Others	514.2	275.7	86.5%
Total	**16,532.3**	11,874.8	39.2%

3.2.1 Bank borrowings

As at 31 December 2014, a significant portion of the balance of bank borrowings was related to the long-term bank borrowings for aircraft acquisition and PDP financing. The increase in our balance of bank borrowings was due to business expansion through the increase in our fleet size. Our total banking facilities granted for general working capital purposes stood at HK$853.3 million as at 31 December 2014, of which 91% was drawn.

The analysis of bank borrowings is shown as follows:-

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
Secured bank borrowings for aircraft acquisition	12,262.7	9,195.7	33.4%
PDP borrowings	2,304.9	1,820.1	26.6%
Working capital borrowings	775.0	420.6	84.3%
Total bank borrowings	**15,342.6**	11,436.4	34.2%

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
Current portion (due within 12 months)	4,689.5	2,821.0	66.2%
Non-current	10,653.1	8,615.4	23.7%
Total bank borrowings	**15,342.6**	11,436.4	34.2%

The bank borrowings for aircraft acquisition are secured bank borrowings mainly subject to fixed or floating three-month or six-month USD LIBOR terms. The bank borrowings are secured, in addition to the legal charges on our aircraft leased to airline companies under either finance leases or operating leases, 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$89.9 million and HK$176.5 million as of 31 December 2013 and 2014, respectively.

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

As at 31 December 2014, 37 aircraft were financed by long-term bank borrowing, of which 16 aircraft are under fixed interest rates of between 4.5% and 6.5% and the remaining 21 aircraft are under floating interest rates with margins in the range between 2.0% and 4.6% with reference to three-month or six-month USD LIBOR rates adjusted on a regular basis and the Renminbi 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.

PDPs are required to be made under the Aircraft Purchase Agreement with Airbus. The PDP financing was subject to floating interest rates and was used for the settlement of the PDPs for the aircraft committed to be purchased and delivered to us under the Aircraft Purchase Agreement with Airbus.

Delivery year	**No. of aircraft**	**PDPs due in 2014 and financed**	**PDPs not due in 2014 but already financed**	**PDPs not yet due in 2014**
APA signed in 2012				
2015	18	18	–	–
2016	6	6	–	–
APA signed in 2014				
2015	1	1	–	–
2016	6	6	–	–
2017 ~ 2022	93	–	4	89

As of 31 December 2013 and 2014, the PDP financing was secured by our rights and benefits in respect of the purchase of the aircraft and pledged deposits of HK$6.1 million and HK$10.3 million respectively.

As at 31 December 2014, we also had banking facilities for working capital amounting to HK$853.3 million, of which HK$77.6 million is undrawn. Framework agreements signed with EXIM and CDB respectively for credit facilities, totalling HK$24.2 billion (The 2014 balance sheet did not include the convertible bond transaction) are available to the Group to facilitate its aircraft acquisition.

Subsequently to the balance sheet date, the Group has obtained further working capital and PDP banking facilities amounting to HK$1.8 billion. So, on-hand facilities (including aircraft loans, PDPs and working capital) as at 26 March 2015 amounts to HK$17.7 billion, of which HK$1.6 billion has not been drawn down.

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 recurring operating activities and its current and potential investment opportunities.

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

3.2.2 Long-term borrowings

As at 31 December 2014, the Group entered into five (2013: one) loan agreements with two independent third parties for a total loan amount of HK$642.1 million (2013: HK$155.2 million) as part of the arrangement for the realisation of the finance lease receivables in respect of four and one aircraft completed in 2014 and 2013 respectively. The terms of the loans, with annual interest rates ranging from 6.43% to 7.80% (2013: 6.43%), are nine years to twelve years. The loans were pledged by the aircraft held by the Group. The proceeds of the loans have been used for the repayment of the relevant long-term bank borrowings for the aircraft in 2014 and 2015.

3.2.3 Derivative financial liabilities

The derivative financial liabilities represented the unrealised loss recognised in the hedging reserve in equity on the interest rate swap contracts and a currency swap (Note 3.1.4).

3.3 Convertible Bond

On 26 March 2015, the Group signed subscription agreements in respect of the issuance of a three-year convertible bond bearing a coupon rate of 3% p.a. for HK$892 million to Huarong (HK) International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and our shareholder China Everbright Financial Investments Limited. An annual commitment fee of 3.5% will also be paid to the original bond holders that have not transferred to the third parties during the bond period.

The 2014 balance sheet did not include the convertible transaction.

3.4 Equity

As at 31 December 2014, the equity of our Group was HK$1,780.7 million, an increase of HK$822.6 million from that as at 31 December 2013, mainly due to new issued share capital as a result of the Listing, net proceeds of the Listing, the net effect of comprehensive income for the year and the dividend payment of HK$69.0 million, which was declared and paid during the year ended 31 December 2014.

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
Issued capital	**58.6**	0.1	75,000.0%
Reserves	**1,702.7**	938.5	81.4%
Non-controlling interests	**19.4**	19.5	(0.4%)
Total equity	**1,780.7**	958.1	85.9%

Upon listing on 11 July 2014, the Group issued 116,800,000 new ordinary shares of HK$0.1 each at the offer price of HK$5.53 per share. The net proceeds obtained were HK$580.6 million.

3.4.1 Use of IPO proceeds

The net proceeds received from IPO have been used for the acquisition of aircraft.

4 ANALYSIS OF CASHFLOW

The following table illustrates the cash position and cash flow for the year ended 31 December 2014:

		For the year ended 31 December	
		2014	2013
		HK$'million	HK$'million
I:	Aircraft in operation		
	Lease income	**1,228.6**	815.9
	Bank borrowings repayment	**(1,063.3)**	(637.3)
		165.3	178.6
II:	Aircraft purchase and delivery		
	Capital expenditure	**(5,726.6)**	(4,109.5)
	Bank borrowings	**5,444.4**	4,003.1
		(282.2)	(106.4)
III:	New aircraft not yet delivered		
	PDPs	**(2,503.8)**	(1,491.6)
	PDP financing	**1,709.3**	1,378.6
	PDP refunds	**1,329.9**	128.3
	Repayment of PDP financing	**(1,291.6)**	(148.7)
		(756.2)	(133.4)
IV:	Net capital movement		
	Dividend paid	**(69.0)**	(53.0)
	Realisation proceeds and long-term borrowings	**1,944.9**	842.4
	Loan repayment on realisation	**(1,744.7)**	–
	Financing and net cash generated from other operating activities	**809.4**	563.5
		940.6	1,352.9
Net increase in cash and cash equivalents		**67.5**	1,291.7
Cash and cash equivalents at the beginning of the year		**1,367.3**	73.5
Foreign exchange difference on cash and cash equivalents		**(9.2)**	2.1
Cash and cash equivalents at end of the year		**1,425.6**	1,367.3

Our business operations require substantial a significant amounts of financing for aircraft acquisition.

Before the IPO, we principally used the cash generated from our business operations, long-term bank borrowings, and PDP financing to satisfy our liquidity needs.

Following completion of the IPO, our liquidity and capital expenditure requirements will be funded by a combination of the net proceeds from the IPO, cash generated from our operating activities, long-term bank borrowings, PDP financing, issuance of bonds and the proceeds from the realisation of finance lease receivables as part of our financing strategies. In order to meet the rapid expansion, the Group will also consider both equity and debt financing opportunities.

5 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 year ended 31 December 2014, the objective, policies or processes for managing capital remain largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital by gearing ratio:-

	31 December 2014 HK$'million Audited	31 December 2013 HK$'million Audited	Change %
Total assets	18,313.0	12,832.9	42.7%
Total liabilities	16,532.3	11,874.8	39.2%
Total equity	1,780.7	958.1	85.9%
Borrowings (included in the total liabilities)	15,984.8	11,591.6	37.9%
Gearing ratio (borrowings vs total assets)	87.3%	90.3%	(3%)

6 CAPITAL EXPENDITURE

During the year ended 31 December 2014, 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 bank borrowings.

The following table sets out our capital expenditure during the year ended 31 December 2014:

	For the year ended 31 December		
	2014 HK$'million Audited	2013 HK$'million Audited	Change %
Acquisition of aircraft (for finance and operating leases)	5,726.6	4,109.5	39.4%
Acquisition of property, plant and equipment (excluding aircraft)	1.9	0.5	280.0%
Total	5,728.5	4,110.0	39.4%

7 RISK MANAGEMENT

Our principal financial instruments include finance lease receivables, interest-bearing bank 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 foreign exchange risk and interest rate risk), credit risk and liquidity risk. We intend to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on our business and financial condition.

Foreign exchange risk

We are exposed to foreign exchange risks as certain portions of cash and cash equivalents, financial assets included in prepayments and other receivables, finance lease receivables, other payables and accruals and bank borrowings held by entities within our Group are denominated in currencies other than the entity's functional currency, primarily with respect to RMB and USD. We currently do not have a foreign currency hedging policy as we consider that our exposure to foreign exchange risk is insignificant. However, we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when 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 the 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 31 December 2014, there were 20 aircraft lease agreements with rental 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 nine 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.

As at 31 December 2014, out of the 44 aircraft (including five under the realisation arrangement) currently owned by us, only 12 aircraft have floating interest rates financing without any interest rate hedge. The following table shows an analysis of the interest rate exposure against the lease income received by us:

	Number of aircraft
Aircraft with fixed rental and fixed interest rate repayments	16
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)	12
Total	**44**

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

Credit risk

We take on exposure to credit risk, by virtue of the fact that a counterparty could cause a financial loss for 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 generally arises 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 ratings and understanding of the counterparty's operations, financial condition and shareholders' support. We believe that all of these are able to strengthen our control and management of our credit risk.

Default risk – in the event of default, we may demand the 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 the 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 owned by the lessee.

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

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 leases and operating leases) 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 31 December 2014.

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 summarises the maturity profile of the Group's financial assets, PDPs and financial liabilities based on the contractual undiscounted cash flows.

	Less than 1 year HK$'million	1 to 5 years HK$'million	Over 5 years HK$'million	Total HK$'million
As of 31 December 2014				
PDPs	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	(5,638.8)	(5,378.1)	(9,637.2)	(20,654.1)
Net	(465.5)	812.4	407.9	754.8
As of 31 December 2013				
PDPs	1,337.7	740.3	–	2,078.0
Total financial assets	2,322.5	3,728.3	7,350,0	13,400.8
Total financial liabilities	(3,791.0)	(3,999.3)	(7,841.7)	(15,632.0)
Net	(130.8)	469.3	(491.7)	(153.2)

8 CHARGE ON ASSETS

The long-term 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 (including China Aircraft Leasing Company Limited (BVI)); and pledged deposits amounting to HK$70.6 million and HK$158.3 million as at 31 December 2013 and 2014 respectively. Bank borrowings for deposits placed for purchases of aircraft were secured by our Group companies' rights and benefits in respect of the purchase of aircraft and pledged deposits of HK$6.1 million and HK$10.3 million as at 31 December 2013 and 2014, respectively.

The Group had lease receivables in the amount of HK$11,443.5 million and cash in the amount of HK$158.3 million pledged to the bank as at 31 December 2014 in order to secure the bank borrowings.

9 MATERIAL INVESTMENT, ACQUISITION, AND DISPOSAL

Following the first realisation of an aircraft lease receivable in December 2013, we completed another four aircraft lease receivable realisations in 2014, which were announced upon the completion of each transaction during the year. Except for the said realisations of the aircraft lease receivables, as at 31 December 2014, the Company had no material investment and there was no material acquisition and disposal of subsidiaries and associated companies.

10 HUMAN RESOURCES

During the year ended 31 December 2014, the Group incurred employee benefit expenses (excluding share option expenses) of HK$53.5 million (2013: HK$17.4 million), representing approximately 4.7% of the Group's total revenue for the year ended 31 December 2014 (2013: 2.5%).

To cope with our Group's expansion, new talent was recruited and the staff number increased to 89 as at 31 December 2014 (2013: 64). Following the successful IPO, incentive bonuses totalling HK$12.3 million were paid to various levels.

Our Group believes it has a high quality workforce with specialised aircraft industry expertise. They are located in Hong Kong, China and overseas. Approximately 76% of the Group's employees have bachelor's degrees or 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.

As at 31 December 2014, the Group had complied with all statutory social insurance, housing fund and Mandatory Provident Fund obligations applicable to the Group under the laws of the PRC, Hong Kong and overseas in all material aspects.

11 CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

11.1 Contingent Liabilities

As at 31 December 2014, no legal proceedings were initiated by any third party against the Group as defendant, nor were there any outstanding claims. The details of contingent liabilities are set out in the note 29(a) to the consolidated financial statements.

11.2 Capital Commitments

In October 2012, we entered into an Aircraft Purchase Agreement with Airbus for the purchase of 36 aircraft of the A320 family which are currently planned to be delivered to us before the end of 2016. Of these, 12 aircraft have been delivered up to 31 December 2014, and 24 are to be delivered between 2015 and 2016.

In December 2014, we entered into another Aircraft Purchase Agreement with Airbus for the purchase of 100 aircraft of the A320 family which are planned mainly to be delivered to us mainly between 2016 and 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 finalisation of specifications of each 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 purchase of aircraft are as at 31 December 2014 was HK$45.9 billion (2013: HK$10.2 billion), approximately increased 351.7% compared with last year.

The total aircraft purchase commitment of HK$45.9 billion as at 31 December 2014 represents our estimated total purchase costs of the aircraft, which are contracted to be purchased and delivered to us under the Aircraft Purchase Agreement, net of PDPs paid as at 31 December 2014. The details of capital commitment are also set out in note 29(b) to the consolidated financial statements.

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

12 AUDITED ANNUAL RESULTS

The Board of Directors of the Company (the "Board") is pleased to announce the audited annual results of the Group for the year ended 31 December 2014, together with comparative amounts as follows. The Company's auditor has audited the annual consolidated financial statements of the Group for the year ended 31 December 2014, and issued the relevant audit report, details of which are set out on pages 90 to 167 of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Stock price

$5.53 *(IPO)*

to **$11.54**

(as of 31 December 2014)

Placing a high priority on communication with shareholders and potential investors, the Group has established an investor relations team to promote timely, accurate, fair and transparent communications with the investment community. It has maintained regular communications and updates to stay accessible to investors and address their inquiries.

300
institutional investors briefings &

16 **investors group meetings or media luncheons**

In about five months time after its listing, the Group had frequent dialogs with about 300 institutional investors and analysts through different channels, including one-on-one briefings, group meetings and conference calls. Investor presentations and press conferences were also held after the announcements of interim results and other business milestones to keep investors updated on the Group's latest developments and strategies. A visit to Airbus' Tianjin assembly plant was also arranged in September 2014 to facilitate investors' understanding of the Group's business.

1
Plant visit to Airbus' Tianjin assembly line

As a result of the Group's dedication to maintaining effective communications and corporate transparency, the Group has been covered by some renowned securities firms with positive ratings, and successfully became a constituent stock of the MSCI China Small Cap Index in November 2014, which demonstrates the global recognition of the Group amongst institutional investors.

17
Analyst reports/ notes

The investor relations team is acting as a bridge between external investor and our board of directors, investor relations team reports to directors analyst meeting results, published analysts' reports, major corporate news and stock price movement on a monthly basis.

For corporate presentations, analysts' coverage and press releases, investors may visit the Group's website http://www.calc.com.hk/en/InvestorRelations.aspx?type=3. The investor relations team will take care of comments and suggestions from the investment community through emails ir@calc.com.hk. Feedback from general public can also be expressed in the Feedback & Complaints section on the Group's website http://www.calc.com.hk/en/Contact_Feedback.aspx.

ENVIRONMENT, SOCIAL AND GOVERNMENT REPORT

CEO'S FOREWORD

Promoting sustainability through good corporate governance, environmental protection, community investment and workplace practice is one of China Aircraft Leasing Group Holdings Limited's ("CALC's") key strategic objectives. This is to demonstrate our commitment to transparency and accountability to the stakeholders.

This is our first Environmental, Social and Governance ("ESG") Report which covers the significant efforts that CALC has put into aircraft safety, environmental protection and investing in its people and communities relating to its Hong Kong operations. In this report, we provide an outline of CALC's sustainability performance in year 2014 and set out our targets and action plan for the future.

As our vision is to become a top-tier aircraft service provider with global presence, originating from China and reaching out to the world, our group has to observe and respond to the economic, social and climate change that is happening everywhere in the world. These are complex issues and no simple solution is available. We not only have a responsibility to the society in which we are live and work, but also have to constantly find ways to tackle such challenges.

Recognising that 85% of the weight of an aircraft can be recycled, reused or recovered, CALC has seized the opportunity of signing a Memorandum of Understanding with the Municipal Government of Harbin in December 2014 for the establishment of the most sizeable aircraft disassembly plant in China. When this plant comes into operation in 2017, we expect that the environmental impact of disposing of the old aircraft can be reduced, and the parts recovered for reuse can be transferred to recycling markets and have their lives extended with quality assurance.

As part of our ongoing commitment to promoting sustainability, we will be progressively expanding our scope of ESG reporting covering our operations in mainland China starting in 2015. I would like to take this opportunity to thank our people for their contribution and support to our business objectives and various charitable activities during the year. Through enhancing our governance and inspiring our people on sustainable development, I am confident that we can focus our efforts on the areas of concern to our stakeholders and create a long-lasting and strong impact on our society.

POON Ho Man
Chief Executive Officer
Hong Kong, 26 March 2015

OUR STAKEHOLDERS

Our stakeholders stand with us on the roadmap of sustainability. They are those who are interested in or affected by our activities and the way we conduct our businesses. We engage our stakeholders through various channels including, but not limited to, regular communications, face-to-face meetings, seminars and training sessions.

Stakeholder group	Engagement Channel	Our Focus
Shareholders / Investors	• Annual General Meeting and notices • Annual reports, financial statements and announcements • Direct communications • Corporate website • Investor briefings • Plant visit	• Financial performance • Business sustainability • Recognition of investment community • Corporate transparency
Airlines	• Corporate website • Communication through Fleet Consultation Team • Feedback and requirement collection system	• Value-added aircraft solutions • Fleet management consultation • Manage full life-cycle of the aircraft • Aircraft safety • Industry trends analysis
Employees and professional team	• Training sessions • Work-life-balance activities • Volunteer and charitable initiatives • Periodic performance appraisal • Meetings and close communications	• Maintain a sustainable aircraft lease return in long term • Aircraft marketing and re-marketing • Integrity and business conduct • Sustainable development strategy
Government	• Direct communication • Ongoing dialogue • Feedback through face-to-face meetings	• Policy implementation • Business strategy and performance • Local regulations and actual practices • Business ethics • Responsible corporate citizen
Industry associations	• Seminars and workshops • Annual meeting participation • Industry forum and summit	• Technical competence and experience • Local regulations and best practices • Business sustainability
Media	• Interviews • Media briefings • Corporate website • Press conference	• Corporate reputation • Branding activities • Sustainable development with contribution to the society
Suppliers	• Site visits and reviews • Close communications	• Corporate reputation • Environmental responsibility • Industry experience and expertise

We shall continue to engage each stakeholder and build better relationships so that we can stay focused on our priorities. One of our initiatives for 2015, namely setting up a Sustainability Steering Committee with different focus groups for engaging our investors, employees, suppliers and customers, has already been achieved at the date of this report. The Sustainability Steering Committee consists of Mr. POON Ho Man (Chief Executive Officer), Ms. LIU Wanting (Executive Director) and Mr. YU Tai Tei (Chief Financial Officer).

Environmental, Social and Governance Execution

SUSTAINABILITY STEERING COMMITTEE
- CHIEF EXECUTIVE OFFICER
- EXECUTIVE DIRECTOR
- CHIEF FINANCIAL OFFICER

Investor and Community Focus Group

- Good communication channels and close contact with investors and shareholders
- Committed to be a Corporate Social Responsibility (CSR) Company

Employee and Office Focus Group

- Talent and competencies development
- Good communication and interaction with management team
- Proper rewards to recognise employees' contributions
- Excellent/safety office environment

Supplier Focus Group

- Environmental and safety concern of suppliers' products (eg. aircraft)
- Good communication and interaction for improving sustainability and mutual trust

Customer Focus Group

- Environmental and safety concern of airlines' services
- Good communication and interaction for building mutual trust and sustainability

MATERIALITY MATRIX

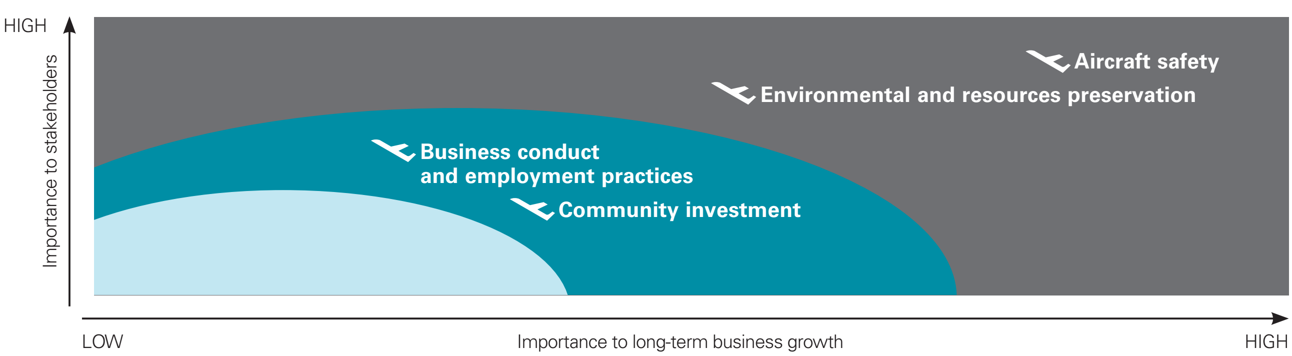
The issues that matter most to our business and our stakeholders are identified and presented in the materiality matrix. Among these, we rate aircraft safety, environmental, social and economic issues as being of top concern to our external stakeholders, weighed against the risk and opportunities to us.

As this is the first year we have prepared this ESG report, we are going to conduct a thorough materiality analysis in 2015 to help us identify additional outstanding issues our stakeholders want to learn from our ESG reporting and also help us identify our focus and resources allocation.

The issues which are viewed as material will be given significant consideration and management effort in the coming years and we will for certain move forward on the roadmap to sustainability through alignment of our business objectives and vision.

The following issues are rated as material to our stakeholders:-

Rank	Issue
1	Aircraft safety and ensuring that government regulations and aviation industry practices are strictly followed and complied with
2	Environmental and resources preservation
3	Business conduct and employment practices
4	Community investment



ABOUT THIS REPORT

Reporting Period

This report covers the financial year from 1 January 2014 to 31 December 2014.

Reporting Scope

As this is the first year of preparing this ESG report, only the Hong Kong operation is covered under this year's reporting.

Stock Exchange ESG Reporting Guide

The ESG Reporting Guide, with an aim to increase transparency in the listed companies' ESG performance, is set out in Appendix 27 of the Rules Governing the List of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). CALC intends to follow this Guide on a voluntary basis and demonstrate its commitment to meeting stakeholders' expectations.

Reliability and Completeness

The content of the report is based on the material aspects of our Group and our stakeholders, and is directly linked to our Group's business objectives and strategies.

We have outlined four focus areas for our current year and the coming three years' commitments, including:-

- Aircraft safety
- Green aviation economy and aircraft end-of-life management
- Values and behavior of our people
- Investing in our communities

We have gathered all relevant data and information from the financial and operational teams and have presented them in this report to the best of our knowledge, in good faith and due care. We will design and implement a more effective reporting system in 2015 so as to strengthen this process. We rely on internal processes together with external experts to verify the accuracy of the sustainability-related data.

AIRCRAFT SAFETY

Aircraft safety is ranked as the most important item in the materiality matrix. In terms of sustainability, safety is an essential attribute for airlines maintaining their reputation for operating safety.

Pre-sale Focus

- **Product selection:** To provide choices and advice to customers according to their requirements. All of those suggestions should meet the aviation performance and operating standards.
- **Product acceptance:** To ensure that the requirements are fulfilled by the supplier.

After-sale Focus

- **Ongoing dialogue:** To maintain close communications with the airlines.
- **Co-ordination:** To co-ordinate the suppliers and customers for aircraft enhancement.
- **Safety check:** To conduct reviews of the aircraft condition on a regular basis.

GREEN AVIATION ECONOMY AND AIRCRAFT END-OF-LIFE MANAGEMENT

In 2013, the group helped China Eastern Airlines to extend the life of three aircraft that had been used for almost 24 years. Our marketing personnel learnt that China Eastern Airlines was worried about how to handle the aircraft being left at their airport like statues. The solutions they obtained from the two major international aircraft lessors at that time were to have them sold. However, the price offered was much lower than the book value.

With the client's best interests in mind and a passion for providing value-added solutions, the Group's professional team made a detailed review of the old aircrafts' maintenance and operation records in accordance with the international operating standards. This was to ensure that all components of the aircraft were still functioning properly with a complete operating and maintenance record. The Group then successfully helped China Eastern Airlines obtain airworthiness approval from the European Aviation Safety Agency, bought all three aircraft from them at the price of serviceable ones and resell these aircraft to an airline in Europe. China Eastern Airlines was immensely impressed that the Group has achieved this mission impossible.

This success story has driven the Company to commit actively to the development of Aircraft End-of-Life Solutions and paved the way to its establishment of the aircraft disassembly plant. According to the Process for Advanced Management of End of Life Aircraft ("PAMELA") program by Airbus, an estimated 200 to 300 aircraft will be retired each year over 20 years. The management of their end-of-life must be addressed in a responsible manner. The Green Aviation Economy project has been identified as an implementation approach to aircraft end-of-life solutions.

The Group believes in the Green Economy concept, where protecting the environment is as important as developing its businesses. As a forerunner of China's aircraft leasing industry, the Group has stepped into the Green Aviation Economy.

As a matter of fact, 85% of the weight of an aircraft can be recycled, reused or recovered. For example, the engines, APU, avionics and landing gear are parts that can be removed from an aircraft and reused on other aircraft with certain conditions to return good value. Moreover, up to 75% of the total weight of an aircraft is made up of aluminium. Those components can be sorted into different alloy types which could be used in specific aviation materials. Other metallic parts remaining on aircraft can be shredded, smelted and returned to their respective recycling markets according to their chemical composition. Once the reuseable parts of an aircraft are recovered, they can be put back into productive use in categories like televisions, phones, computers, building claddings, boats, furniture and houses.

In the context of Green Aviation Economy initiatives, the group has signed a Memorandum of Understanding with the Municipal Government of Harbin for the establishment of China's most sizeable aircraft disassembly plant in December 2014 with the following benefits, as demonstrated by the existing western-based companies:-

Energy saving	Much more energy can be saved in aluminium casting down than under the traditional situation
Materials re-use	Certain materials like aluminium for aerospace purposes can be reused as secondary raw materials
Materials resources saving	Use of secondary raw materials can save material resources
Waste reduction	Landfill wastes can be significantly reduced
Consumption reduction	Demand for natural resources and energy is reduced for environmental care
Contamination reduction	Environment-friendly disposal of aircraft waste reduces air, water and soil contamination
Reliability and safety certifications	Certified levels of reliability and safety are met in connection with aerospace parts and equipment

“We believe in trust, understanding, equality and fairness. In 2014, our Human Resources (HR) team focused on harmonising key HR processes, policies and systems for our offices at different locations. In 2015, HR will put more effort into talent and performance management, employee healthcare and wellness.”

VALUES AND BEHAVIOR OF OUR PEOPLE

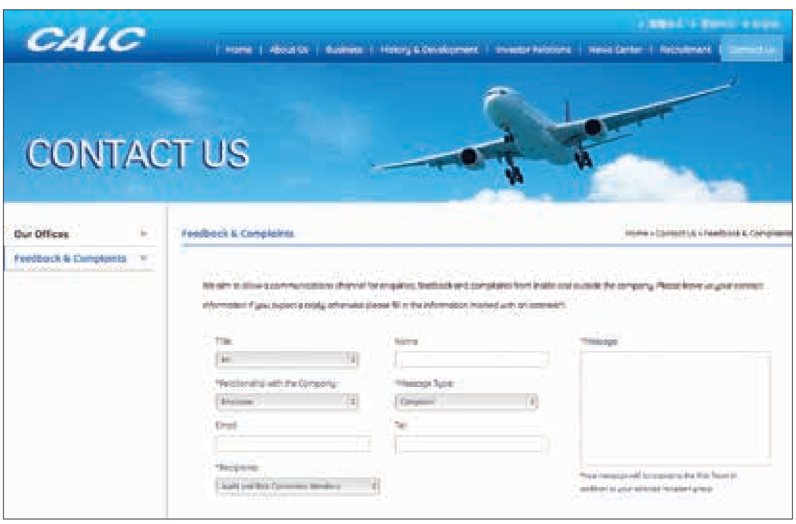
Integrity

We are committed to conducting business with integrity and respect for the law and our values. Employees are required to adhere to our internal rules and regulations in work and conduct our day-to-day business to ensure that our growth is sustainable. This requires all of us to act with integrity and respect for our long-standing values of trust, equality and fairness.

‘Speak Up’ policy

Although we stand firm on our belief and values, demand our employees to follow them strictly and adhere to our rules and regulations, there might be instances of misconduct that our stakeholders might suspect or observe. In such cases, we want them to speak up and let us know, so that we can bring the matter to the attention of our Audit Committee and Risk Committee members without fear of unnecessary non-work-related interference. This allows us to address the issue in a timely manner and take appropriate action accordingly.

Our stakeholders can simply fill up the “Feedback and Complaints” form on our website and the message will be delivered to the specified recipient and have our Risk Team copied on it. More training and awareness programs will be conducted from time to time for our employees at different locations so as to ensure that every employee understands clearly our requirements, values and the expected standard of behavior they need to maintain in their work and business activities.



Healthcare and well-being

Lemon water is available for staff every day. Lemons are packed with nutrients like Vitamin C, B-complex vitamins and various minerals. Drinking lemon water before having breakfast can help digestion, enhance enzyme function, alkalise one's blood and relieve digestive issues such as heartburn, nausea and bloating.

We are committed to implementing work-life-balance practices as this is critical for sustaining employee performance over time. We also organise monthly birthday parties and after hours activities like ball games so that our people can relax, refresh their minds and keep fit.

In 2015, we will continue promoting the "Eat and Drink Healthily" concept to our staff. We will also provide delicious and chemical-free fruit snacks and keep them away from junk food.

The Group cares for its employees and supports them in their personal life difficulties through an employee protection plan. CALC exerts every effort to create a 'big family' atmosphere for all its people.

Developing our people and team building

We emphasise teamwork within and across organisational units and provide training and development opportunities to ensure that our people have the right skills and knowledge to get the job done and are relieved from stress. The core strength of CALC comes from this cohesion. The Group focuses on the perfection of training programs and creating space for staff development, to help every employee reflect his or her self-value.

In May 2014, we organised a team building camp in Shenzhen which provided an opportunity for the participants to brainstorm and work together on assigned tasks and projects with an aim to promote unity, co-operation, teamwork and a sense of pride and camaraderie. We are committed to organising similar team building activities periodically in future years.

Diversity and Equal Opportunity

It is important to promote equal opportunities in workplace so as to establish an environment for our people to maximise their potential, regardless of gender, pregnancy, marital status and race. Our employees can fill in the "Feedback and Complaints" form on our website in case they wish to lodge a complaint. We are committed to thoroughly investigating each complaint and having it resolved fairly and in the strictest confidence.

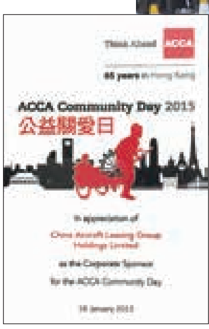
Our Workforce: Employees by Age Group as at 31 December 2014

Age group	Hong Kong Office		The Group	
	No. of employee	Turnover rate	No. of employee	Turnover rate
18-25	2	0%	4	0%
26-35	16	30%	50	28%
36-45	14	14%	25	24%
46-55	9	10%	9	10%
above 56	1	0%	1	0%
Total	**42**		**89**	

INVESTING IN OUR COMMUNITY

CALC is committed to lending a helping hand to different sectors of people in need. We believe that a sustainable business is dependent on the stability and well-being of our communities. Our corporate philanthropy is aimed at giving a lasting and positive impact to communities through financial giving and employee volunteerism.

During the second half of 2014, we made financial donations to various charitable bodies to contribute to the community. At the same time, many of our people volunteered to participate in activities such as the Community Chest Walk; acting as mentors for the Mentorship programme of Hong Kong Community College and the Youth Business Hong Kong Programme of the Hong Kong Federation of Youth Groups; or acting as duty accountants of the free public advisory service scheme run by the Hong Kong Institute of Certified Public Accountants.



While developing its business resources and meeting the needs of the community, CALC is actively promoting social responsibility in partnership with its stakeholders to achieve a win-win situation.

The CALC group is a staunch supporter of public spirited activities, protecting environment and care for the community. It is also committed to making contributions to the sustainable development of society and conducting its activities with positive energy.

Forms of contribution in second half of 2014	
Cash	HK$1,160,000
Management and other employee time	113 hours

Corporate Social Responsibility

On the day of its listing, CALC donated HK$1,000,000 to The Community Chest of Hong Kong to help those in need. Mr. Poon Ho Man, CEO of CALC presented the donation to Mr. John E Strickland, GBS, JP, Campaign Committee Member of the Community Chest.

CALC was honored to support an educational initiative of The Hong Kong Society of Financial Analysts through their research challenge in mid-November 2014.

2014 15th Annual Asia-Pacific Airfinance Conference


HKSFA
CFA協會投資分析比賽
大型投資分析比賽助自我裝備 迎接經濟轉變新機遇

The Tianjin Dongjiang Free Trade Port Zone ("DFTP") has become a recognised breeding ground for business innovation in China, and CALC is the first wholly foreign-owned aircraft leasing company to be established there.

As a forerunner of China's aircraft leasing industry, we have always taken it as our responsibility and mission to lead development of the industry. We have consistently tried to promote improvements of the external policy environment and the progress of the aircraft leasing business.

Industry Responsibility

CALC's active participation in global industry events as a Chinese lessor helps improve communication and exchange among industry peers internationally.

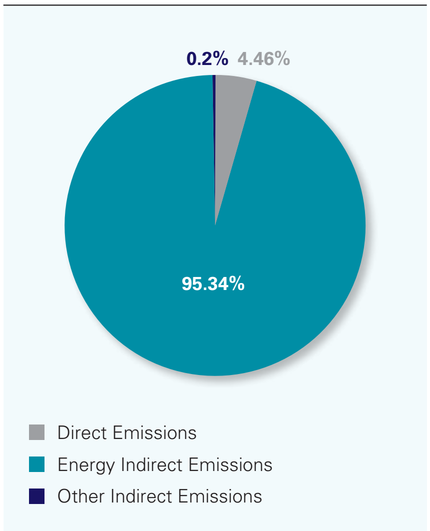
Our concept of responsibility is focused on the harmonious development of both our business and the community it serves, thereby not only reflecting the value of the enterprise but also promoting the pace of social development.

2014 The 3rd China Airfinance Development (DFTP) Summit

CO_2 EMISSIONS

Carbon Footprint for year ended 31 December 2014

Scope	Details	Tonnes of $CO^{2\text{-}e}$
1: Direct Emissions	Company-owned car	5.43
2: Energy Indirect Emissions	Electricity consumed	115.93
3: Other Indirect Emissions	Paper used	0.24
	Total	**121.60**
Carbon Footprint (tonnes per employee per annum)		**2.90**



CALC encourages double-sided printing and copying, and has also appended on all emails an automatic footnote asking the recipients to consider the environment before printing.

CALC participated in the Green Office Awards Labelling Scheme (GOALS) of the World Green Organisation (WGO) in March 2015 with an aim to develop green office practices.

SUSTAINABILITY TARGETS AND ACTION PLAN FOR 2015

In 2015, CALC will introduce the following initiatives to strengthen its ESG performance:-

Programs / Targets	Focus
Participation in Green Office Awards Labelling Scheme (GOALS) of World Green Organisation (WGO)	• To develop a green office for CALC through implementation of WGO Green Office Best Practices under nine categories – energy saving, water saving, waste reduction, paper/printing saving, green procurement, IT use and disposal, transportation, education and awareness, green innovation.
Training workshops, talks and seminars on various topics • Prevention of Bribery and Corruption • Awareness of Equal Opportunities • Development of a healthy and safe workplace • Innovation and Risk Management	• To raise staff awareness of anti-corruption practices, occupational health and safety, equal opportunities, etc. • To build the capacity of the staff by improving their knowledge and skills for discharging duties at work, as well as meet the continued growth of CALC as a leading aircraft service provider.
Work-life balance and team building activities • Ball games • Monthly birthday parties • Off-site team building camp	• To raise employee awareness of the importance of maintaining a healthy work-life balance • To sustain employee performance over time • To promote unity, co-operation and teamwork
Establishment of Sustainability Steering Committee and focus groups	• To provide formal engagement channels with stakeholders, including investors, employees, suppliers, customers and the community, and to facilitate the conducting of a thorough materiality analysis to identify additional stakeholders' concerns.
Development and review of policies on human resources, health and safety, development and training, environmental protection, etc.	• To enhance CALC's compliance and best practice in environmental, social and governance areas. • To address the opportunities and risks arising from strategic issues, and enhance management efficiency and employee relations.

CORPORATE GOVERNANCE REPORT

The Board of the Company (the "Board") is pleased to present this corporate governance report in the annual report for the year ended 31 December 2014 of the Company and its subsidiaries (the "Group").

CORPORATE GOVERNANCE PRACTICES

The Board has 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 as 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 "Stock Exchange").

The Directors had reviewed the information contained in a questionnaire in respect of the Company's performance of its corporate governance practices. The Company has complied with all Code Provisions set out in the CG Code since 11 July 2014 (the "Listing Date"), being the start date when the Company was listed on the Main Board of the Stock Exchange, up to 31 December 2014 (the "Review Period").

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.

THE BOARD

Composition

During the year and up to the date of this report, the composition of the Board is as follows:

Chairman and Non-executive Director
Mr. CHEN Shuang

Executive Directors
Mr. POON Ho Man *(Chief Executive Officer)*
Ms. LIU Wanting

Non-executive Directors
Mr. TANG Chi Chun
Mr. GUO Zibin (appointed on 10 March 2014)
Ms. CHEN Ying (resigned on 7 March 2014)

Independent Non-executive Directors ("INEDs")
Mr. FAN Yan Hok, Philip
Mr. NG Ming Wah, Charles
Mr. ZHANG Chongqing
Mr. NIEN Van Jin, Robert (appointed on 27 August 2014)
Mr. SUN Quan (resigned on 27 August 2014)

Throughout the Review Period and up to the date of this report, the Board has complied with the Listing Rules to have at least three INEDs who represent one-third of the Board and with one of whom holds appropriate professional qualifications and accounting or related financial management expertise.

The Board received from each INED a written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules, and the nomination committee of the Company (the "Nomination Committee") assessed the independence of each INED at the meeting before the date of this report. Each INED will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence.

The Directors do not have financial, business, family or other material/relevant relationships with each other.

After annual assessment by the Nomination Committee at the meeting before the date of this report, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategy. The profile of Directors as at the date of this report is set out on pages 81 to 86.

Board Diversity

In August 2014, the Company adopted a policy on diversity of the Board members. Under the policy, the Nomination Committee is delegated to review, assess and recommend any appointment, re-election or any succession plan of any directors to the Board from time to time after considering a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience, to allow for the Company's business model and specific needs.

Roles of the Board

The executive Board is responsible for setting up the Company's corporate strategy, monitoring its implementation and reviewing operational and financial performance of the Group by making decisions in major aspects of the Company's matters, including but not limited to approving and monitoring key policies, material transactions, business plans, annual budgets, internal control and risk management systems, annual and interim results, major capital expenditure and appointment of Directors.

The non-executive Board (including more than half are INEDs) has diversified industry expertise and professional knowledge, and provides advisory, adequate check and balances for effective and constructive contribution to the executive Board to safeguard the shareholders' interests and the Company as a whole.

Day-to-day operational management and administration functions of the Group and implementation of the corporate strategies of the Group are delegated to the strategy committee of the Company (the "Strategy Committee") and the management team of the Group (the "Management Team").

Appointment, Re-election, Rotation and Removal of Directors

The Company has established formal, considered and transparent procedures for appointment, re-election, rotation, and removal of the Directors. The Nomination Committee is responsible for considering the suitability of individual to act as a Director and making recommendations to the Board on appointment or re-election of Directors, succession planning of Directors and assessing the independence of the INEDs as set out below under sub-section headed "Nomination Committee".

All non-executive Directors entered into service contracts with the Company with specific term of office. However, their term of office each is the period up to his retirement by rotation or retirement, but eligible for re-election at annual general meetings of the Company in accordance with the Company's Articles of Association.

In accordance with the Company's Articles of Association, the Company may from time to time in general meeting elect any person to be a Director to fill a casual vacancy or as an addition to the Board. The Directors shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election at that annual general meeting.

At each annual general meeting of the Company, not less than one-third of the Directors (including those appointed for a specific term) shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at the annual general meeting at least once every three years.

Board Meetings and General Meetings

One extraordinary general meeting and two regular Board meetings were held during the Review Period. The attendances of each Director at the Board and general meetings during the Review Period are set out as follows:

	Board Meetings		General Meeting	
Directors	**attendance/ eligible to attend**	**meeting date**	**attendance/ eligible to attend**	**meeting date**
CHAIRMAN AND NON-EXECUTIVE DIRECTOR				
Mr. CHEN Shuang	2 / 2	26 August 2014 26 November 2014	0 / 1	
EXECUTIVE DIRECTORS				
Mr. POON Ho Man (Chief Executive Officer)	2 / 2	26 August 2014 26 November 2014	1 / 1	29 December 2014
Ms. LIU Wanting	2 / 2	26 August 2014 26 November 2014	1 / 1	29 December 2014
NON-EXECUTIVE DIRECTORS				
Mr. TANG Chi Chun	2 / 2	26 August 2014 26 November 2014	0 / 1	
Mr. GUO Zibin	2 / 2	26 August 2014 26 November 2014	0 / 1	
INEDs				
Mr. FAN Yan Hok, Philip	2 / 2	26 August 2014 26 November 2014	1 / 1	29 December 2014
Mr. NG Ming Wah, Charles	2 / 2	26 August 2014 26 November 2014	1 / 1	29 December 2014
Mr. ZHANG Chongqing	2 / 2	26 August 2014 26 November 2014	0 / 1	
Mr. SUN Quan*	1 / 1	26 August 2014	NA	
Mr. NIEN Van Jin, Robert#	1 / 1	26 November 2014	1 / 1	29 December 2014

** Mr. SUN Quan resigned on 27 August 2014*

 # Mr. NIEN Van Jin, Robert was appointed on 27 August 2014

The attendances of each Director at all Board committee meetings during the Review Period are set out below under the respective paragraphs in section headed "BOARD COMMITTEES". During the Review Period, each Director had given sufficient time and attention to the affairs of the Company by an average rate of attendance of 100% at all Board and committee meetings.

Annual schedule of Board meetings and draft agenda of each meeting are made available to the Directors sufficient time in advance to encourage the Directors' involvement. Notice of board meetings at least 14 days has been given and board papers are sent at least 3 days before the Board meetings. All Directors have full and timely access to the Management Team for any information to enable them to make informed decisions at the Board meetings, as well as the company secretary of the Company who ensure that the regulatory Board procedures are followed. Members of the Management Team are usually invited to attend the Board meetings to promote an effective communication within the Group. Each Director is authorised to hire external consultants or experts for independent professional advice at the Company's expenses to discharge the Director's responsibilities. The Directors did not request for separate independent professional advice during the Review Period.

The Company has arranged appropriate liabilities insurance to indemnify the Directors from any liabilities arising from the business of the Group.

Induction and Continuing Development of Directors

The newly-appointed Director was provided with a comprehensive, formal and tailored induction in August 2014 so as to ensure he was fully aware of his responsibilities as a listed company director under the Listing Rules and any other regulatory requirements.

The Company encourages all Directors to participate in continuous professional development to further enhance and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company received from the Directors the following records of the training attended during the Review Period and up to date of this report on the latest amendments to the Listing Rules and any other regulatory requirements:

	Nature of Trainings		
Directors	**Type 1**	**Type 2**	**Type 3**
CHAIRMAN AND NON-EXECUTIVE DIRECTOR			
Mr. CHEN Shuang	√	√	√
EXECUTIVE DIRECTORS			
Mr. POON Ho Man (Chief Executive Officer)	√	√	√
Ms. LIU Wanting	√	√	√
NON-EXECUTIVE DIRECTORS			
Mr. TANG Chi Chun	√	√	√
Mr. GUO Zibin	√	√	–
INEDs			
Mr. FAN Yan Hok, Philip	√	√	√
Mr. NG Ming Wah, Charles	√	√	√
Mr. ZHANG Chongqing	√	√	–
Mr. NIEN Van Jin, Robert	√	√	–

Type of trainings:

1. Reading materials.

2. Attending the training sessions/listing ceremony/press conference arranged by the Company.

3. Attending or giving speech at external seminars or training sessions.

Non-executive Directors (including INEDs) had attended meeting(s) independently held with the Chairman of the Board, who is also the chairman of the Strategy Committee, on direction of the Group's strategy and policies during the Review Period and up to the date of this report.

Chairman and Chief Executive Officer

The roles of the Chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") are separately performed by two individuals. And, to further enhance transparency, independence, accountability and responsibility of the Board, the Chairman is a non-executive Director and does not involve into day-to-day management of the Company, whereas the CEO is an executive Director.

The Chairman is focusing on determination of strategy, direction and goal of the Group by chairing the Strategy Committee which consists of all executive Directors and two non-executive Directors (one of whom is the Chairman). The Chairman is also responsible for leading the Board to effective management of the Company by, among others, ensuring good corporate governance practices and procedures, encouraging the Directors to make full and active contribution to the affairs of the Board, developing a culture of openness and debate among the Directors and so Board decisions fairly reflect consensus, drawing up and approving Board meetings agenda, chairing Board meetings.

The CEO, within the powers delegated by the Board from time to time, is responsible for day-to-day management of the Company and to implement strategies and major policies decided by the Board with support of another executive Director and the Management Team.

REMUNERATION OF DIRECTORS

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 December 2014 is set out in Note 27 to the financial statements.

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 Review Period.

BOARD COMMITTEES

The Company established four Board committees in September 2013, namely audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), Nomination Committee and Strategy Committee and all chaired by an INED or the non-executive Chairman to oversee their respective functions set out below, and to report to the Board on their decisions or recommendations by circulating the minutes of the committee meetings to all Board members. Each committee or committee member is authorised to hire outside consultants or experts for independent professional advice at the Company's expenses to discharge their responsibilities.

Audit Committee

The Audit Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 of the CG Code. The primary duties of the Audit Committee include but not limited to reviewing and supervising the Group's financial reporting process and internal control system and providing advices and comments to the Board. As at the date of this report, the Audit Committee consisted of Mr. NG Ming Wah, Charles, Mr. ZHANG Chongqing, Mr. GUO Zibin and Mr. NIEN Van Jin, Robert and two Audit Committee meetings were held during the Review Period. The attendances of each Audit Committee member during the Review Period are set out as follows:

Audit Committee members	attendance / eligible to attend	meeting date
Mr. NG Ming Wah, Charles (Chairman of the Audit Committee)	2 / 2	20 August 2014 3 December 2014
Mr. ZHANG Chongqing	2 / 2	20 August 2014 3 December 2014
Mr. SUN Quan*	1 / 1	20 August 2014
Mr. GUO Zibin	2 / 2	20 August 2014 3 December 2014
Mr. NIEN Van Jin, Robert#	1 / 1	3 December 2014

** Mr. SUN Quan resigned on 27 August 2014*

 # Mr. NIEN Van Jin, Robert was appointed on 27 August 2014

During the Review Period and up to the date of this report, the Audit Committee has reviewed with the Management Team and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the following:

- the review of the condensed consolidated financial statements for the six months ended 30 June 2014 and the audited consolidated financial statements for the year ended 31 December 2014;
- the discussion with the auditors on the nature and scope of the audit and reporting obligations before commencement of audit;
- the recommendation to the Board for the proposal for re-appointment of the external auditors of the Company and approval of the remuneration and terms of engagement of the external auditors; and
- the review of the Company's financial controls, internal control and risk management systems.

Remuneration Committee

The Remuneration Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and Code Provision B.1 of the CG Code. The primary duties of the Remuneration Committee include but not limited to regular monitoring of the remuneration of all the Directors and senior management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consisted of Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles, Mr. ZHANG Chongqing and Mr. NIEN Van Jin, Robert and two Remuneration Committee meetings were held during the Review Period. The attendances of each Remuneration Committee member during the Review Period are set out as follows:

Remuneration Committee members	attendance / eligible to attend	meeting date
Mr. FAN Yan Hok, Philip (Chairman of the Remuneration Committee)	2 / 2	26 August 2014 2 September 2014
Mr. NG Ming Wah, Charles	2 / 2	26 August 2014 2 September 2014
Mr. ZHANG Chongqing	1 / 2	26 August 2014
Mr. SUN Quan*	1 / 1	26 August 2014
Mr. NIEN Van Jin, Robert#	1 / 1	2 September 2014

** Mr. SUN Quan resigned on 27 August 2014*

 # Mr. NIEN Van Jin, Robert was appointed on 27 August 2014

During the Review Period and up to the date of this report, the Remuneration Committee has considered and recommended to the Board the remuneration and other benefits paid by the Company to the Directors and senior management.

Nomination Committee

The Nomination Committee was established by the Board in September 2013 with written terms of reference in compliance with Code Provision A.5 of the CG Code. The primary duties of the Nomination Committee include but not limited to selecting and recommending candidates for directorship, review of the structure, size and composition of the Board and assessment of the independence of INEDs.

As at the date of this report, the Nomination Committee consisted of Mr. ZHANG Chongqing, Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles and Mr. NIEN Van Jin, Robert and one Nomination Committee meeting was held during the Review Period. The attendances of the Nomination Committee member during the Review Period are set out as follows:

Nomination Committee members	attendance / eligible to attend	meeting date
Mr. ZHANG Chongqing (Chairman of the Nomination Committee)	1 / 1	26 August 2014
Mr. FAN Yan Hok, Philip	1 / 1	26 August 2014
Mr. NG Ming Wah, Charles	1 / 1	26 August 2014
Mr. SUN Quan	1 / 1	26 August 2014
Mr. NIEN Van Jin, Robert#	N/A	

 # Mr. NIEN Van Jin, Robert was appointed on 27 August 2014

During the Review Period and up to the date of this report, the Nomination Committee has determined and adopted the Board diversity policy, reviewed the structure, size and composition of the Board, assessed the independence of INEDs and made recommendation to the Board on the appointment or re-appointment of directors.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The external auditors of the Company had given to the Company a written confirmation of their independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants before the conduct of the annual audit for the year ended 31 December 2014.

During the year, PricewaterhouseCoopers, the auditor of the Company, provided both audit and non-audit services to the Company for a total remuneration of HK$5,288,000. The relevant fee paid for audit services amounted to approximately HK$3,250,000 and the balancing of the remuneration related to the non-audit services of approximately HK$2,038,000.

The Board and the Audit Committee satisfied PricewaterhouseCoopers of their findings, independence, objectivity and effectiveness in the annual audit and their audit fees, PricewaterhouseCoopers are proposed for re-appointment as the Company's external auditors at the forthcoming annual general meeting.

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2014 to give true and fair presentation of the financial position of the Company in accordance with all applicable Hong Kong Financial Reporting Standards and for timely financial disclosures under the Listing Rules and any other regulatory requirements.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements as to the auditors' responsibility of financial reporting is set out in the independent auditor's report on page 90.

INTERNAL CONTROL

The Board had conducted an annual review of the effectiveness of the internal control system of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions before the date of this report through efforts of the Audit Committee.

The Board has overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

On 26 March 2015, Mr. LEUNG Ming Yiu resigned as the Company Secretary in order to focus on his financing duties. On the same day, Ms. TAI Bik Yin has been appointed as the Company Secretary.

Ms. TAI Bik Yin has professional qualification and extensive experience in discharging her duties as the company secretary of the Company. Ms. TAI is a full-time employee of the Group and reports to the Board. She has day-to-day knowledge of the Company's affairs. Ms. TAI had taken no less than 15 hours of professional training for the financial year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

Shareholders of the Company holding not less than 10% of the paid up capital of the Company may deposit at the Company's principal place of business in Hong Kong a requisition which specifies the objects of the meeting and is signed by the requisitionists to require an extraordinary general meeting to be convened by the Board. Shareholders could use the same way of calling an extraordinary general meeting as above to put forward proposals in detail at shareholders' meetings.

Shareholders' specific enquiries to the Board could be sent in writing to the company secretary of the Company whose contact details are as follows:

China Aircraft Leasing Group Holdings Limited
28/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong
email: ir@calc.com.hk

The Company's Hong Kong share registrars serves the shareholders with respect to all share registration matters.

Shareholders' rights are further preserved when separate resolutions are proposed at shareholders' meetings on each substantially separate issue, including but not limited to election or re-election of individual director at annual general meeting. All resolutions proposed at shareholders' meetings are put to vote by poll.

SHAREHOLDERS' COMMUNICATION POLICY

In August 2014, the Company adopted a shareholders' communication policy. Under the policy, the Company communicates with its shareholders and investors through various means. Timely publication of interim and annual results, announcements on the latest development of the Company and press release on the Company's website and the Stock Exchange's website could make shareholders of the Company appraise the Company's financial position. Shareholders are highly required to pay attention to these public information. Holding of an annual general meeting could provide an effective forum for the Company's shareholders to share their views with the Board, shareholders are welcome to attend the forthcoming annual general meeting. The Directors and the external auditors of the Company would be available at the forthcoming annual general meeting to answer shareholders' questions about the annual results for the financial year ended 31 December 2014.

CONSTITUTIONAL DOCUMENTS

Since the adoption of amended and restated memorandum and articles of the Company took effect from the Listing Date, there are no changes in the memorandum and articles of association of the Company during the Review Period.

REPORT OF THE DIRECTORS

The Board is pleased to present the Directors' Report of the year 2014 together with the audited financial statements of the Group for the year ended 31 December 2014.

BRIEF INTRODUCTION OF THE GROUP'S BUSINESS ACTIVITIES

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.

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of income on page 94 of this annual report.

The Board recommends the payment of a final dividend of HK$0.16 per share in respect of the year ended 31 December 2014 to shareholders whose names appear on the register of members of the Company on 15 May 2015. The proposed final dividend will be paid on or about 22 May 2015, following approval at the Annual General Meeting of the Company to be held on 8 May 2015 (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on 8 May 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7 May 2015 to 8 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 6 May 2015.

The final dividend is subject to the approval of the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 14 May 2015 to 15 May 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 proposed final dividend is 15 May 2015. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 13 May 2015.

FINANCIAL HIGHLIGHTS

The summary of the Group's results, assets, liabilities and non-controlling interests for the past four financial years is extracted from the audited financial information, which are set out on pages 14 to 15 to this annual report. This summary does not form a part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

The movements in the Group's property, plant and equipment for the year are set out in Note 5 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 11 to the financial statements.

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 period from the listing date of 11 July 2014 to 31 December 2014.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 96 of this annual report and Note 12 to the financial statements respectively.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to HK$1.16 million.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Poon Ho Man (Chief Executive Officer)
Ms. Liu Wanting

Non-Executive Directors

Mr. Chen Shuang (Chairman)
Mr. Tang Chi Chun
Mr. Guo Zibin (appointed on 10 March 2014)
Ms. Chen Ying (resigned on 7 March 2014)

Independent Non-Executive Directors

Mr. Fan Yan Hok, Philip
Mr. Ng Ming Wah, Charles
Mr. Zhang Chongqing
Mr. Nien Van Jin, Robert (appointed on 27 August 2014)
Mr. Sun Quan (resigned on 27 August 2014)

According to Article 16.18 of the Company's Articles of Association, not less than one-third of the Directors (including those appointed for a specific term) shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at the AGM at least once every three years.

In addition, according to Article 16.2 of the Company's Articles of Association, the Company may from time to time in general meeting elect any person to be a Director to fill a casual vacancy or as an addition to the Board. The Directors shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following AGM, and shall then be eligible for re-election at that AGM.

In accordance with Article 16.18, Mr. Poon Ho Man, Mr. Zhang Chongqing and Mr. Guo Zibin shall retire by rotation. Mr. Poon Ho Man and Mr. Guo Zibin, being eligible, will offer themselves for re-election at the forthcoming AGM. Mr. Zhang Chongqing has decided to retire from his position as an independent non-executive director of the Company with effect from the conclusion of the forthcoming AGM and accordingly, he will not offer himself for re-election.

In addition, in accordance with Article 16.2, Mr. Nien Van Jin, Robert, being new director appointed by the Board during the year, shall retire from office and, being eligible, will offer himself for re-election at the forthcoming AGM.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

Profile of the directors and senior management are set out on pages 81 to 89 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director offering for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not terminable by the employing company. Within one year without payment or compensation other than the normal statutory compensation.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") from each of the independent non-executive directors and the Company considers that each of the independent non-executive directors, namely Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Zhang Chongqing and Mr. Nien Van Jin, Robert, is independent.

DIRECTORS' EMOLUMENTS

Details of the Remuneration of the Directors for the year ended 31 December 2014 are set out in Note 27 to the Consolidated Financial Statements of the group.

DIRECTORS' INTERESTS IN CONTRACT

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, none of the directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

SHARE OPTION SCHEMES

The pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted by the Group on 4 August 2011 and taken over by the Company under the corporate reorganisation of the Group on 23 June 2014.

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

The principal terms of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme (collectively, the "Share Option Schemes") are as follows:

(a) Purpose of the Share Option Schemes

The purpose of the Share Option Schemes is to provide incentives or rewards to the participants for their contribution to the growth of our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

(b) Who may join

The Board shall be entitled but shall not be bound at any time and from time to time within the period of ten years from the date on which the Share Option Schemes become effective to make offers to any participant, as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, to take up options to subscribe for Shares, being a board lot for dealing in Shares on the Main Board or an integral multiple thereof at a price to be determined by the Board. For the purpose of the Share Option Schemes, options may be granted to any company wholly-owned by a participant.

(c) Subscription price for Shares

(c.1) Post-IPO Share Option Scheme

The subscription price for Shares in respect of any options granted under the Post-IPO Share Option Scheme shall be a price determined by the Board, in its absolute discretion, but in any case shall not be less than the higher of:–

(i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;

(ii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share on such date of grant,

provided that for the purpose of calculating the subscription price, where the Shares have been listed on the Stock Exchange for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before such listing.

(c.2) Pre-IPO Share Option Scheme

The exercise price for the subscription of shares under the Pre-IPO Share Option Scheme shall be calculated from a base price of USD0.121 each as adjusted by a required time value cost of 10% per annum.

(d) Consideration for the option

(d.1) Post-IPO Share Option Scheme

Upon acceptance of the option, the grantee shall pay HK$1 to our Company by way of consideration for the grant.

(d.2) Pre-IPO Share Option Scheme

Each of the grantees is required to pay USD1 on acceptance of the options granted under the Pre-IPO Share Option Scheme.

(e) Maximum number of Shares

(e.1) Post-IPO Share Option Scheme

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Group shall not, in aggregate, exceed 10% of the total number of Shares in issue immediately following completion of the global offering (the "Scheme Mandate Limit") unless our Company seeks the approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option schemes of our Group shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

(e.2) Pre-IPO Share Option Scheme

Save for the options which have been granted in 2011, no further options will be granted under the Pre-IPO Share Option Scheme on or after the listing date of 11 July 2014.

(f) Maximum entitlement of each Participant

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to and including the date of the such further grant would exceed 1% of the Shares in issue as at the date of such further grant unless such further grant has been approved by the Shareholders in general meeting with the participant and his associates abstaining from voting.

(g) Exercise of option

An option may be exercised in accordance with the terms of the Share Option Schemes at any time during a period as the Board may in its absolute discretion determine which shall not be more than ten years from the date of grant of the option and the Board may at its discretion determine the minimum period for which the option has to be held or restrictions before the exercise of the subscription right attaching to an option.

(h) Duration of the Share Option Schemes

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Schemes and in such event no further options shall be offered but the provisions of the Share Option Schemes shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to such termination or otherwise as may be required in accordance with the provision of the Share Option Schemes. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Schemes.

Subject to the aforesaid, the Share Option Schemes shall be valid and effective for a period of ten years commencing from the date on which the Share Option Schemes become effective, after which period no further options shall be granted but the provisions of the Share Option Schemes shall remain in full force and effect in to the extent necessary to give effect to the exercise of the options granted prior thereto.

Details of movement of the Company's Share Option Schemes are disclosed in Note 12 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed herein, at no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were detailed as follows:

Name of directors	Capacity/nature of interest	Number of shares held (1)	Number of underlying shares held	Approximately percentage of shareholding
Mr. POON Ho Man	Interest of controlled corporation	181,254,589(L)(2)	–	30.94%
	Interest of controlled corporation		1,300,000(3)	0.22%
	Interest of controlled corporation		15,000,000(4)	2.56%
Ms. LIU Wanting	Interest of controlled corporation		10,000,000(5)	1.71%
Mr. CHEN Shuang	Beneficial Owner		200,000(6)	0.03%
Mr. TANG Chi Chun	Beneficial Owner		200,000(6)	0.03%
Mr. GUO Zibin	Beneficial Owner		200,000(6)	0.03%
Mr. FAN Yan Hok, Philip	Beneficial Owner		200,000(6)	0.03%
Mr. NG Ming Wah, Charles	Beneficial Owner		200,000(6)	0.03%
Mr. ZHANG Chongqing	Beneficial Owner		200,000(6)	0.03%
Mr. NIEN Van Jin, Robert	Beneficial Owner		200,000(6)	0.03%

Notes:

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

(2) *Friedmann Pacific Asset Management Limited ("FPAM") is a substantial shareholder of the Company which is owned as to 0.000001% by Ms. Christina Ng and 99.999999% by Capella Capital Limited, which is in turn owned as to 10% by Ms. Ng and 90% by Mr. Poon Ho Man, spouse of Ms. Ng.*

(3) *These interests represented the interests in underlying shares in respect of the share options granted by the Company to FPAM pursuant to the Pre-IPO Share Option Scheme.*

(4) *These interests represented the interests in underlying shares in respect of the share options granted by the Company to Equal Honour Holdings Limited pursuant to the Pre-IPO Share Option Scheme. Equal Honour Holdings Limited is wholly-owned by Mr. Poon Ho Man.*

(5) *These interests represented the interests in underlying shares in respect of the share options granted by the Company to Smart Vintage Investments Limited pursuant to the Pre-IPO Share Option Scheme. Smart Vintage Investments Limited is wholly-owned by Ms. Liu Wanting.*

(6) *These interests represented the interests in underlying shares in respect of the share options granted by the Company to each non-executive director and independent non-executive director of the Company pursuant to the Post-IPO Share Option Scheme.*

Save as disclosed above, as at 31 December 2014, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company as at 31 December 2014 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2014 or from 11 July 2014 (the "Listing Date"), the entities who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholders	Capacity/nature of interest	Number of ordinary Shares[1]	Approximate percentage of interest
China Everbright Aerospace Holdings Limited ("CE Aerospace")[2]	Beneficial Owner	206,979,479(L)	35.33%
China Everbright Limited ("CEL")[2]	Interest of controlled corporation	215,199,479(L)	36.74%
China Everbright Holdings Company Limited ("CE Holdings")[3]	Interest of controlled corporation	215,199,479(L)	36.74%
China Everbright Group Ltd ("CE Group")[4]	Interest of controlled corporation	215,199,479(L)	36.74%
Central Huijin Investment Limited ("Central Huijin")[4]	Interest of controlled corporation	215,199,479(L)	36.74%
Friedmann Pacific Asset Management Limited ("FPAM")[5]	Beneficial Owner	181,254,589(L)	30.94%
Capella Capital Limited ("Capella")[6]	Interest of controlled corporation	181,254,589(L)	30.94%
POON Ho Man[6]	Interest of controlled corporation	181,254,589(L)	30.94%
Christina NG[7]	Interest of a spouse	181,254,589(L)	30.94%
Easy Smart Limited ("Easy Smart")[8]	Beneficial owner	37,773,755(L)	6.45%
China Aerospace Investment Holdings Ltd. ("China Aerospace")	Interest of controlled corporation	37,773,755(L)	6.45%

Notes:

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

(2) *The entire issued share capital of CE Aerospace is wholly-owned by CEL. Accordingly, CEL is deemed to be interested in all the shares held by CE Aerospace. CEL is also deemed to be interested in 8,220,000 shares held by its indirect wholly-owned subsidiary.*

(3) *CE Holdings indirectly holds more than one-third of the voting power at general meetings of CEL. Accordingly, CE Holdings is deemed to be interested in all the shares mentioned in note (2) above.*

(4) *According to the Company's announcements in respect of the proposed restructuring dated 10 November 2014, 25 November 2014 and 8 December 2014, CE Group and Central Huijin are deemed to be interested in all the shares mentioned in notes (2) and (3) above.*

(5) *The issued share capital of FPAM is owned as to 0.000001% by Ms. Christina NG and 99.999999% by Capella. Accordingly, Capella is deemed to be interested in all the shares held by FPAM.*

(6) *The issued share capital of Capella is owned as to 10% by Ms. Christina NG and 90% by Mr. POON Ho Man. Accordingly, Mr. POON Ho Man is deemed to be interested in all the shares mentioned in note (5) above.*

(7) *Ms. Christina NG is the spouse of Mr. POON Ho Man.*

(8) *The entire issued share capital of Easy Smart is wholly-owned by China Aerospace. Accordingly, China Aerospace is deemed to be interested in all the shares held by Easy Smart.*

Save as disclosed above, as at the date of this report, the Directors are not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

On the Listing Date, the shares of the Company were listed on the Main Board of the Stock Exchange. Net proceeds from the global offering were approximately HK$591.1 million. The Company intends to use the net proceeds in accordance with the proposed applications set out in the section headed "Futures Plans and Proposed Use of Net Proceeds from the Global Offering" contained in the prospectus of the Company dated 30 June 2014.

PUBLIC FLOAT

Based on the information publicly available to the Company and as far as the directors are aware as at the date of this report, at least 25% of the total issued share capital of the Company is held by the public pursuant to the Listing Rules.

MAJOR CUSTOMERS

During the year, the income of the Group's lease accounted for 78.3% of the total income, and the information of the customers of the lease and advisory segments is as follows:

	For the year ended 31 December 2014 Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	68.1%
The largest customer	18.8%

As far as the directors are aware, none of the directors of the Company, their associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in the five largest customers of the Group.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

The Company entered into the following continuing connected transactions, as defined in the Listing Rules.

Consultancy and logistics services provided by Ever Alpha Investments Limited

On 27 September 2013, China Aircraft Leasing Company Limited ("CALC (BVI)") and Ever Alpha Investments Limited ("Ever Alpha") entered into a consultancy agreement (the "Consultancy Agreement") pursuant to which Ever Alpha has agreed to support the Company by providing onsite supporting services to facilitate Qingdao Airlines Co., Ltd. ("Qingdao Airlines") to lease current generation of A320 aircraft from the Company. The onsite supporting services to be provided by Ever Alpha under the Consultancy Agreement include liaising and participating in preliminary discussion with Qingdao Airlines, providing relevant information to CALC (BVI) in respect of Qingdao Airlines and the leasing, providing strategic advice to CALC (BVI) to facilitate the leasing, assisting CALC (BVI) in negotiation, and contacting relevant government department and arranging for consultation when necessary. In this connection, the Company has entered into five aircraft lease agreements for the lease and delivery of two aircraft in 2014 and three aircraft in 2015. Qingdao Airlines is a new customer to the Company, and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, it is their first time to use Airbus aircraft as part of their fleet. Hence, it is important that Qingdao Airlines will be guided through the entire process to ensure that the aircraft to be leased and delivered to Qingdao Airlines will be used properly in accordance with the terms of the relevant aircraft lease agreements.

In addition, Ever Alpha has the connection and prior experience working with Qingdao Airlines and it facilitated Qingdao Airlines to develop business plan by choosing to use Airbus aircraft, through its local affiliates. Ever Alpha will help the Company to ensure that Qingdao Airlines will pay the Company the lease payments on time in accordance with the terms of the relevant aircraft lease agreements. Pursuant to the Consultancy Agreement, Ever Alpha has undertaken to CALC (BVI) that if there is any default in lease payments, together with related interests and fees, by Qingdao Airlines up to the amount of USD200,000 for a period of 24 months, Ever Alpha will pay the Company the outstanding amount. The Directors believe that engaging Ever Alpha in the provision of consultancy services assists the Group in securing Qingdao Airlines as a new customer and ensuring a smooth and unobstructed completion of the transaction.

The Consultancy Agreement is for a term commenced on 27 September 2013 and expiring on 31 December 2015. The Consultancy Agreement shall automatically be terminated in the event that no aircraft lease agreements are entered into between CALC (BVI) and Qingdao Airlines within 12 months from the date of the Consultancy Agreement.

Pricing basis

The consultancy fees charged by Ever Alpha will be at the rate of 2.5% of the total lease income for each leased aircraft over its entire lease term pursuant to the relevant aircraft lease agreement subject to a cap of USD1.0 million per aircraft delivered to Qingdao Airlines.

Historical figures

In 2011, 2012 and 2013, the Company did not pay any consultancy fee to Ever Alpha. In 2014, the Company paid a consultancy fee of USD2.0 million to Ever Alpha.

Annual caps

The following annual caps are applicable to the continuing connected transactions under the Consultancy Agreement:–

	Proposed annual caps for the years ended/ending 31 December		
	2014	**2015**	**2016**
	(USD million)	(USD million)	(USD million)
Total consultancy fee payable	2.0	3.0	Nil

Ever Alpha is a wholly-owned subsidiary of China Everbright Limited ("CEL") which is a controlling shareholder of the Company. Therefore, Ever Alpha is an associate of CEL and a connected person of the Company and the Consultancy Agreement constitutes continuing connected transactions of the Company.

With respect to the above continuing connected transactions, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.105 of the Listing Rules for such continuing connected transactions. The Company has complied with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

Save for the continuing connected transactions disclosed above and certain connected transactions and continuing connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.33 and 14A.105 of the Listing Rules, during the year, there were no other transactions which, in the opinion of the Directors, constituted connected transactions or continuing connected transactions that were subject to the reporting requirements under the Listing Rules. The above continuing connected transactions were also reported under the related party transactions in accordance with the Hong Kong Financial Reporting Standards in this Annual Report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive directors, who confirmed that the aforesaid continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION OF THE AUDITORS

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group on pages 78 to 79 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter has been provided by the company to the Stock Exchange.

AUDIT COMMITTEE REVIEW

Audit Committee comprises four members, namely Mr. Ng Ming Wah, Charles (Chairman of the Audit Committee), Mr. Zhang Chongqing, Mr. Nien Van Jin, Robert and Mr. Guo Zibin, 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 Committee has reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2014.

The consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Financial Reporting Standards.

AUDITOR

The proposal of re-appointing PricewaterhouseCoopers as the auditor of the Company will be put forward at the AGM for consideration and approval.

By order of the Board
China Aircraft Leasing Group Holdings Limited

POON Ho Man
Executive Director and Chief Executive Officer
Hong Kong, 26 March 2015

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Mr. CHEN Shuang

Chairman and Non-executive Director

Mr. CHEN Shuang, aged 47, is the Chairman and a non-executive Director. Mr. CHEN was appointed as a non-executive Director on 12 August 2013 and is also the chairman of Strategy Committee of the Company. Mr. CHEN is responsible for reviewing our overall strategic planning and business development.

Mr. CHEN is also an executive director and deputy general manager of China Everbright Holdings Company Limited, an executive director, the chief executive officer, and a member of the executive committee and strategy committee, the chairman of Management Decision Committee of China Everbright Limited, a company listed on the Hong Kong Stock Exchange (stock code: 165), an independent director of Noah Holdings Limited, a company listed on the New York Stock Exchange (stock code: NOAH.N). Mr. CHEN is currently a non-official member of the Financial Services Development Council, the Honorary chairman of Chinese Financial Association of Hong Kong, the vice-chairman of Chinese Securities Association of Hong Kong, and a visiting professor of East China University of Political Science and Law (**華東政法大學**).

Mr. CHEN was a supervisor of China Everbright Bank Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818) (term of office expired on 20 October 2014.) Mr. CHEN was also a director of Everbright Securities Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 601788) (term of office expired on 15 October 2014) and an independent non-executive director of China Nonferrous Mining Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1258) (term of office expired on 27 August 2014).

Mr. CHEN obtained the degree of master of law from East China University of Political Science and Law (**華東政法大學**) in 1992 and a diploma in legal studies from the School of Professional and Continuing Education of the University of Hong Kong in 2003. Mr. CHEN is a qualified lawyer in the PRC and a senior economist in the PRC.

Mr. POON Ho Man

Executive Director and Chief Executive Officer

Mr. POON Ho Man, aged 42, is an executive Director and the Chief Executive Officer. Mr. POON founded the Group in March 2006. Mr. POON is responsible for formulating and reviewing our overall strategic planning and managing overall business operations. Mr. POON is also a director of almost all other companies within the Group and is a member of each of the Strategy Committee and the Sustainability Steering Committee of the Company. As at 31 December 2014, Mr. POON indirectly holds 30.94% interest in the Company.

Mr. POON is the chairman of Friedmann Pacific Asset Management Limited, a substantial shareholder of the Company, which is owned as to 0.01% by Ms. Christina NG and 99.9% by Capella Capital Limited, which in turn is owned as to 10% by Ms. Christina NG and 90% by Mr. POON. Mr. POON was a director of Garron International Limited (now known as China Investment and Finance Group Limited), a company listed on the Hong Kong Stock Exchange (stock code: 1226) during the period between December 2004 and October 2010.

Since April 2003, Mr. POON has been the Responsible Officer of Friedmann Pacific Asset Management (Hong Kong) Limited in supervising the conduct of type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("the SFO") and FP Sino-Rich Securities & Futures Limited in supervising the conduct of type 1 (dealing in securities) regulated activities under the SFO. He was also the Responsible Officer of FP Sino-Rich Securities & Futures Limited in supervising the conduct of type 6 (advising on corporate finance) regulated activities under the SFO from 17 September 2005 to 15 March 2011. Mr. POON is experienced in building hedging models, dealing in different financial instruments to maximise the gain and monitoring the risk assumed in an investment portfolio.

Mr. POON obtained the degree of bachelor of engineering from the University of Hong Kong in 1995, and obtained the degree of executive master of business administration (高級管理人員工商管理碩士) from Tsinghua University in 2005. Mr. POON has been a CFA® charterholder of the Association for Investment Management and Research (now known as the Chartered Financial Analysts Institute) since March 2002. Mr. POON is currently a member of Heilongjiang Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會黑龍江省委員會) and the vice president of China Group Companies Association (中國集團公司促進會), an association under the State-owned Assets Supervision and Administration Commission of the State Council. Mr. POON is the Honourary President of Hong Kong Overseas Chinese Association (香港華僑華人總會), the Vice President of Chinese Financial Association of Hong Kong (香港中國金融協會) and the Vice President of Jiangxi Province Federation of Overseas Chinese Entrepreneurs (江西省僑商聯合會). Mr. POON also obtained the World Outstanding Chinese Award (世界傑出華人獎) from World Chinese Business Investment Foundation (世界華商投資基金會) in 2006.

Ms. LIU Wanting

Executive Director and Executive Vice President

Ms. LIU Wanting, aged 33, is an executive Director and Executive Vice President. Ms. LIU joined the Group in June 2006. Ms. LIU is in charge of overall business operation and implementation of business strategy by the Chief Executive Officer and the Strategy Committee. She is also responsible for managing the commercial, marketing and banking operations and the business development of the Group and she focuses on the aircraft leasing and financing businesses. Within the Group, Ms. LIU is also a director of certain subsidiaries of the Company and a member of each of its Strategy Committee and Sustainability Steering Committee.

Ms. LIU is currently a director of 中僑融資租賃有限公司 (Sino Asset Financial Leasing Limited), a company established in China. She is also the vice president of China Group Companies Association (中國集團公司促進會). Ms. LIU has been our representative in the Leasing Committee of China Association Enterprise with Foreign Investment from April 2010 to April 2011, and a founding member of Chinese Financial Association of Hong Kong (香港中國金融協會). Ms. LIU is the vice chairman of the Aviation Safety 《航空安全》magazine of the Aviation Safety Office under the Civil Aviation Administration of China (中國民用航空局航空安全辦公室), with a term from July 2014 to 2016. Ms. LIU has given speeches in various conferences on leasing and also delivers lectures to financing experts in the Greater China region from time to time.

Ms. LIU graduated with the degree of bachelor in journalism from Heilongjiang University (黑龍江大學) China in 2004, and a degree of master of arts in communication from Hong Kong Baptist University in 2005. Ms. LIU also completed a finance study course for senior executive organised by Tsinghua University in 2008. She is a candidate for the degree of executive master of business administration (高級管理人員工商管理碩士) at Tsinghua University. Since joining the Company in June 2006, Ms. LIU has initiated, structured, and completed a number of aircraft leasing transactions.

Mr. TANG Chi Chun

Non-executive Director

Mr. TANG Chi Chun, aged 53, is a non-executive Director appointed on 12 August 2013 and is also a member of Strategy Committee of the Company. Mr. TANG is responsible for the business development and advising on financial related operations of the Group.

Mr. TANG is an executive director and the chief financial officer of China Everbright Limited, a company listed on the Hong Kong Stock Exchange (stock code: 165). Mr. TANG was a director of Everbright Securities Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 601788), during the period from February 2008 to January 2011.

Since 1990, Mr. TANG has been engaged in senior positions of the financial and business operations of various international financial institutions. Mr. TANG worked as the Assistant Vice President with a functional title of Audit Manager in the Regional Audit Department in Bankers Trust Company, an American banking company, from August 1990 to February 1993, during which he was responsible for managing audit projects and introducing new banking products, and thus gained the experience in managing interest rate risks and conducting hedging activities.

Mr. TANG is a certified public accountant in Hong Kong and a graduate of the Accountancy Department at the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1983. Mr. TANG is a member of the Association of Chartered Certified Accountants and the HKICPA. He is also a founding member of Hong Kong Business Accountants Association. Mr. TANG has over 20 years of experience in audit, investment, accounting, and finance.

Mr. GUO Zibin

Non-executive Director

Mr. GUO Zibin, aged 46, is a non-executive Director appointed on 10 March 2014 and also a member of Audit Committee of the Company. Mr. GUO is responsible for attending meetings of the Board to perform duties as a member of the Board, but not participating in the day-to-day management of our business operations.

Mr. GUO has been acting as the vice general manager of China Aerospace Investment Holdings Ltd (航天投資控股有限公司) since February 2012. Mr GUO had been a project manager of the investment banking department of Industrial Securities Company Limited (興業證券股份有限公司) during the period between April 2000 and August 2004 and Everbright International Investment Consulting Corporation (光大國際投資諮詢公司) during the period of April 1998 to April 2000. Mr. GUO also served as a project manager, assistant to the general manager and vice general manager of the Investment Management Division of China Everbright Investment Management Corporation (中國光大投資管理公司) during the period between August 2004 and February 2014.

Mr. GUO graduated with a bachelor's degree in economics from the Anhui University (安徽大學) in 1991 and obtained a master's degree in industry and foreign trade from Beijing University of Technology (北京工業大學) in 1996.

Mr. FAN Yan Hok, Philip

Independent Non-executive Director

Mr. FAN Yan Hok, Philip, aged 65, is an independent non-executive Director appointed on 11 September 2013. Mr. FAN is also the chairman of Remuneration Committee and a member of Nomination Committee of the Company. Mr. FAN is currently holding directorships in the following companies listed on the securities market in Hong Kong or overseas:–

Name of listed company	Securities exchange and stock code	Position held
China Everbright International Limited	Hong Kong Stock Exchange: 257	Independent non-executive director
Hysan Development Company Limited	Hong Kong Stock Exchange: 14	Independent non-executive director
First Pacific Company Limited	Hong Kong Stock Exchange: 142	Independent non-executive director
Goodman Group	Australian Stock Exchange: GMG	Independent director

In the last three years and up to the date of this report, Mr. FAN had held directorships in the following companies listed on the securities market in Hong Kong or overseas:–

Name of listed company	Securities exchange/market and stock code	Position held	Period
China Everbright International Limited	Hong Kong Stock Exchange: 257	Executive director Non-executive director	1997 – 2010 2010 – 2012
Zhuhai Zhongfu Enterprise Co., Ltd.	Shenzhen Stock Exchange: 000659	Independent director	May 2010 – June 2013
Suntech Power Holdings Co. Ltd	New York Stock Exchange: STP (suspended since 11 November 2013) OTC Market: STPFQ (from 11 November 2013)	Independent director	9 March 2013 – 9 December 2013
HKC (Holdings) Limited	Hong Kong Stock Exchange: 190	Independent non-executive director	March 2010– December 2014

Mr. FAN obtained the degree of bachelor of science in 1973 and the degree of master of science in the same year from Stanford University, the United States and the degree of master of science in management in 1976 from Massachusetts Institute of Technology, the United States. Mr. FAN is also a member of the Asia Advisory Committee of AustralianSuper, a pension fund established in Australia.

Mr. NG Ming Wah, Charles

Independent Non-executive Director

Mr. NG Ming Wah, Charles, aged 65, is an independent non-executive Director appointed on 11 September 2013. Mr. NG is also the chairman of Audit Committee and a member of each of Nomination Committee and Remuneration Committee of the Company. Mr. NG obtained a bachelor of science degree in electronic and electrical engineering from Loughborough University in England in 1972 and a master of science degree in business studies from London Graduate School of Business Studies, University of London (now London Business School) in England in 1974. Mr. NG is a director of Somerley Capital Limited, a company licenced to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Mr. NG is also a non-executive director of Goldlion Holdings Limited (stock code: 533), a company listed on the Hong Kong Stock Exchange and is also a member of each of its audit, remuneration and nomination committees. In addition, Mr. NG is a member of the Board of Governors of the Hong Kong Arts Centre. Mr. NG has more than 40 years of experience in finance and management and he has had extensive experience in reviewing and analysing in depth financial statements of public companies together with extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements. Our executive Directors have considered Mr. NG's education, qualifications and experience and are satisfied that Mr. NG has the necessary training and experience for the purpose of Rule 3.10(2) of the Listing Rules.

During the past three years prior to the date of this report, Mr. NG was an independent non-executive director of China Everbright Limited, a company listed on the Hong Kong Stock Exchange (stock code: 165) (term of office expired on 15 May 2013), and of China Molybdenum Co., Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3993) (term of office expired on 17 August 2012).

Mr. ZHANG Chongqing

Independent Non-executive Director

Mr. ZHANG Chongqing, aged 69, is an independent non-executive Director appointed on 11 September 2013. Mr. ZHANG is also the chairman of Nomination Committee and a member of each of Audit Committee and Remuneration Committee of the Company.

Mr. ZHANG is the vice president of China Group Companies Association (中國集團公司促進會) and the vice president of China Market Association (中國市場學會). Mr. ZHANG served as the deputy secretary and vice chairman of the China Enterprise Management Association (中國企業管理協會) and a committee member of the China Entrepreneur Association (中國企業家協會). Mr. ZHANG was also the head of the China Enterprise Information Exchange Centre (中國企業信息交流中心) and the president of China Enterprise News (中國企業報).

Mr. ZHANG graduated from Renmin University of China with an undergraduate degree of trading and economics in 1969, and he is a researcher. Mr. ZHANG has published various books, including Management Breakthrough (管理突破).

Mr. NIEN Van Jin, Robert

Independent Non-executive Director

Mr. NIEN Van Jin, Robert, aged 67, is an independent non-executive Director appointed on 27 August 2014. Mr. NIEN is also a member of each of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr. NIEN was an executive director of Hopewell Holdings Limited ("Hopewell") (stock code: 0054), a company listed on the Hong Kong Stock Exchange, during 1980 to 2010, and then became a principal consultant during 2010 to 2011. He retired from Hopewell in July 2011. Before joining Hopewell in 1976, he worked with a renowned multi-national bank during 1972 to 1976.

Mr. NIEN holds a bachelor's degree in economics from the University of Pennsylvania and a master's degree in business administration from the Wharton Graduate School of Business. He is a member of the Hong Kong Institute of Directors.

Mr. NIEN has over 40 years' extensive financing experience in property in Hong Kong and infrastructure projects in PRC Pearl River Delta area, particularly in power plant and highway. He also has experience in the areas of corporate governance and corporate public relations.

SENIOR MANAGEMENT

Mr. Jens Christian DUNKER

Senior Vice President - Aircraft Trading and Global Marketing

Mr. Jens Christian DUNKER, aged 49, is our Senior Vice President - Aircraft Trading and Global Marketing, in charge of asset trading and global marketing. Mr. DUNKER joined our Company as Managing Director, Aircraft Trading in June 2011, pursuant to a secondment agreement dating 22 June 2011 between China Aircraft Leasing Company Limited and Jetline Consulting Limited, a company incorporated in England and wholly-owned by Mr. DUNKER. Mr. DUNKER obtained a Master Degree in Air Transport Management from the College of Aeronautics of the Cranfield Institute of Technology in the United Kingdom in 1993. He also completed the degree course in Aerospace Engineering at Technische Universität Berlin in 1994.

Mr. DUNKER worked for Deutsche Lufthansa AG from 1994 to 1998, initially as project manager for its regional airline subsidiary Cityline and later as Manager Aircraft Purchasing. He was responsible for the preparation of analyses in connection with the selection of aircraft, the negotiation of aircraft purchasing contracts, budgetary control with respect to aircraft procurement and internal coordination of aircraft purchasing. He worked for Dornier Luftfahrt GmbH, a regional aircraft manufacturer, from 1998 to 1999. As Manager Sales Engineering, he was responsible for the sales support of the 728JET new aircraft project. From 2000 to 2007, as the Head of Aircraft Finance of TUI AG, Mr. DUNKER was responsible for the financing and asset management of a fleet of up to 130 aircraft with such duties as the development of financing and procurement strategies, the negotiation and implementation of aircraft financing and leasing contracts and the identification of potential investors for assets transactions. Since then, Mr. DUNKER has been acting as an independent consultant for various airlines and investors. Mr. DUNKER has over 20 years of experience in the aircraft industry with focus on aircraft purchase and financing.

Mr. DUAN Xiaoge

Senior Vice President - Technical and Asset Management

Mr. DUAN Xiaoge, aged 48, is our Senior Vice President - Technical and Asset Management, in charge of technical and asset management. Mr. DUAN joined us on 17 July 2007 as a consultant and has became a full-time employee of our Group effective from 1 March 2013. Mr. DUAN graduated with the degree of bachelor of professional aeronautics from the College of China Civil Aviation (中國民用航空學院) (currently known as Civil Aviation University of China) in 1988. Mr. DUAN further completed a professional manager MBA programme (職業經理 MBA 課程研修班) organised by Xi'an Jiaotong University (西安交通大學) in 2007. Mr. DUAN was qualified as an assistant engineer of China Northwest Airlines in 1989. Mr. DUAN is a qualified civil aircraft maintenance personnel of China Aviation Administration of China since 1994.

Prior to joining us, Mr. DUAN worked as an independent contracted technical consultant of GE Capital Aviation Services from 2000 to March 2012 where he was responsible for aircraft re-delivery, delivery assignment, and managing aircraft alterations. Mr. DUAN has over 27 years of experience in the aircraft industry, focusing on aircraft maintenance and engineering, project consultancy and planning.

Mr. YU Tai Tei

Chief Financial Officer

Mr. YU Tai Tei, aged 54, is our Chief Financial Officer. Mr. YU joined us in June 2013 and is a member of Sustainability Steering Committee of the Company. Mr. YU is responsible for all aspects relating to finance and accounting of our Group. Mr. Yu has a degree of master of business administration from the University of Warwick and a degree of doctor of business administration from Hong Kong Polytechnic University, Hong Kong.

Mr. YU is a fellow member of the Association of Chartered Certified Accountants, the HKICPA, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries, and the Hong Kong Institute of Directors. Mr. YU is also a member of the Certified General Accountants Association of Canada. Mr. YU is also accredited as an authorised supervisor by HKICPA to train prospective members of the institute. Mr. YU has more than 30 years' working experience with multi-national and Hong Kong listed companies as well as the Hong Kong Inland Revenue Department, in the areas of finance, business control, auditing and tax.

Mr. LIU Fu Wah Patrick

Chief Operating Officer

Mr. LIU Fu Wah Patrick, aged 45, is our Chief Operating Officer. Mr. LIU joined us as Chief Operating Officer in September 2013 and is responsible for risk, financial and operations management. Mr. LIU has over 18 years of professional experience in financial services spanning investment, equipment and financial leasing, financial management, operational risk management and auditing. Prior to joining our Group, Mr. Liu had held senior management positions at Standard Chartered Bank (HK) Limited and Goldbond Group Holdings Limited, a company listed on the Stock Exchange of Hong Kong. In his early career, Mr. LIU also had professional experience in auditing at Ernst and Young, Arthur Andersen and KPMG. Mr. LIU holds a Master of Business Administration in Finance degree from the California State University, Hayward, the United States of America and a Bachelor of Science degree in Economics from the University of Victoria, Canada. Mr. LIU is a certified public accountant in the Washington State of the United States of America and a member of the American Institute of Certified Public Accountants.

Mr. TANG Yu Ping

Senior Vice President - Banking and Transaction

Mr. TANG Yu Ping, aged 45, is our Senior Vice President, Banking and Transaction, responsible for transaction planning and closing as well as debt and structured finance. Mr. TANG joined us on 7 November 2011 as the Financial Controller responsible for financial management and accounting. Mr. TANG is also the alternate director of China Aircraft Assets Ltd (incorporated in Labuan, Malaysia), a wholly-owned subsidiary of our Company.

Prior to joining us, Mr. TANG held senior financial positions in various companies listed in Hong Kong. He has over 20 years of experience in corporate development, financial management, consulting for various industries including aviation logistics, corporate finance advisory and manufacturing. By profession, Mr. TANG is a Certified Public Accountant in Hong Kong and a Chartered Accountant in England and Wales. He is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants.

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

Ms. Aikaterini SOMI (also known as Ekaterini SOMI and Catherine SOMI)

Legal counsel

Ms. Aikaterini SOMI (also known as Ekaterini SOMI and Catherine SOMI), aged 35, is our Legal Counsel. Ms. SOMI joined us on 20 January 2014. Ms. SOMI is responsible for all legal issues pertaining to our business. Ms SOMI graduated with the degree of bachelor of laws from the Brunel University, London in 2005 and obtained the Postgraduate Diploma in Professional and Legal Skills from the City University London in 2007. In 2007, Ms. SOMI was admitted as a barrister at the Bar of England and Wales and in 2010 was admitted as a solicitor of the Senior Courts of England and Wales. Ms. SOMI is also a member of the Honourable Society of the Middle Temple and the Law Society of England and Wales.

Prior to joining us, Ms. SOMI practised as a solicitor in commercial and banking litigation with an international law firm in London and thereafter acted as corporate counsel for a global aircraft leasing company, namely International Lease Finance Corporation. Ms. SOMI has over eight years of experience in commercial and banking litigation, international and aviation transactions.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the shareholders of China Aircraft Leasing Group Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 90 to 167, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2015

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
ASSETS			
Property, plant and equipment	5	**1,706,695**	1,487,127
Finance lease receivables – net	7	**11,443,485**	7,678,876
Derivative financial assets	16	**14,979**	13,620
Prepayments and other receivables	8	**3,503,360**	2,183,474
Restricted cash	9	**218,951**	102,411
Cash and cash equivalents	10	**1,425,570**	1,367,344
Total assets		**18,313,040**	12,832,852
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**58,578**	78
Reserves	12	**1,273,531**	743,099
Retained earnings			
– Proposed dividends	26	**93,725**	69,000
– Others		**335,446**	126,421
		1,761,280	938,598
Non-controlling interests	6	**19,416**	19,500
Total equity		**1,780,696**	958,098
LIABILITIES			
Deferred income tax liabilities	13	**67,161**	26,267
Bank borrowings	14	**15,342,648**	11,436,394
Long-term borrowings	15	**642,116**	155,172
Derivative financial liabilities	16	**33,361**	7,488
Income tax payables		**21,991**	8,613
Interest payable		**42,411**	34,547
Other payables and accruals	17	**382,656**	206,273
Total liabilities		**16,532,344**	11,874,754
Total equity and liabilities		**18,313,040**	12,832,852

The notes on pages 98 to 167 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 167 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

POON Ho Man
Director

LIU Wanting
Director

BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2014 HK$'000	 2013 HK$'000
ASSETS			
Investment in subsidiaries	6	**1,174,126**	785,587
Amounts due from subsidiaries	6	**398,433**	–
Prepayments	8	**403**	3,931
Cash and cash equivalents	10	**52,573**	–
Total assets		**1,625,535**	789,518
EQUITY			
Share capital	11	**58,578**	78
Reserves	12	**1,359,292**	785,109
Retained earnings/(accumulated losses)			
– Proposed dividends	26	**93,725**	69,000
– Others		**104,720**	(81,166)
Total equity		**1,616,315**	773,021
LIABILITIES			
Amount due to the shareholder		**–**	428
Amounts due to subsidiaries		**–**	13,935
Other payables and accruals	17	**9,220**	2,134
Total liabilities		**9,220**	16,497
Total equity and liabilities		**1,625,535**	789,518

The notes on pages 98 to 167 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 167 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

POON Ho Man
Director

LIU Wanting
Director

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Revenues			
Finance lease income	18	**714,724**	477,966
Operating lease income	18	**182,127**	145,359
Other income	19	**248,114**	63,610
		1,144,965	686,935
Expenses			
Interest expense	20	**(520,532)**	(329,906)
Depreciation		**(71,312)**	(54,147)
Operating expenses	21	**(199,886)**	(90,437)
		(791,730)	(474,490)
Operating profit		**353,235**	212,445
Foreign exchange gains/(losses)		**27,480**	(2,485)
Profit before income tax		**380,715**	209,960
Income tax expense	23	**(78,049)**	(37,460)
Profit for the year		**302,666**	172,500
Profit attributable to:			
Owners of the Company		**302,750**	172,500
Non-controlling interests		**(84)**	–
		302,666	172,500
Earnings per share for profit attributable to owners of the Company (expressed in HK$ per share)			
– Basic earnings per share	25(a)	**0.577**	0.376
– Diluted earnings per share	25(b)	**0.545**	0.376

The notes on pages 98 to 167 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Dividends	26	**93,725**	122,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Profit for the year		**302,666**	172,500
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	16	**(40,461)**	13,538
Effect of termination of interest rate swap – cash flow hedges	16	**–**	15,187
Reclassified from other comprehensive income to profit or loss – cash flow hedges	16	**(1,267)**	–
Currency differences on translation of financial statements of overseas subsidiaries		**(2,023)**	5,300
Total other comprehensive income for the year, net of tax		**(43,751)**	34,025
Total comprehensive income for the year		**258,915**	206,525
Attributable to:			
Owners of the Company		**258,999**	206,525
Non-controlling interests		**(84)**	–
		258,915	206,525

The notes on pages 98 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000	Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013	–	618,788	75,921	694,709	–	694,709
Comprehensive income						
Profit for the year	–	–	172,500	172,500	–	172,500
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges (Note 16)	–	13,538	–	13,538	–	13,538
Effect of termination of interest rate swap – cash flow hedges (Note 16)	–	15,187	–	15,187	–	15,187
Currency translation differences	–	5,300	–	5,300	–	5,300
Total comprehensive income	–	34,025	172,500	206,525	–	206,525
Transactions with owners						
Issue of ordinary shares	78	89,132	–	89,210	–	89,210
Contribution by non-controlling interests	–	–	–	–	19,500	19,500
Employee share option scheme:						
– Value of employee services (Note 12(a))	–	1,154	–	1,154	–	1,154
Dividends (Note 26)	–	–	(53,000)	(53,000)	–	(53,000)
Total transactions with owners	78	90,286	(53,000)	37,364	19,500	56,864
Balance at 31 December 2013	78	743,099	195,421	938,598	19,500	958,098
Balance 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 (Note 16)	**–**	**(40,461)**	**–**	**(40,461)**	**–**	**(40,461)**
Reclassified from other comprehensive income to profit or loss – cash flow hedges (Note 16)	**–**	**(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 ordinary 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 (Note 12(a))	**–**	**12,006**	**–**	**12,006**	**–**	**12,006**
Dividends (Note 26)	**–**	**–**	**(69,000)**	**(69,000)**	**–**	**(69,000)**
Total transactions with owners	**58,500**	**574,183**	**(69,000)**	**563,683**	**–**	**563,683**
Balance at 31 December 2014	**58,578**	**1,273,531**	**429,171**	**1,761,280**	**19,416**	**1,780,696**

The notes on pages 98 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Profit after income tax		**302,666**	172,500
Adjustments for:			
– Depreciation of property, plant and equipment		**71,312**	54,147
– Interest expense of bank borrowings		**520,532**	328,022
– Interest expense of borrowings from related parties		**–**	1,884
– Share-based payments		**12,006**	1,154
– Unrealised foreign exchange loss/(gain)		**4,260**	(3,641)
– Fair value (gain)/loss on currency swap		**(15,935)**	968
– Interest income		**(1,376)**	(679)
		893,465	554,355
Changes in working capital:			
– Finance lease receivables – net		**(3,806,252)**	(3,290,501)
– Prepayments and other receivables		**(156,748)**	(12,343)
– Other payables and accruals		**176,383**	153,878
– Income tax payables		**13,378**	2,712
– Deferred income tax liabilities		**40,894**	12,301
Net cash flows used in operating activities		**(2,838,880)**	(2,579,598)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(299,017)**	(425)
Deposits paid for acquisition of aircraft		**(1,173,953)**	(1,363,281)
Interest received		**1,376**	679
Net cash flows used in investing activities		**(1,471,594)**	(1,363,027)
Cash flows from financing activities			
Proceeds from issuance of new shares		**620,677**	89,210
Capital contribution by non-controlling interests		**–**	19,500
Proceeds from bank borrowings		**7,832,293**	6,092,551
Proceeds from borrowings from related parties		**–**	120,120
Proceeds from long-term borrowings		**492,423**	155,172
Repayments of bank borrowings		**(3,867,049)**	(743,319)
Repayments of borrowings from related parties		**–**	(120,120)
Repayments of long-term borrowings		**(116)**	–
Interest paid on bank borrowings		**(501,077)**	(315,331)
Interest paid on borrowings from related parties		**–**	(1,884)
Interest paid on long-term borrowings		**(12,953)**	–
Proceeds from disposal of a derivative financial instrument		**–**	15,187
Deposits pledged in respect of bank borrowings		**(91,419)**	(23,056)
Deposits pledged in respect of derivative financial instruments		**(25,764)**	(664)
Dividend paid to shareholders	26	**(69,000)**	(53,000)
Net cash flows generated from financing activities		**4,378,015**	5,234,366
Net increase in cash and cash equivalents		**67,541**	1,291,741
Cash and cash equivalents at beginning of the year		**1,367,344**	73,499
Foreign exchange difference on cash and cash equivalents		**(9,315)**	2,104
Cash and cash equivalents at end of the year		**1,425,570**	1,367,344

The notes on pages 98 to 167 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION

(a) 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 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 consolidated financial statements for the year ended 31 December 2014 are presented in Hong Kong Dollar ("HK$"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors on 26 March 2015.

(b) Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), China Aircraft Leasing Company Limited ("CALC (BVI)"), incorporated in the British Virgin Islands ("BVI") and its subsidiaries, now comprising the Group, were wholly owned by China Aircraft Leasing Holdings Limited ("CALH").

The Group underwent the Reorganisation which principally involved the following steps:

(i) On 21 December 2012, the Company was incorporated in the Cayman Islands and issued 1 share of USD1 to CALH upon its incorporation.

(ii) On 21 December 2012, CALH transferred to the Company 30,000,000 shares of USD1 each in CALC (BVI), representing 37.5% equity interest in CALC (BVI) for the time being, satisfied by 9 ordinary shares of USD1 each in the Company allotted and issued to CALH.

(iii) On 29 April 2013, CALH transferred to the Company 50,000,000 shares of USD1 each in CALC (BVI), representing 62.5% equity interest in CALC (BVI) for the time being, satisfied by 10 ordinary shares of USD1 each in the Company allotted and issued to CALH.

1 GENERAL INFORMATION AND REORGANISATION *(continued)*

(b) Reorganisation *(continued)*

The directors of the Company consider the above share swaps are, in substance, one transaction completed on 21 December 2012. The share swap on 29 April 2013 was administrative in nature to complete the legal form of the transaction. Accordingly CALC (BVI) was treated as a subsidiary of the Company from 21 December 2012, when the Company acquired control.

As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

On 30 June 2014, the Company issued the prospectus and launched a public offering of 116,800,000 shares at an offer price of HK$5.53 per share. The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 11 July 2014 by way of Initial Public Offering ("IPO").

As at 31 December 2014, the Company was owned as to 35.33% and 30.94% by China Everbright Aerospace Holdings Limited ("CE Aerospace") and Friedmann Pacific Asset Management Limited ("FPAM") respectively. CE Aerospace is a wholly owned subsidiary of China Everbright Limited. FPAM is owned by Mr. Poon Ho Man.

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 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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern

As at 31 December 2014, the Group's current liabilities exceeded its current assets by HK$3,238 million (Note 3.1.3). The Group had capital commitments amounting to HK$45,902 million in relation to acquisition of aircraft (Note 29), of which HK$5,836 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 ("PDPs") 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 PDPs and PDP financing is repayable after the aircraft is delivered. As at 31 December 2014, PDPs amounting to HK$3,241 million had been paid (Note 8) and the balance of corresponding PDP financing amounted to HK$2,305 million (Note 14), of which HK$1,937 million is related to the 19 aircraft to be delivered in 2015 and repayable within one year. 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 irrevocable letters of intent have already been signed for the aircraft scheduled for delivery in 2015 and thus the directors of the Company believe that long-term aircraft borrowings can be obtained to repay PDP financing and the balance payments of the aircraft acquisition costs due in 2015.

– According to the relevant aircraft purchase agreements, PDPs scheduled to be paid in the next 12 months from 31 December 2014 amounted to HK$1,833 million. As at the approval date of the consolidated financial statements, the Group had signed PDP financing agreements and working capital facilities with various commercial banks which agree to provide funding of HK$912 million to the Group during 2015. The Group also obtained a term sheet from a bank which agrees, in principle, to provide a banking facility of HK$305 million to the Group during 2015. The drawdown of this banking facility is subject to the signing and execution of the loan agreement. The remaining balance of PDPs amounting to HK$616 million is to be funded by internally generated financial resources of the Group.

– 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 USD1.5 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 and approvals to be performed by the bank 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. 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 of no more than RMB10 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 and approvals to be performed by bank subject to the agreement of detailed terms and arrangements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern *(continued)*

– As detailed in Note 30(a), on 26 March 2015, the Company entered into subscription agreements with China Everbright Financial Investments Limited and two independent third parties in respect of the issuance and subscription of the three-year convertible bonds in the aggregate principal amount of HK$892 million. The completion of the issuance of the convertible bonds is subject to the satisfaction of the conditions precedent under the subscription agreements and the approval by independent shareholders, where applicable.

– 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 at least the next 12 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, including the expected issuance of the convertible bonds. 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 2015. In addition, the directors expect that the issuance of the convertible bonds can be completed in the first half of 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 and the convertible bonds to be issued as mentioned above, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those committed capital commitments in the next twelve months from 31 December 2014. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Changes in accounting policy and disclosure

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 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13.

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Changes in accounting policy and disclosure *(continued)*

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised as "other gains" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(b) Separate financial statement

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, the Group has determined that the trust plans set up to acquire certain finance lease receivables from the Group are structured entities over which the Group has no control and are therefore not consolidated. They are referred to as unconsolidated structured entities (Note 3.1.4).

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollar ("HK$"), which is the Company's functional and the Group's presentation currency. Functional currencies of the subsidiaries of the Company include Renminbi ("RMB"), US dollar ("USD") and HK$.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

(iii) all resulting foreign exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment charge. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

The estimated useful lives and estimated residual value rate of aircraft, leasehold improvements, motor vehicles and office equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate
Aircraft	25 years from the date of manufacture	15%
Leasehold improvements	Shorter of lease term or 3 years	0%
Motor vehicles	4 years	0%
Office equipment	2 to 5 years	5%

The assets' residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income/expenses' in the consolidated statement of comprehensive income.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets into the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

During the year ended 31 December 2014, other than loans and receivables and derivatives at fair value through profit or loss that the Group has designated as an effective hedging instrument (Note 2.10), the Group did not hold any financial assets in other categories.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Financial assets *(continued)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss; (ii) those that the Group upon initial recognition designates as available-for-sale; or (iii) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration. The Group's loans and receivables comprise "other receivables", "restricted cash" and "cash and cash equivalents" on the consolidated balance sheet.

Loans and receivables are initially recognised at fair value which the cash is paid to originate the assets including any transaction costs, and measured subsequently at amortised cost using the effective interest method.

Interest on loans and receivables is recognised using the effective interest method and is included in the consolidated statement of comprehensive income as interest income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Finance lease receivables are regarded as loans and receivables for the purpose of derecognition and impairment.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. The financial assets and financial liabilities of the Group that are subject to such enforceable master netting arrangements or similar agreements are not offset in accordance with HKFRSs.

As at 31 December 2014, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements were not material to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When a receivable is uncollectible, it is written off against the related allowances for its impairment. Such receivable is written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

For finance lease receivables, the amount of loss impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the implicit effective interest rate used on initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of exposures to variability in cash flows (cash flow hedges) that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 16. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in "other gains/(losses) – net" in the consolidated statement of comprehensive income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the forecast transaction being hedged affects profit or loss (for example, when the interest payment that is hedged occurs). They are recorded in the revenue or expense lines in the consolidated statement of comprehensive income in which the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any gain or loss on the hedging instrument that has been accumulated in equity from the period when the hedge was effective remains in equity. When the forecast transaction is ultimately recognised in profit or loss, the related accumulated hedge gain or loss in equity is reclassified to profit or loss. When a forecast transaction is no longer expected to occur, any accumulated hedge gain or loss in equity is immediately reclassified and included in "other gains/(losses) – net" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in liabilities, if any.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are recognised in equity as a deduction, net of tax, from the proceeds.

2.13 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value, and less any repaid principal is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs and is included in the computation of the loan's effective interest rate. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Interests related to progress payments made in respect of aircraft in the process of construction on forward order are capitalised and such amounts are added to prepayments on aircraft. The amount of interest capitalised is the actual interest costs incurred on funding specific to the progress payments or the amount of interest costs which could have been avoided in the absence of such progress payments.

Other borrowing costs are expensed as incurred.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Current and deferred income tax *(continued)*

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted before the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees.

A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities or trustees. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities or trustees and are separate from those of the Group.

(c) Profit-sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit sharing, based on formulae that take into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Share-based payments *(continued)*

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

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

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

(b) Share-based payment transactions among group entities

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

(c) Social security contributions on share options gains

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Leases

(a) Where the Group is the lessor

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease payments receivable by the Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) their present value (presented in the balance sheet as finance lease receivables-net) is recognised as unearned finance income. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the commencement of the lease; any increase or decrease in lease payments that result from subsequent changes on floating interest rate is recorded as an increase or a decrease in finance lease income in the period of the interest rate change.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

See Notes 2.7 and 2.9 for accounting policies for derecognition and impairment of finance lease receivables.

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the leasee. Payments received from lessees under operating leases (net of any incentives grant to the lessee) are recognised in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Leases *(continued)*

(b) Where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Finance lease income

The income under finance lease is recognised in the consolidated statement of comprehensive income using the effective interest rate implicit in the lease over the term of the lease. Contingent rent is recognised as income in the period in which it is earned.

(b) Operating lease income

The income under operating lease is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Contingent rent is recognised as income in the period in which it is earned.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Service income

Service income is recognised in the accounting period in which the service is rendered.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intend to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within other operating expenses.

Where guarantees in relation to borrowings or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.22 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the shareholders or directors, where appropriate.

2.23 Segment information

The Group is engaged in the provision of aircraft leasing services to airline companies mainly in China. Accordingly, the Group considers that it only has a single reportable segment from both business and geographic perspectives and therefore only provides relevant entity-wide information.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk

(a) Foreign exchange risk

The foreign exchange risk exposure of the Group mainly arises from the mismatch of transaction currencies between receipts and payments and assets and liabilities, the mismatch of transaction and functional currencies and the impact of applicable foreign exchange control regulations. To manage the foreign exchange rate risk, most of the lease and borrowing agreements are denominated in USD except that the Group has agreed to convert certain future rents to be received on behalf of a trust plan from USD to RMB at a pre-determined exchange rate (see Note 3.1.4). The Group manages this risk exposure by closely monitoring the current and forward exchange rate movement and assessing the estimated impact by sensitivity analysis.

(b) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from finance lease receivables and bank borrowings. Finance lease receivables and bank borrowings at floating rates expose the Group to cash flow interest rate risk. Finance lease receivables and bank borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group manages the interest rate risk by 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 do not match. As at 31 December 2014, there are 16 aircraft leases where the effective interest rates implicit in finance lease receivables are fixed for the whole lease term while the associated bank borrowings bear floating rates (2013: 10). Given the above scenario, the Group has managed its cash flow interest rate risk by entering into floating-to-fixed interest rate swaps for the associated floating-rate bank borrowings for 10 of the aircraft lease projects as at 31 December 2014 (2013: 6). Such interest rate swaps have the economic effect of converting bank borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference in the amount of interest between the fixed rate and the floating rate calculated by reference to the agreed notional amounts. For the remaining cases of interest rate mismatch, management monitors the interest rate exposure closely and will consider hedging the exposure where necessary and appropriate.

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 31 December 2013 and 2014. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax by approximately HK$26,367,000 (2013: HK$22,353,000); and would also have increased/decreased the Group's reserves by approximately HK$51,203,000 (2013: HK$29,574,000), because of the impact of cash flow hedge interest derivatives.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk *(continued)*

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

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

3.1.2 Credit risk

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

The Group implements its industry risk management system according to its plan based on actual situation with focus on industry research, counterparty credit rating, and understanding of the lessee's operations, financial condition as well as shareholders support. The Group also obtained deposits from the lessees (Note 17(i)). All these strengthen the control and management of credit risk.

The Group is also exposed to credit risks associated with its interest rate swaps arrangement with an investment bank, which has a high credit quality.

(a) Probability of default

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

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

(b) Risk limit control and mitigation policies

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

(c) Impairment allowance policies

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.2 Credit risk *(continued)*

(c) Impairment allowance policies *(continued)*

Finance lease receivables and financial assets of the Group are neither past due nor impaired. The Group has not encountered any delay or default in the collection of lease receivable balances. No impairment allowance was made for finance lease receivables and financial assets of the Group as at 31 December 2014.

(d) Concentration of risks of financial assets with credit exposure

During the year ended 31 December 2014, all the lessees of the Group are airline companies located in China. Please see Note 7 for an analysis of concentration of lessees. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased asset.

To manage this risk, the Group assesses the business performance of the airline companies on a regular basis. In view of the fact that the airline companies are operating smoothly and the sound collection history of the receivable due from them, management believes that the credit risk inherent in the Group's outstanding finance lease receivables balances from these airline companies is low.

3.1.3 Liquidity risk

The following table sets forth the assets and liabilities of the Group which are expected to be recovered or settled within 12 months after the balance sheet date:

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Current assets		
Finance lease receivables – net	**363,624**	262,544
Prepayments and other receivables	**109,937**	19,199
Cash and cash equivalents	**1,425,570**	1,367,344
	1,899,131	1,649,087
Current liabilities		
Other payables and accruals	**382,656**	206,273
Income tax payables	**21,991**	8,613
Interest payable	**42,411**	34,547
Bank borrowings	**4,689,521**	2,820,997
Long-term borrowings	**611**	78
	5,137,190	3,070,508
Net current liabilities	**(3,238,059)**	(1,421,421)

The assets and liabilities of the Group not included in the above table are expected to be recovered or settled more than 12 months after the balance sheet date.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 *Liquidity risk* *(continued)*

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial assets, finance lease receivables and operating lease receivables for the purpose of this analysis and financial liabilities as well as operating lease commitments, based on contractual undiscounted cash flows:

Group	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2014					
Financial assets					
Finance lease receivables (Note (i))	1,125,802	1,122,503	3,466,086	9,058,001	14,772,392
Other receivables excluding prepayments	109,937	–	–	–	109,937
Restricted cash	–	–	–	218,951	218,951
Cash and cash equivalents	1,425,570	–	–	–	1,425,570
Off-balance sheet – operating lease receivables (Note (ii))	217,713	217,713	555,748	634,655	1,625,829
Derivative financial instruments	–	–	–	14,979	14,979
	2,879,022	1,340,216	4,021,834	9,926,586	18,167,658
Financial liabilities					
Bank borrowings	5,292,131	1,492,676	3,672,525	8,736,234	19,193,566
Long-term borrowings	42,534	46,005	137,598	905,969	1,132,106
Other payables and accruals (Note (iii))	259,545	–	–	–	259,545
Off-balance sheet – operating lease commitments (Note (iv))	9,851	8,362	18,433	110	36,756
Derivative financial instruments	34,751	18,149	(15,603)	(5,191)	32,106
	5,638,812	1,565,192	3,812,953	9,637,122	20,654,079
Net	(2,759,790)	(224,976)	208,881	289,464	(2,486,421)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk *(continued)*

Group *(continued)*	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2013					
Financial assets					
Finance lease receivables (Note (i))	797,122	797,732	2,351,582	6,440,770	10,387,206
Other receivables excluding prepayments	15,268	–	–	–	15,268
Restricted cash	–	–	–	102,411	102,411
Cash and cash equivalents	1,367,344	–	–	–	1,367,344
Off-balance sheet – operating lease receivables (Note (ii))	145,436	145,436	436,307	783,552	1,510,731
Derivative financial instruments	(2,628)	(4,472)	1,705	23,216	17,821
	2,322,542	938,696	2,789,594	7,349,949	13,400,781
Financial liabilities					
Bank borrowings	3,612,906	1,439,336	2,521,274	7,727,986	15,301,502
Long-term borrowing	9,074	9,319	24,588	113,450	156,431
Other payables and accruals (Note (iii))	159,311	–	–	–	159,311
Off-balance sheet – operating lease commitments (Note (iv))	5,592	2,363	–	–	7,955
Derivative financial instruments	4,105	13,386	(10,970)	270	6,791
	3,790,988	1,464,404	2,534,892	7,841,706	15,631,990
Net	(1,468,446)	(525,708)	254,702	(491,757)	(2,231,209)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk *(continued)*

Company	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2014					
Financial assets					
Amounts due from subsidiaries	**398,433**	**–**	**–**	**–**	**398,433**
Cash and cash equivalents	**52,573**	**–**	**–**	**–**	**52,573**
	451,006	**–**	**–**	**–**	**451,006**
Financial liabilities					
Other payables and accruals (Note (iii))	**9,220**	**–**	**–**	**–**	**9,220**
	9,220	**–**	**–**	**–**	**9,220**
Net	**441,786**	**–**	**–**	**–**	**441,786**

Company	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2013					
Financial liabilities					
Amount due to the shareholder	428	–	–	–	428
Amounts due to subsidiaries	13,935	–	–	–	13,935
Other payables and accruals (Note (iii))	2,134	–	–	–	2,134
	16,497	–	–	–	16,497
Net	(16,497)	–	–	–	(16,497)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk (continued)

(i) For the purpose of liquidity risk analysis, finance lease receivables do not include unguaranteed residual values as they are not contractual cash inflows.

(ii) Off-balance sheet receivables represent operating lease rentals which will be received according to the schedules in the lease contracts.

(iii) For the purpose of liquidity risk analysis, tax payables, operating lease rentals received in advance, bonuses and director fee payables are not included.

(iv) Off-balance sheet operating lease commitments are the operating lease rentals which will be paid according to the schedules in the lease contracts.

The Group has arranged for financing for the PDP for the acquisition of aircraft. The Group may use short-term borrowings to support its financing needs for the PDPs when the long-term bank borrowings were not available. Such short-term borrowings will be replaced by long-term bank borrowings upon the delivery of the aircraft as scheduled. As at 31 December 2014, the Group has made PDPs amounting to HK$3,241,157,000 (2013: HK$2,078,019,000). PDPs are prepayments in nature which do not represent contractual cash inflows and thus are not included in the analysis of the remaining contractual maturities above. The balance of PDP financing amounted to HK$2,304,913,000 as at 31 December 2014 (2013: HK$1,820,074,000). The analysis above includes the remaining contractual maturities of PDP financing.

Please also refer to Note 2.1 for the analysis of liquidity risk in a greater detail.

3.1.4 Unconsolidated structured entities and transferred finance lease receivables

Certain wholly-owned subsidiaries of the Group (collectively "the CALC SPCs") signed contracts with trust plans, pursuant to which, the CALC SPCs transferred their future aircraft finance lease receivables under their separate aircraft leasing agreements with airlines to the trust plans. The gross, undiscounted amount of the finance lease receivables due and payable up to the end of lease terms of the aircraft leasing agreements ("undiscounted amount"), the discounted carrying amount of these finance receivables at the date of the transfer ("discounted amount") and the consideration for the transfer ("consideration") are set out below.

	Undiscounted amount HK$'000	**Discounted amount** HK$'000	**Consideration** HK$'000
For the year ended 31 December 2014	**1,913,495**	**1,301,386**	**1,452,455**
For the year ended 31 December 2013	944,839	615,010	687,213

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.4 ***Unconsolidated structured entities and transferred finance lease receivables*** *(continued)*

The trust plans also appointed the CALC SPCs as the service agent to collect the lease rentals from the airline. The services to be provided include maintaining relationship with the airline, collecting of rental on behalf the trust plan, following up assessments of the lease item, inquiring and reporting on lease rentals collection. CALC SPCs recognised service fee income over the lease servicing period. For the year ended 31 December 2014, service fee income of HK$217,000 (2013: HK$18,000) was included in Group's revenues.

No member of the Group has any option or obligation to reacquire the transferred lease receivables.

The trust plans were not established by the Group and the Group has no control over the trust plans. They are unconsolidated structured entities. The following table shows the total assets of the abovementioned unconsolidated structured entities and the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities:

	Unconsolidated structured entities			
	Size	**Funding provided by the Group** (Note (i))	**Group's maximum exposure** (Note (ii))	**Interest held by Group**
	HK$'000	HK$'000	HK$'000	
As at 31 December 2014	**1,913,561**	**6,361**	**121,674**	**Service fee**
As at 31 December 2013	615,010	6,360	122,338	Service fee

Note:

(i) The beneficiary of one of the trust plans has signed a currency swap arrangement with a bank to hedge its currency exposures arising from transfer of the lease rentals during the period from 27 February 2014 to 27 November 2023. The Group has placed a pledged deposit of RMB5,017,000 (equivalent to HK$6,361,000) (2013: HK$6,360,000) to the bank in respect of this currency swap on behalf of the trust plan as at 31 December 2014 (Note 9). The Group does not need to bear any credit risk on this currency swap arrangement as the contract was signed between the beneficiary of the trust plan and the bank.

(ii) The Group will convert the USD lease rentals received on behalf of one of the trust plans during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement includes an embedded derivative – a currency swap contract. The notional principal of this currency swap contract amounted to USD15,684,296 (equivalent to HK$121,674,000). As at 31 December 2014, the fair value of this currency swap contract amounted to HK$14,979,000 (2013: liability of HK$968,000) and for the year ended 31 December 2014, the fair value change of HK$15,935,000 (2013: loss of HK$968,000) was recognised in foreign exchange gains (Note 16).

Apart from that disclosed above, the Group did not provide financial or other support to the trust plan as at 31 December 2014. The Group has no current intentions to provide, or assist in the provision of, financial or other support in any future period.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, raise new debts, or adjust the amount of dividend paid to shareholders. No changes were made to the objectives, policies or processes for managing capital during the year ended 31 December 2014.

The Group monitors capital risk using an asset-liability ratio, which is calculated as total liabilities divided by total assets. The asset-liability ratios are as follows:

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Total liabilities	**16,532,344**	11,874,754
Total assets	**18,313,040**	12,832,852
Asset-liability ratio	**90.3%**	92.5%

3.3 Fair value estimation

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets and financial liabilities that were measured at fair value at 31 December 2013 and 2014.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2013				
Assets				
Interest rate swaps for hedging	–	13,620	–	13,620
Liabilities				
Interest rate swaps for hedging	–	6,520	–	6,520
Currency swap	–	968	–	968
Total liabilities	–	7,488	–	7,488
At 31 December 2014				
Assets				
Currency swap	**–**	**14,979**	**–**	**14,979**
Liabilities				
Interest rate swaps for hedging	**–**	**33,361**	**–**	**33,361**

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

Fair values of financial assets and financial liabilities carried at amortised cost.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The carrying amounts and fair values of the finance lease receivables and bank and long-term borrowings are as follows:

	31 December 2014		31 December 2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Finance lease receivables	**11,443,485**	**13,141,127**	7,678,876	8,135,697
Bank borrowings	**15,342,648**	**16,203,738**	11,436,394	11,669,027
Long-term borrowings	**642,116**	**658,559**	155,172	155,172

The fair values of finance lease receivables and borrowings are estimated by discounting the future cash flows at the current market rates available to the Group for similar financial instruments. Their fair values are considered to be of level 2 within the fair value hierarchy.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Estimation of unguaranteed residual value on leased assets

Unguaranteed residual value is a portion of the residual value of a leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor. The unguaranteed residual value of the aircraft at the inception of the lease is based on management's estimates with reference to valuation reports issued by independent valuers. Please refer to Note 7 for the unguaranteed residual values recognised at the end of each reporting period. The estimation of unguaranteed residual value at the inception of the leases impacts the determination of unearned finance income. Subsequent to initial recognition, estimated unguaranteed residual values are reviewed regularly. If there is a reduction in the estimated unguaranteed residual value, the income allocation over the remaining lease term will be revised and the reduction in respect of net present value of unguaranteed residual value will be adjusted immediately in profit or loss. The directors of the Company are of the opinion that there had been no reduction in the carrying amount of the unguaranteed residual value as at 31 December 2014.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

(continued)

4.1 Critical accounting estimates and assumptions *(continued)*

(a) Estimation of unguaranteed residual value on leased assets *(continued)*

The residual value of each aircraft is estimated by management and reasonably supported by an aircraft industry publication providing aircraft valuation for general reference. The residual values of the 40 (2013: 23) finance lease aircraft as at 31 December 2014 were approximately HK$4,459,299,000 (2013: HK$2,880,398,000). A 5% decrease in the expected residual value from the management's estimation would result in a decrease in profit before income tax for the year ended 31 December 2014 by approximately HK$10,663,000 (2013: HK$9,521,000).

(b) Income taxes and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In accordance with the corporate income tax laws in the PRC, a 5% or 10% withholding tax will be levied on the dividend declared by the companies established in the PRC to their foreign investors starting from 1 January 2008. No deferred tax liability has been provided by the Group on the retained earnings of approximately HK$283,531,000 as at 31 December 2014 (2013: HK$117,219,000), expected to be retained by the subsidiaries in the PRC and not to be remitted out of the PRC in the foreseeable future.

(c) Recognition of share-based compensation expenses

As mentioned in Note 2.16, the Company has granted share options. The Group uses the Binomial valuation model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as the risk free interest rate, dividend yield, expected volatility and staff annual retention rate, is required to be made by the directors in applying the Binomial valuation model (Note 12 a).

(d) Impairment loss for finance lease receivables

The Group reviews the finance lease receivables portfolio on a regular basis, evaluates any indications of impairment, and assesses impairment loss in the case of impairment under specific circumstances. The directors of the Company are of the views that there is no need to make any allowance for impairment loss for finance lease receivables based on their assessment.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(e) Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

The Group obtains fair values of aircraft from independent appraisers for which the principal assumptions underlying aircraft value are based on current market transactions for similar aircraft in a similar condition. When estimating the value in use of aircraft, the Group estimates expected future cash flows from the aircraft and uses a suitable discount rate to calculate the present value.

(f) Fair values of derivative financial instruments

The fair values of derivative financial instruments that are not traded in an active market (for example, over-the-counter interest rate swaps used for hedging) is determined by using valuation techniques. The Group uses its judgement to select the appropriate methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for the derivative financial instruments that are not traded in active markets.

4.2 Critical judgements in applying the Group's accounting policies

(a) Determination of control over structured entities

The Group considers that the trust plans as described in Note 3.1.4 are structured entities which are run according to predetermined criteria that are part of its initial design. The relevant activities are summarised in Note 3.1.4.

The Group has assessed that it does not control the trust plans as the Group (i) does not have the power to direct the relevant activities of the trust plans and (ii) does not significantly affect the variable returns of the trust plans. Accordingly, the trust plans are not consolidated by the Group. The determination of whether there are controls over the trust plans depends on an assessment of the relevant arrangements relating to the trusts and this has involved critical judgements by management. For further details about these unconsolidated structured entities, see Note 3.1.4.

(b) Classification of leases

The Group has entered into certain aircraft leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased aircraft to the lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the aircraft from its consolidated balance sheet and has instead, recognised finance lease receivables in their place (Note 7). Otherwise the Group includes the aircraft under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

5 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Aircraft HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
Year ended 31 December 2013					
Opening net book amount	1,538,911	801	461	656	1,540,829
Additions	–	61	–	364	425
Depreciation	(53,365)	(332)	(173)	(277)	(54,147)
Currency translation difference	–	–	–	20	20
Closing net book amount	1,485,546	530	288	763	1,487,127
At 31 December 2013					
Cost	1,569,537	1,009	692	1,348	1,572,586
Accumulated depreciation	(83,991)	(479)	(404)	(585)	(85,459)
Net book amount	1,485,546	530	288	763	1,487,127
Year ended 31 December 2014					
Opening net book amount	**1,485,546**	**530**	**288**	**763**	**1,487,127**
Additions	**297,138**	**73**	**–**	**1,806**	**299,017**
Disposal	**–**	**–**	**–**	**(133)**	**(133)**
Depreciation	**(70,340)**	**(331)**	**(173)**	**(468)**	**(71,312)**
Currency translation difference	**(7,988)**	**(12)**	**–**	**(4)**	**(8,004)**
Closing net book amount	**1,704,356**	**260**	**115**	**1,964**	**1,706,695**
At 31 December 2014					
Cost	**1,858,257**	**1,078**	**692**	**2,686**	**1,862,713**
Accumulated depreciation	**(153,901)**	**(818)**	**(577)**	**(722)**	**(156,018)**
Net book amount	**1,704,356**	**260**	**115**	**1,964**	**1,706,695**

Lease rentals amounting to HK$182,127,000 relating to the lease of aircraft for the year ended 31 December 2014 are included in "operating lease income" in the consolidated statement of comprehensive income (2013: HK$145,359,000).

6 INVESTMENT IN SUBSIDIARIES AND DUE FROM SUBSIDIARIES – COMPANY

Investment in subsidiaries is recorded at cost, which is the fair value of the consideration paid.

	31 December	
	2014 HK$'000	2013 HK$'000
Unlisted investment, at cost	**1,174,126**	785,587

Note:

During the year ended 31 December 2014, the Company injected total capital of USD49,813,000 (equivalent to HK$388,539,000) into CALC (BVI).

6 INVESTMENT IN SUBSIDIARIES AND DUE FROM SUBSIDIARIES – COMPANY *(continued)*

As at 31 December 2014, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
Directly owned:						
CALC (BVI)	BVI 24 March 2006	USD200,000,000	100%	–	Investment holding	Limited liability entity
Aircraft Recycling International Limited	Cayman Islands 22 August 2014	USD1	100%	–	Investment holding	Limited liability entity
Indirectly owned:						
CALC 1 Limited	Cayman Islands 13 August 2007	USD1,000	100%	–	Aircraft leasing	Limited liability entity
CALC 2 Limited	Cayman Islands 13 August 2007	USD1,000	100%	–	Aircraft leasing	Limited liability entity
CALC 3-Aircraft Limited	Ireland 14 April 2008	EUR1	100%	–	Aircraft leasing	Limited liability entity
CALC 4 Limited	Cayman Islands 27 June 2008	USD250	100%	–	Aircraft leasing	Limited liability entity
CALC 5 Limited	Cayman Islands 13 October 2008	USD250	100%	–	Aircraft leasing	Limited liability entity
CALC 6-Aircraft Limited	Ireland 15 July 2010	EUR100	100%	–	Aircraft leasing	Limited liability entity
CALC 8-Aircraft Limited	Ireland 15 July 2010	EUR100	100%	–	Aircraft leasing	Limited liability entity
CALC 9-Aircraft Limited	Ireland 20 May 2011	EUR100	100%	–	Aircraft leasing	Limited liability entity
中機租投資諮詢(深圳)有限公司 (CALC (Shenzhen) Limited)	People's Republic of China ("PRC") 6 September 2007	HK$500,000	100%	–	Provision of management services	Limited liability entity
China Aircraft Leasing Limited	Hong Kong 21 October 2010	HK$10,000	100%	–	Investment holding	Limited liability entity
China Aircraft Asset Limited	BVI 8 April 2013	USD1	100%	–	Aircraft trading	Limited liability entity
CALC Manta Limited	BVI 25 April 2013	USD1	100%	–	Provision of financing	Limited liability entity
China Aircraft Assets Ltd	Labuan 29 April 2013	USD100	100%	–	Aircraft trading	Limited liability entity
China Aircraft Assets Limited	Hong Kong 3 May 2013	HK$1	100%	–	Provision of management services	Limited liability entity
China Aircraft CALC Management Limited	Hong Kong 17 October 2012	HK$1	100%	–	Provision of management services	Limited liability entity
Sino Teamwork Limited	Hong Kong 9 January 2013	HK$1	100%	–	Provision of financing	Limited liability entity
China Corporate Jet Investment Limited	Hong Kong 22 May 2013	HK$1	75%	25%	Corporate jet business	Limited liability entity
China Aircraft Purchase Limited	BVI 28 August 2012	USD1	100%	–	Provision of financing	Limited liability entity
CALC Finance Cooperatief U.A.	Netherlands 28 August 2012	EUR100	100%	–	Provision of financing	Partnership
China Corporate Jet Leasing Limited	BVI 6 July 2012	USD10,000,000	75%	25%	Corporate jet leasing	Limited liability entity
中飛租融資租賃有限公司 (China Asset Leasing Company Limited)	PRC 13 December 2010	USD300,000,000	100%	–	Investment holding	Limited liability entity
中飛建昭租賃(天津)有限公司 (CALC Jianzhao Limited)	PRC 29 June 2011	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛建鳳租賃(天津)有限公司 (CALC Jianfeng Limited)	PRC 8 November 2011	RMB100,000	100%	–	Aircraft leasing	Limited liability entity

6 INVESTMENT IN SUBSIDIARIES AND DUE FROM SUBSIDIARIES – COMPANY *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
中飛建享租賃(天津)有限公司 (CALC Jianxiang Limited)	PRC 8 November 2011	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛建慶租賃(天津)有限公司 (CALC Jianqing Limited)	PRC 8 November 2011	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛建章租賃(天津)有限公司 (CALC Jianzhang Limited)	PRC 8 November 2011	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛顯慶租賃(天津)有限公司 (CALC Xianqing Limited)	PRC 1 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛建德租賃(天津)有限公司 (CALC Jiande Limited)	PRC 4 November 2011	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛上元租賃(天津)有限公司 (CALC Shangyuan Limited)	PRC 1 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛調露租賃(天津)有限公司 (CALC Diaolu Limited)	PRC 3 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛咸亨租賃(天津)有限公司 (CALC Xianheng Limited)	PRC 3 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛通天租賃(天津)有限公司 (CALC Tongtian Limited)	PRC 3 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛永隆租賃(天津)有限公司 (CALC Yonglong Limited)	PRC 3 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛干封租賃(天津)有限公司 (CALC Ganfeng Limited)	PRC 1 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛總章租賃(天津)有限公司 (CALC Zongzhang Limited)	PRC 1 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛儀鳳租賃(天津)有限公司 (CALC Yifeng Limited)	PRC 3 February 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛建元租賃(天津)有限公司 (CALC Jianyuan Limited)	PRC 8 November 2011	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛長安租賃(天津)有限公司 (CALC Changan Limited)	PRC 24 June 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛神龍租賃(天津)有限公司 (CALC Shenlong Limited)	PRC 24 June 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛永泰租賃(天津)有限公司 (CALC Yongtai Limited)	PRC 24 June 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛天寶租賃(天津)有限公司 (CALC Tianbao Limited)	PRC 25 June 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛至德租賃(天津)有限公司 (CALC Zhide Limited)	PRC 25 June 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛寶曆租賃(天津)有限公司 (CALC Baoli Limited)	PRC 25 June 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛長慶租賃(天津)有限公司 (CALC Changqing Limited)	PRC 25 June 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛永淳租賃(上海)有限公司 (CALC Yongchun Limited)	PRC 10 October 2012	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛弘道租賃(上海)有限公司 (CALC Hongdao Limited)	PRC 28 March 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
Airbusac Limited	Hong Kong 13 March 2012	HK$1	100%	–	Provision of financing	Limited liability entity
Airbusac Limited	Cayman Islands 14 March 2012	USD1	100%	–	Investment holding	Limited liability entity
CALC AC Limited	Cayman Islands 14 August 2012	USD1	100%	–	Provision of financing	Limited liability entity
CALC Asset Limited	Cayman Islands 22 August 2012	USD1	100%	–	Provision of financing	Limited liability entity

6 INVESTMENT IN SUBSIDIARIES AND DUE FROM SUBSIDIARIES – COMPANY *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
Airbussz Limited	Hong Kong 25 January 2013	HK$1	100%	–	Provision of financing	Limited liability entity
CALC Satu Limited	Labuan 21 June 2013	USD100	100%	–	Aircraft trading	Limited liability entity
CALC Dua Limited	Labuan 21 June 2013	USD100	100%	–	Aircraft trading	Limited liability entity
CALC Tiga Limited	Labuan 14 October 2014	USD100	100%	–	Aircraft trading	Limited liability entity
CALC Empat Limited	Labuan 13 October 2014	USD100	100%	–	Aircraft trading	Limited liability entity
CALC Lima Limited	Labuan 7 November 2014	USD100	100%	–	Aircraft trading	Limited liability entity
CALC Enam Limited	Labuan 7 November 2014	USD100	100%	–	Aircraft trading	Limited liability entity
CALC Tujuh Limited	Labuan 7 November 2014	USD100	100%	–	Aircraft trading	Limited liability entity
中飛廣明租賃(天津)有限公司 (CALC Guangming Limited)	PRC 15 August 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛文德租賃(天津)有限公司 (CALC Wende Limited)	PRC 15 August 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛干寧租賃(天津)有限公司 (CALC Ganning Limited)	PRC 15 August 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛龍紀租賃(天津)有限公司 (CALC Longji Limited)	PRC 15 August 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛大順租賃(天津)有限公司 (CALC Dashun Limited)	PRC 15 August 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中永順融資租賃(上海)有限公司 (CALC Limited)	PRC 27 November 2013	USD70,000,000	100%	–	Investment holding	Limited liability entity
中飛唐隆租賃(天津)有限公司 (CALC Tanglong Limited)	PRC 4 December 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛登封租賃(天津)有限公司 (CALC Dengfeng Limited)	PRC 4 December 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛興元租賃(天津)有限公司 (CALC Xingyuan Limited)	PRC 4 December 2013	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛建炎租賃(天津)有限公司 (CALC Jianyan Limited)	PRC 5 May 2014	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中飛隆興租賃(天津)有限公司 (CALC Longxing Limited)	PRC 5 May 2014	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中永崇寧融資租賃(上海)有限公司 (CALC Chongning Limited)	PRC 24 March 2014	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中永熙寧融資租賃(上海)有限公司 (CALC Xining Limited)	PRC 24 March 2014	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中永熙雍融資租賃(上海)有限公司 (CALC Xiyong Limited)	PRC 24 March 2014	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
中永紹熙融資租賃(上海)有限公司 (CALC Shaoxi Limited)	PRC 31 March 2014	RMB100,000	100%	–	Aircraft leasing	Limited liability entity
CALC PDP Limited	BVI 11 October 2013	USD1	100%	–	Provision of financing	Limited liability entity
CALC ENG Limited	Cayman Islands 15 October 2013	USD1	100%	–	Provision of financing	Limited liability entity

6 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
CALC Nemo Limited	BVI 12 August 2013	USD1	100%	–	Provision of financing	Limited liability entity
ARI Limited	BVI 22 August 2014	USD1	100%	–	Patent holding	Limited liability entity
China Aircraft Disassembly Centre Limited	BVI 22 August 2014	USD1	100%	–	Disassembly operation	Limited liability entity
China Aircraft Disassembly Centre (HK) Limited	Hong Kong 4 September 2014	HK$1	100%	–	Disassembly operation	Limited liability entity
CALC Global Leasing Limited	Ireland 18 December 2014	EUR1	100%	–	Investment holding	Limited liability entity

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

As at 31 December 2014, China Corporate Jet Investment Limited's equity attributable to non-controlling interests amounted to HK$19,416,000. It has not commenced any significant business activities since its incorporation. As this is not material to the Group, no summarised financial information on China Corporate Jet Investment Limited is provided in this report.

	31 December	
	2014	2013
	HK$'000	HK$'000
Amounts due from subsidiaries	**398,433**	–

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment.

7 FINANCE LEASE RECEIVABLES – NET – GROUP

	31 December 2014 HK$'000	2013 HK$'000
Finance lease receivables	**11,410,919**	8,586,841
Guaranteed residual values	**3,361,473**	1,800,365
Unguaranteed residual values	**4,459,299**	2,880,398
Gross investment in leases	**19,231,691**	13,267,604
Less: unearned finance income	**(7,788,206)**	(5,588,728)
Net investment in leases	**11,443,485**	7,678,876
Less: accumulated allowance (Note (i))	**–**	–
Finance lease receivables – net	**11,443,485**	7,678,876

(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 31 December 2014. Please refer to Note 3.1.2 for credit risk analysis in greater detail.

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 2014 HK$'000	2013 HK$'000
Gross investment in finance leases	**19,231,691**	13,267,604
Less: Unguaranteed residual values	**(4,459,299)**	(2,880,398)
Minimum lease payments receivable	**14,772,392**	10,387,206
Less: Unearned finance income related to minimum lease payments receivable	**(5,336,229)**	(3,894,212)
Present value of minimum lease payments receivable	**9,436,163**	6,492,994

7 FINANCE LEASE RECEIVABLES – NET – GROUP *(continued)*

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 2014 HK$'000	2013 HK$'000
– Not later than 1 year	**1,125,802**	797,122
– Later than 1 year and not later than 5 years	**4,894,837**	3,149,314
– Later than 5 years	**13,211,052**	9,321,168
	19,231,691	13,267,604

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 2014 HK$'000	2013 HK$'000
– Not later than 1 year	**506,936**	350,180
– Later than 1 year and not later than 5 years	**2,234,647**	1,433,253
– Later than 5 years	**6,694,580**	4,709,561
	9,436,163	6,492,994

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

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

	31 December 2014 HK$'000	2014 %	2013 HK$'000	2013 %
Customer:				
Airline Company- A	**2,395,877**	**21%**	2,301,170	30%
Airline Company- B	**2,721,504**	**24%**	1,648,771	21%
Airline Company- C	**1,629,914**	**14%**	1,692,276	22%
Airline Company- D	**400,184**	**3%**	970,851	13%
Airline Company- E	**713,798**	**6%**	733,706	10%
Airline Company- F	**556,167**	**5%**	332,102	4%
Airline Company- G	**680,840**	**6%**	–	–
Airline Company- H	**2,037,551**	**18%**	–	–
Airline Company- I	**307,650**	**3%**	–	–
Finance lease receivable – net	**11,443,485**	**100%**	7,678,876	100%

8 PREPAYMENTS AND OTHER RECEIVABLES

Group

	31 December 2014 HK$'000	2013 HK$'000
PDP (Note (i))	**3,241,157**	2,078,019
Interest capitalised	**63,158**	46,448
Deposits paid	**1,705**	7,914
Prepayments and receivables relating to aircraft acquisition	**190,762**	39,808
Prepayments for listing expenses	**–**	3,931
Others (Note (ii))	**6,578**	7,354
	3,503,360	2,183,474

(i) In 2012, the Group entered into aircraft purchase agreements with Airbus S.A.S for to the acquisition of 36 aircraft for future lease projects. In 2014, the Group entered into additional aircraft purchase agreements with Airbus S.A.S for to the acquisition of 100 aircraft. Such prepayments were made according to the payment schedules set out in the aircraft purchase agreements. The aircraft are to be delivered during the period from 2015 to 2022.

(ii) The "Others" above were unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's prepayments and other receivables are denominated in the following currencies:

	31 December 2014 HK$'000	2013 HK$'000
USD	**3,485,736**	2,174,435
RMB	**5,816**	4,280
HK$	**4,797**	592
Other currencies	**7,011**	4,167
	3,503,360	2,183,474

8 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Company

	31 December **2014** HK$'000	2013 HK$'000
Prepayments for listing expenses	**–**	3,931
Other prepayments	**403**	–
	403	3,931

The carrying amounts of the Company's prepayments are denominated in HK$.

9 RESTRICTED CASH – GROUP

	31 December **2014** HK$'000	2013 HK$'000
Pledged for bank borrowings (Note 14)	**158,285**	70,579
Pledged for letters of guarantee issued by a bank	**18,196**	19,362
Pledged for acquisition of aircraft (Note 14)	**10,344**	6,110
Pledged for interest rate swap contracts (Note 16)	**25,765**	–
Pledged for a currency swap contract	**6,361**	6,360
	218,951	102,411

The carrying amounts of the Group's restricted cash are denominated in the following currencies:

	31 December **2014** HK$'000	2013 HK$'000
USD	**154,320**	46,438
RMB	**64,631**	55,973
	218,951	102,411

The average effective interest rate as at 31 December 2014 was 0.57% (2013: 0.49%).

10 CASH AND CASH EQUIVALENTS

Group

	31 December **2014** HK$'000	2013 HK$'000
Cash at bank and on hand	**1,425,570**	1,367,344

10 CASH AND CASH EQUIVALENTS *(continued)*

Group *(continued)*

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	31 December	
	2014	2013
	HK$'000	HK$'000
USD	**1,102,810**	452,317
RMB	**184,319**	909,222
HK$	**138,005**	5,400
Other currencies	**436**	405
	1,425,570	1,367,344

The average effective interest rate as at 31 December 2014 was 0.62% (2013: 0.47%).

Company

	31 December	
	2014	2013
	HK$'000	HK$'000
Cash at bank and on hand	**52,573**	–

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

	31 December	
	2014	2013
	HK$'000	HK$'000
USD	**392**	–
HK$	**52,181**	–
	52,573	–

11 SHARE CAPITAL – GROUP AND COMPANY

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

	Number of shares of USD1 each		Number of shares of HK$0.1 each (thousands)		Share capital in HK$'000	
	Year ended 31 December 2014	Year ended 31 December 2013	**Year ended 31 December 2014**	Year ended 31 December 2013	**Year ended 31 December 2014**	Year ended 31 December 2013
Authorised						
Beginning of year	**50,000**	50,000	**–**	–	**390**	390
Share cancellation (b)(i)	**(50,000)**	–	**–**	–	**(390)**	–
New authorised shares (b)(i)	**–**	–	**10,000,000**	–	**1,000,000**	–
End of year	**–**	50,000	**10,000,000**	–	**1,000,000**	390

	Par value of each share	Number of issued shares	Share capital in HK$
Issued			
At 1 January 2013	USD1	10	78
Issue of ordinary shares (a)	USD1	9,990	77,922
At 31 December 2013	USD1	10,000	78,000
At 1 January 2014	**USD1**	**10,000**	**78,000**
Share repurchase and cancellation (b)(i)	**USD1**	**(10,000)**	**(78,000)**
Issue of new ordinary shares (b)(i)	**HK$0.1**	**10,000**	**1,000**
Capitalisation of shares (b)(ii) & (iii)	**HK$0.1**	**468,971,000**	**46,897,100**
Issue of new ordinary shares – IPO (c)	**HK$0.1**	**116,800,000**	**11,680,000**
At 31 December 2014	**HK$0.1**	**585,781,000**	**58,578,100**

11 SHARE CAPITAL – GROUP AND COMPANY *(continued)*

(a) On 29 April 2013, the Company issued 10 ordinary shares of USD1 each to CALH in exchange for 50,000,000 shares of USD1 each in CALC (BVI), representing 62.5% equity interest in CALC (BVI) for the time being.

On 23 July 2013, the Company issued 9,980 ordinary shares of USD1 each to CALH for cash at a subscription price of HK$89,610,300, recognised share capital of approximately HK$78,000 and share premium of approximately HK$89,132,000 after deducting related share issuance cost.

The total number of issued shares of the Company was 10,000 shares as at 31 December 2013.

(b) 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 CALH all of the 10,000 shares of USD1 each then in issue in consideration of allotment and issue of 10,000 new shares of HK$0.1 each to CALH, following which the Company cancelled 50,000 shares of USD1 each in the authorised capital of the Company. As a result, the Company no longer has USD denominated shares either authorised or issued.

(ii) The Company allotted and issued 468,941,929 new ordinary 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 new ordinary shares for allotment and issue to the shareholders in proportion to their respective shareholdings.

(c) 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 credit 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.

(d) As at 31 December 2014, the number of issued shares of the Company was 585,781,000 shares.

12 RESERVES

Group

	Share premium HK$'000	Merger reserve HK$'000	Share-based payment HK$'000	Cash flow hedges HK$'000	Currency translation difference HK$'000	Total HK$'000
Balance at 1 January 2013	–	623,720	1,434	(6,438)	72	618,788
Issue of ordinary shares (Note 11(a))	89,132	–	–	–	–	89,132
Employee share option scheme:						
– Value of employee services (Note (a))	–	–	1,154	–	–	1,154
Net effect of cash flow hedges:						
Change in fair value of interest rate swaps – cash flow hedges (Note 16)	–	–	–	13,538	–	13,538
Effect of termination of interest rate swap – cash flow hedges (Note 16)	–	–	–	15,187	–	15,187
Currency translation differences	–	–	–	–	5,300	5,300
Balance at 31 December 2013	89,132	623,720	2,588	22,287	5,372	743,099
Balance at 1 January 2014	**89,132**	**623,720**	**2,588**	**22,287**	**5,372**	**743,099**
Issue of ordinary shares (Note 11(c))	**608,996**	**–**	**–**	**–**	**–**	**608,996**
Share repurchase and cancellation (Note 11(b))	**78**	**–**	**–**	**–**	**–**	**78**
Capitalisation of shares (Note 11(b))	**(46,897)**	**–**	**–**	**–**	**–**	**(46,897)**
Employee share option scheme:						
– Value of employee services (Note (a))	**–**	**–**	**12,006**	**–**	**–**	**12,006**
Net effect of cash flow hedges:						
Change in fair value of interest rate swaps – cash flow hedges (Note 16)	**–**	**–**	**–**	**(40,461)**	**–**	**(40,461)**
Reclassified from other comprehensive income to profit or loss – cash flow hedges (Note 16)	**–**	**–**	**–**	**(1,267)**	**–**	**(1,267)**
Currency translation differences	**–**	**–**	**–**	**–**	**(2,023)**	**(2,023)**
Balance at 31 December 2014	**651,309**	**623,720**	**14,594**	**(19,441)**	**3,349**	**1,273,531**

12 RESERVES *(continued)*

Group *(continued)*

(a) Share-based payments

(i) Pre-IPO Share Option Scheme

On 4 August 2011, CALH adopted a share option scheme ("Pre-IPO Share Option Scheme") for the purpose of recognising the contribution of participants including its directors, eligible employees, consultants and related parties to the growth of the Group. As a result of the Reorganisation stated in Note 1(b) and pursuant to the written resolution of the Board of Directors of the Company passed on 23 June 2014, the aforesaid Pre-IPO Share Scheme was taken over by the Company.

During the year ended 31 December 2011, options to subscribe for 45,000,000 shares were granted by CALH to its directors and employees, FPAM, CE Aerospace and the consultants of the Group and were allocated to Tranche A and Tranche B as follows:

	Tranche A	**Tranche B**
Directors and employees	16,700,000	10,000,000
Consultants	10,000,000	5,000,000
FPAM	1,300,000	–
CE Aerospace	2,000,000	–
	30,000,000	15,000,000

For Tranche A options, subject to the Group achieving the performance targets and the holders of options achieving individual performance targets, if any, and also remaining as full time employees or consultants of the Group, options to subscribe for a maximum of 9,900,000 shares, 9,900,000 shares and 10,200,000 shares will become exercisable on, respectively, the first financial year results publication date (the "First Publication Date") after the IPO of the Company, 12 months after, and 24 months after the First Publication Date.

For Tranche B options, subject to the Group achieving the performance targets and the holders of options achieving individual performance targets and also remaining as full time employees or consultants of the Group, options to subscribe for a maximum of 15,000,000 shares will become exercisable on the First Publication Date.

On 29 December 2014, an amendment to the term of exercise dates related to the share option granted to the external consultant – Wealth Amass Limited, company incorporated in the BVI was approved by resolution of the shareholders in the extraordinary general meeting, after the approval of the amendment, the exercise dates for the share options granted to Wealth Amass are changed (as compared to the exercise dates mentioned in the first paragraph above) to that a maximum of 6,000,000 shares and 4,000,000 shares will become exercisable on the First Publication Date after the IPO of the Company and 12 months after the First Publication Date, respectively.

The exercise price is USD0.161 per share for those options exercised before 1 July 2014 to 30 June 2015 with adjustment by a required time value cost of 10% per annum for those options exercised thereafter. All the options shall lapse or expire after three years from the first financial year results publication date after the IPO of the Company. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

12 RESERVES *(continued)*

Group *(continued)*

(a) ***Share-based payments*** *(continued)*

(i) *Pre-IPO Share Option Scheme (continued)*

The following share options under the Pre-IPO Share Option Scheme were outstanding during the year and as at 31 December 2014:

			Number of shares under options					Exercise price (USD) per share				
Name of grantees	Date of grant	Tranche	At 1 January 2014	Granted during the year	Exercise during the year	Lapsed during the year	At 31 December 2014	26/3/2015 to 30/6/2015	1/7/2015 to 30/6/2016	1/7/2016 to 30/6/2017	1/7/2017 to 26/3/2018	Exercise period
Substantial shareholders												
CE Aerospace	10 October 2011	A	660,000	–	–	–	660,000	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
			660,000	–	–	–	660,000	N/A	0.177	0.195	0.215	26/3/2016 to 26/3/2018
			680,000	–	–	–	680,000	N/A	N/A	0.195	0.215	26/3/2017 to 26/3/2018
FPAM	10 October 2011	A	429,000	–	–	–	429,000	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
			429,000	–	–	–	429,000	N/A	0.177	0.195	0.215	26/3/2016 to 26/3/2018
			442,000	–	–	–	442,000	N/A	N/A	0.195	0.215	26/3/2017 to 26/3/2018
Sub-total			3,300,000	–	–	–	3,300,000					
Connected persons												
Equal Honour Holdings Limited (Note 1)	7 October 2011	A	4,950,000	–	–	–	4,950,000	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
			4,950,000	–	–	–	4,950,000	N/A	0.177	0.195	0.215	26/3/2016 to 26/3/2018
			5,100,000	–	–	–	5,100,000	N/A	N/A	0.195	0.215	26/3/2017 to 26/3/2018
Smart Vintage Investments Limited (Note 2)	7 October 2011	B	10,000,000	–	–	–	10,000,000	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
Sub-total			25,000,000	–	–	–	25,000,000					
Consultants												
Wealth Amass Limited (Note 3)	10 October 2011	A	6,000,000	–	–	–	6,000,000	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
			4,000,000	–	–	–	4,000,000	N/A	0.177	0.195	0.215	26/3/2016 to 26/3/2018
Loft Profit Limited	7 October 2011	B	2,500,000	–	–	–	2,500,000	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
Sub-total			12,500,000	–	–	–	12,500,000					

12 RESERVES *(continued)*

Group *(continued)*

(a) Share-based payments (continued)

(i) Pre-IPO Share Option Scheme (continued)

Name of grantees	Date of grant	Tranche	Number of shares under options: At 1 January 2014	Granted during the year	Exercise during the year	Lapsed during the year	At 31 December 2014	Exercise price (USD) per share: 26/3/2015 to 30/6/2015	1/7/2015 to 30/6/2016	1/7/2016 to 30/6/2017	1/7/2017 to 26/3/2018	Exercise period
Senior management and other employees	10 October 2011	A	339,900	–	–	–	339,900	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
			339,900	–	–	–	339,900	N/A	0.177	0.195	0.215	26/3/2016 to 26/3/2018
			350,200	–	–	–	350,200	N/A	N/A	0.195	0.215	26/3/2017 to 26/3/2018
	30 December 2011	A	66,000	–	–	–	66,000	0.161	0.177	0.195	0.215	26/3/2015 to 26/3/2018
			66,000	–	–	–	66,000	N/A	0.177	0.195	0.215	26/3/2016 to 26/3/2018
			68,000	–	–	–	68,000	N/A	N/A	0.195	0.215	26/3/2017 to 26/3/2018
Sub-total			1,230,000	–	–	–	1,230,000					
Total			**42,030,000**	**–**	**–**	**–**	**42,030,000**					

Note:

(1) Equal Honour Holdings Limited is wholly-owned by Mr. Poon Ho Man.

(2) Smart Vintage Investments Limited is wholly-owned by Ms. Liu Wanting, a director of the Company.

(3) Amendment to the terms of share options granted to Wealth Amass Limited was approved by shareholders at the extraordinary general meeting of the Company held on 29 December 2014.

(ii) Post-IPO Share Option Scheme

On 2 September 2014, options to subscribe for 26,990,000 shares (the "Post-IPO Share Option") with an exercise price of HK$6.38 per share were granted to certain directors of the Company and selected employees and consultants of the Group. The vesting of the Post-IPO Share Option is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group.

Among the 26,990,000 share options, 5,340,000 shares were to its directors and employees, and 21,650,000 shares were to the consultants of the Group under this scheme, respectively. Of the options to subscribe for 26,990,000 shares, options to subscribe for 21,650,000 shares were allocated to Tranche A and options to subscribe for 5,340,000 shares were allocated to Tranche B.

For Tranche A options, subject to the holders of options achieving individual performance targets, if any, and also remaining as full time consultants of the Group, options to subscribe for a maximum of 10,825,000 shares and 10,825,000 shares will become exercisable on and from, 1 February 2015 and 1 February 2016 respectively and both will expire on 1 September 2016.

For Tranche B options, subject to the holders of options achieving individual performance targets, if any, options to subscribe for a maximum of 1,762,200 shares, 1,762,200 shares and 1,815,600 shares will become exercisable on and from, 1 March 2015, 1 March 2016 and 1 March 2017 respectively, and all will expire on 1 September 2017.

12 RESERVES *(continued)*

Group *(continued)*

(a) Share-based payments (continued)

(ii) Post-IPO Share Option Scheme (continued)

The following share options under the Post-IPO Share Option Scheme were outstanding during the year and as at 31 December 2014:

Name of grantees	Date of grant	Tranche	Number of shares under options: At 1 January 2014	Granted during the year	Exercise during the year	Lapsed during the year	At 31 December 2014	Exercise price (HK$) per share	Exercise period
Consultants (Note)									
	2 September 2014	A	–	10,825,000	–	–	10,825,000	6.38	1/2/2015 to 1/9/2016
			–	10,825,000	–	–	10,825,000	6.38	1/2/2016 to 1/9/2016
Sub-total			–	21,650,000	–	–	21,650,000		
Directors									
Mr. Chen Shuang	2 September 2014	B	–	66,000	–	–	66,000	6.38	1/3/2015 to 1/9/2017
			–	66,000	–	–	66,000	6.38	1/3/2016 to 1/9/2017
			–	68,000	–	–	68,000	6.38	1/3/2017 to 1/9/2017
Mr. Tang Chi Chun	2 September 2014	B	–	66,000	–	–	66,000	6.38	1/3/2015 to 1/9/2017
			–	66,000	–	–	66,000	6.38	1/3/2016 to 1/9/2017
			–	68,000	–	–	68,000	6.38	1/3/2017 to 1/9/2017
Mr. Guo Zibin	2 September 2014	B	–	66,000	–	–	66,000	6.38	1/3/2015 to 1/9/2017
			–	66,000	–	–	66,000	6.38	1/3/2016 to 1/9/2017
			–	68,000	–	–	68,000	6.38	1/3/2017 to 1/9/2017
Mr. Fan Yan Hok, Philip	2 September 2014	B	–	66,000	–	–	66,000	6.38	1/3/2015 to 1/9/2017
			–	66,000	–	–	66,000	6.38	1/3/2016 to 1/9/2017
			–	68,000	–	–	68,000	6.38	1/3/2017 to 1/9/2017
Mr. Ng Ming Wah, Charles	2 September 2014	B	–	66,000	–	–	66,000	6.38	1/3/2015 to 1/9/2017
			–	66,000	–	–	66,000	6.38	1/3/2016 to 1/9/2017
			–	68,000	–	–	68,000	6.38	1/3/2017 to 1/9/2017
Mr. Zhang Chongqing	2 September 2014	B	–	66,000	–	–	66,000	6.38	1/3/2015 to 1/9/2017
			–	66,000	–	–	66,000	6.38	1/3/2016 to 1/9/2017
			–	68,000	–	–	68,000	6.38	1/3/2017 to 1/9/2017
Mr. Nien Van Jin, Robert	2 September 2014	B	–	66,000	–	–	66,000	6.38	1/3/2015 to 1/9/2017
			–	66,000	–	–	66,000	6.38	1/3/2016 to 1/9/2017
			–	68,000	–	–	68,000	6.38	1/3/2017 to 1/9/2017
Sub-total			–	1,400,000	–	–	1,400,000		
Senior management and other employees	2 September 2014	B	–	1,300,200	–	33,000	1,267,200	6.38	1/3/2015 to 1/9/2017
			–	1,300,200	–	33,000	1,267,200	6.38	1/3/2016 to 1/9/2017
			–	1,339,600	–	34,000	1,305,600	6.38	1/3/2017 to 1/9/2017
Sub-total			–	3,940,000	–	100,000	3,840,000		
Total			**–**	**26,990,000**	**–**	**100,000**	**26,890,000**		

Note: Tranche A options to subscribe for 5,850,000 shares were granted to an entity controlled by Mr. Sun Quan, a former independent non-executive director of the Company.

12 RESERVES *(continued)*

Group *(continued)*

(a) *Share-based payments* *(continued)*

As at 31 December 2014, options to subscribe for 100,000 shares (2013: 2,970,000 shares) granted to employees had lapsed.

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the year are as follows:

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Directors and employees	**2,132**	681
Consultants	**9,874**	387
FPAM	**–**	34
CE Aerospace	**–**	52
	12,006	1,154

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

	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	
		Tranche A	Tranche B
Spot share price at the grant date	USD0.12	HK$5.66	HK$5.66
Risk free rate	0.943%	0.384%	0.709%
Dividend yield	17.5%	2.73%	2.73%
Expected volatility	45%	41.06%	42.09%
Suboptimal exercise factor	2.5	2.5	2.5

The total fair value of the Post-IPO Share Option on the grant date as determined using the Black-Scholes Model was HK$26,000,193.

12 RESERVES *(continued)*

Company

	Share premium HK$'000	Capital surplus HK$'000	Share-based payment HK$'000	Total HK$'000
Balance at 1 January 2013	–	695,977	–	695,977
Issue of ordinary shares (Note 11(a))	89,132	–	–	89,132
Balance at 31 December 2013	89,132	695,977	–	785,109
Balance at 1 January 2014	**89,132**	**695,977**	**–**	**785,109**
Issue of new ordinary shares (Note 11(c))	**608,996**	**–**	**–**	**608,996**
Share repurchase and cancellation (Note 11(b))	**78**	**–**	**–**	**78**
Capitalisation of share premium (Note 11(b))	**(46,897)**	**–**	**–**	**(46,897)**
Employee share option scheme: – Value of employee services (Note 12(a))	**–**	**–**	**12,006**	**12,006**
Balance at 31 December 2014	**651,309**	**695,977**	**12,006**	**1,359,292**

13 DEFERRED INCOME TAX LIABILITIES – GROUP

The analysis of deferred tax liabilities is as follows:

	31 December 2014 HK$'000	2013 HK$'000
Deferred tax liabilities:		
– To be settled after 12 months	**67,161**	26,267
	67,161	26,267

13 DEFERRED INCOME TAX LIABILITIES – GROUP *(continued)*

The movement of the deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation of leased assets HK$'000
Deferred tax liabilities	
At 1 January 2013	13,966
Charged to profit or loss	12,301
At 31 December 2013	26,267
At 1 January 2014	26,267
Charged to profit or loss	40,894
At 31 December 2014	67,161

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.

As at 31 December 2014, certain subsidiaries of the Group had unused tax losses of approximately HK$207,448,000 (2013: HK$90,295,000) available to offset against future profits, for which deferred tax asset of HK$29,590,000 (2013: HK$12,823,000) had not been recognised as their future realisation is uncertain.

The expiry dates of the unused tax losses are as follows:

	31 December	
	2014 **HK$'000**	2013 HK$'000
Year		
2015	**1,650**	1,650
2016	**3,340**	3,340
2017	**4,291**	4,291
2018	**12,306**	12,306
2019	**12,750**	–
No expiry date	**173,111**	68,708
	207,448	90,295

14 BANK BORROWINGS – GROUP

	31 December 2014 HK$'000	2013 HK$'000
Secured bank borrowings for aircraft acquisition financing (Note (i))	**12,262,667**	9,195,670
PDP financing (Note (ii))	**2,304,913**	1,820,074
Working capital borrowings (Note (iii))	**775,068**	420,650
	15,342,648	11,436,394

(i) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating USD LIBOR rates. As at 31 December 2014, 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 CALC (BVI) and pledge of deposits amounting to HK$158,285,000 (2013: HK$70,579,000).

(ii) As at 31 December 2014, bank borrowings for PDPs for the acquisition of aircraft amounting to HK$2,304,913,000 (2013: HK$1,820,074,000) were secured by certain rights and benefits in respect of the acquisition of the aircraft, guarantees from the Company and CALC (BVI), pledge of the shares in CALC Asset Limited and China Aircraft Purchase Limited and pledge of deposits of HK$10,344,000 (2013: HK$6,110,000).

As at 31 December 2013, PDP financing of HK$740,435,000 was granted by China Development Bank ("CDB") under a facility agreement ("CDB Facility Agreement"). The Group obtained a standby loan facility of USD40,000,000 from China Everbright Finance Limited ("CE Finance") in 2012 for the sole purpose of paying CDB in satisfaction of the indebtedness outstanding under the CDB Facility Agreement (Note 28). The revolving loan facility agreement was terminated on 25 April 2014.

(iii) As at 31 December 2014, the Group borrowed an aggregate amount of USD100,000,000 (equivalent to HK$775,770,000) (2013: USD54,000,000, equivalent to HK$421,200,000) from three banks (2013: two banks) which was guaranteed by the Company and CALC (BVI) (2013: guaranteed by CALC (BVI) and China Aircraft Assets Limited).

(a) The borrowings are repayable as follows:

	31 December 2014 HK$'000	2013 HK$'000
Within 1 year	**4,689,521**	2,820,997
Between 1 and 2 years	**993,735**	1,406,198
Between 2 and 5 years	**2,448,475**	1,505,101
Over 5 years	**7,210,917**	5,704,098
	15,342,648	11,436,394

14 BANK BORROWINGS – GROUP *(continued)*

(b) 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	
	2014	2013
	HK$'000	HK$'000
Fixed-interest rate	**5,256,250**	3,426,992
Floating-interest rate	**10,086,398**	8,009,402
	15,342,648	11,436,394

The average effective interest rate as at 31 December 2014 of bank borrowings was 4.62% (2013: 4.45%). The carrying amounts of borrowings are principally denominated in USD.

15 LONG-TERM BORROWINGS – GROUP

	31 December	
	2014	2013
	HK$'000	HK$'000
Borrowings from trust plans	**642,116**	155,172

As at 31 December 2014, 5 borrowings (2013: 1 borrowing) were provided by trust plans to five subsidiaries (2013: 1 subsidiary) of the Group. The effective interest rates of long-term borrowings are from 6.43% to 7.80% (2013: 6.43%) per annum for terms of nine years to twelve 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 (Notes 3.1.4 and 19).

16 DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

	31 December 2014 HK$'000	2013 HK$'000
Derivative financial assets		
– Interest rate swaps - cash flow hedges (Note (i))	**–**	13,620
– Currency swap (Note 3.1.4)	**14,979**	–
	14,979	13,620
Derivative financial liabilities		
– Interest rate swaps – cash flow hedges (Note (i))	**33,361**	6,520
– Currency swap (Note 3.1.4)	**–**	968
	33,361	7,488

(i) As at 31 December 2013, the Group had 5 outstanding interest rate swap contracts which will expire on 21 September 2018, 21 September 2018, 21 September 2018, 19 September 2019, and 21 March 2024, respectively to exchange floating interest rates from LIBOR into fixed interest rates of 1.55%, 1.75%, 1.95%, 2.00% and 2.15%, respectively. During the year ended 31 December 2014, the Group entered into 4 new interest rate swap contracts which will expire on 21 December 2018, 21 March 2019, 21 June 2019 and 21 September 2019, respectively, to exchange floating interest rates form LIBOR into fixed interest rates of 1.98%, 2.00%, 1.86% and 1.89%, respectively.

The above interest rate swap contracts were accounted for as cash flow hedges, which were virtually fully effective during the years ended 31 December 2014 and 2013.

As at 31 December 2014, the notional principal of the 9 (2013: 5) outstanding interest rate swap contracts amounted to USD346,885,000 (equivalent to HK$2,691,030,000) (2013: USD187,276,000 (equivalent to HK$1,460,753,000)). These interest rate swap contracts were secured by pledged deposits of HK$25,765,000 as at 31 December 2014 (2013: nil). Such pledged deposits can be used to settle the derivative financial liabilities under certain conditions.

(ii) In December 2013, the Group terminated one interest rate swap contract for a realised gain of USD1,947,000 (equivalent to HK$15,187,000). This realised gain was recognised in cash flow hedges reserve and will be progressively reclassified from equity to profit as the hedged bank borrowing is progressively repaid from 2014 to 2026. During the year ended 31 December 2014, the realised gain of HK$1,267,000 (2013: nil) was reclassified from cash flow hedges reserve to profit or loss.

The fair value changes of interest rate swaps recognised in other comprehensive income are as follows:

	Year ended 31 December 2014 HK$'000	2013 HK$'000
Recognised in other comprehensive income		
– Change in fair value of interest rate swaps	**(40,461)**	13,538
– Effect of termination of interest rate swap (ii)	**–**	15,187
– Reclassified from other comprehensive income to profit or loss (ii)	**(1,267)**	–
	(41,728)	28,725

(iii) CALC Baoli Limited ('CALC Baoli"), a wholly-owned subsidiary of the Group, signed a contract with an independent third party on 30 December 2013, pursuant to which CALC Baoli transferred its future aircraft finance lease receivables under an aircraft leasing agreement with an airline to a trust plan. CALC Baoli will convert the USD lease rentals received on behalf of the third party during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement included an embedded a derivative – a currency swap contract. The notional principal of this embedded currency swap contract amounted to USD15,684,296 (equivalent to HK$121,674,000). As at 31 December 2014, the fair value of this currency swap contract amounted to HK$14,979,000 (2013: liability of HK$968,000) and the fair value change of HK$15,935,000 was recognised in foreign exchange gains for the year ended 31 December 2014 (2013: loss of HK$968,000)

17 OTHER PAYABLES AND ACCRUALS

Group

	31 December 2014 HK$'000	2013 HK$'000
Deposits received (Note (i))	**142,619**	90,326
Amounts due to related parties (Note 28(f))	**–**	845
Consultant and professional fees payable (Note (ii))	**99,006**	43,940
Business tax, value-added tax and withholding tax payables	**76,588**	40,552
Operating lease rentals received in advance	**22,523**	5,300
Director fee payable	**–**	1,110
Rentals received to be paid (Note (iii))	**–**	14,401
Others (include salary and bonus payable)	**41,920**	9,799
	382,656	206,273

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

(ii) Included insurance premium payable relating to aircraft residual value insurance purchased by the Group.

(iii) It represents the lease payment received by CALC Baoli which should be transferred to the trust plan according to the contract as mentioned in Note 3.1.4.

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

Company

	31 December 2014 HK$'000	2013 HK$'000
Accrual	**9,220**	2,134

The above amounts were unsecured, interest-free and repayable on demand.

18 LEASE RENTAL INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2014, the Group is engaged in a single business segment, i.e. provision of aircraft leasing services to airline companies principally in China. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

The Group leased aircraft to nine airline companies for the year ended 31 December 2014 (2013: six).

18 LEASE RENTAL INCOME AND SEGMENT INFORMATION *(continued)*

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

	Year ended 31 December			
	2014		2013	
	HK$'000	**%**	HK$'000	%
Customer:				
Airline Company – A	**215,682**	**24%**	153,511	25%
Airline Company – B	**142,434**	**16%**	124,403	20%
Airline Company – C	**128,653**	**14%**	127,654	20%
Airline Company – D	**202,760**	**23%**	192,333	31%
Airline Company – E	**51,304**	**6%**	23,165	4%
Airline Company – F	**89,844**	**10%**	2,259	–
Airline Company – G	**31,938**	**3%**	–	–
Airline Company – H	**33,631**	**4%**	–	–
Airline Company – I	**605**	**–**	–	–
Total finance and operating lease income	**896,851**	**100%**	623,325	100%

19 OTHER INCOME

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Gain from disposal of finance lease receivables (Note (i))	**111,459**	57,075
Government subsidies (Note (ii))	**133,927**	5,507
Others	**2,728**	1,028
	248,114	63,610

(i) As described in Note 3.1.4, the CALC SPCs signed separate contracts with the trust plans, to transfer their future aircraft lease receivables under their separate aircraft lease agreements with certain airline companies to the trust plans. As the Group has transferred substantially all the risks and rewards related to the lease receipts to the trust plans, it de-recognised the corresponding finance lease receivable. For the year ended 31 December 2014, the Group recognised a gain of HK$111,459,000 (2013: HK$57,075,000), determined by comparing the net proceeds with the carrying amount of the finance lease receivable de-recognised, less transaction costs and business tax and surcharges accrued.

(ii) Government subsidies represent the grants and subsidies principally received from the Management Committee of Tianjin Dongjiang Free Trade Port Zone as incentives provided by the government to support the development of aircraft leasing industry.

20 INTEREST EXPENSE

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Interest expense on bank borrowings	**600,948**	374,399
Interest expense on borrowings from related parties	**–**	1,884
Less: Interest capitalised	**(80,416)**	(46,377)
	520,532	329,906

21 OPERATING EXPENSES

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Key management and employee expenses (Note 22)	**55,607**	18,574
Listing expenses	**29,119**	9,783
Business tax and surcharges	**33,571**	21,376
Professional service expenses	**35,649**	9,132
Auditors' remuneration	**5,288**	2,891
Rental and utilities expenses	**8,775**	7,149
Office and meeting expenses	**8,411**	7,071
Travelling and training expenses	**9,383**	5,948
Others	**14,083**	8,513
	199,886	90,437

22 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Wages, salaries and bonuses	**51,163**	16,393
Share-based compensation (Note 12(a))	**2,132**	1,068
Welfare, medical and other expenses	**2,312**	1,113
	55,607	18,574

23 INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Current income tax:		
Mainland China, Hong Kong and others	**37,155**	25,159
Deferred income tax	**40,894**	12,301
	78,049	37,460

Mainland China

The subsidiaries incorporated in Mainland China are subject to the PRC corporate income tax ("CIT") at a rate of 25%. PRC CIT is calculated at 25% on the taxable income for the year ended 31 December 2014. The leasing income is 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.

BT at 5% and CIT at 10% or 6% (tax treaty rate) are withheld on lease rental income payable by lessees in Mainland China to non-Mainland China tax resident subsidiaries of the Group for the year ended 31 December 2014. Interest payable to the group companies incorporated in Hong Kong is subject to BT at 5% and CIT at 7%.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2014.

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 at Malaysian Ringgit 20,000 as elected annually by the subsidiaries.

23 INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% during the year ended 31 December 2014, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Profit before income tax	**380,715**	209,960
Tax calculated at a tax rate of 25%	**95,179**	52,490
Effects of:		
– Different tax rates applicable to different subsidiaries of the Group	**(8,160)**	(6,541)
– Income not subject to tax	**(25,998)**	(15,536)
– Non-deductible expenses	**261**	304
– Tax losses for which no deferred income tax assets were recognised	**16,767**	6,743
Tax charge	**78,049**	37,460

24 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$279,611,000 (2013: HK$42,102,000).

The movement of the retained earnings/(accumulated losses) of the Company is as below:

Company

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
At 1 January	**(12,166)**	(1,268)
Profit for the year	**279,611**	42,102
Dividends paid	**(69,000)**	(53,000)
At 31 December	**198,445**	(12,166)

25 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 2013 and 2014. In determining the weighted average number of ordinary shares:

(i) the 20 ordinary shares of the Company issued to CALH during the Reorganisation (Note 1(b)) were treated as if they had been in issue since 1 January 2013; and

(ii) of the 9,980 ordinary shares of the Company to issued to CALH on 23 July 2013 (Note 11(a)) for a consideration of HK$89,610,300, 388 ordinary shares were treated as being issued on 23 July 2013 at fair value and 9,592 ordinary shares were treated as if they were bonus shares that had been in issue since 1 January 2013; and

(iii) the additional 468,941,929 new ordinary shares of the Company issued on 23 June 2014 and the capitalisation issue of 29,071 new ordinary shares issued on 11 July 2014 have been adjusted retrospectively to the numbers of ordinary shares issued under (i) and (ii) above as if the proportionately higher number of shares had been in issue since the relevant dates indicated.

(iv) the 116,800,000 new ordinary shares offered to the public (Note 11(c)) were issued on 11 July 2014.

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company (HK$'000)	**302,750**	172,500
Weighted average number of ordinary shares in issue (number of shares)	**524,661,000**	458,908,253
Basic earnings per share (HK$ per share)	**0.577**	0.376

(b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. 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 the fair value (determined as the average market price per share for the year) 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 diluted earnings per share.

25 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company (HK$'000)	**302,750**	172,500
Weighted average number of ordinary shares in issue (number of shares)	**524,661,000**	458,908,253
Adjustment for:		
– Share options (number of shares)	**30,526,027**	–
Weighted average number of ordinary shares for diluted earnings per share (number of shares)	**555,187,027**	458,908,253
Diluted earnings per share (HK$ per share)	**0.545**	0.376

26 DIVIDENDS

Pursuant to the resolutions passed by the Board of Directors on 22 November 2013, an interim dividend amounting to HK$53,000,000 in respect of the year ended 31 December 2013 was declared by the Company and paid in cash to its shareholder in 2013.

On 19 May 2014, the Company proposed to declare a final dividend of HK$69,000,000 for the year ended 31 December 2013. Such dividend was paid in June 2014.

At a meeting held on 26 March 2015, the Board of Directors recommended a final dividend for the year ended 31 December 2014 of HK$0.16 per ordinary share, amounting to a total dividend of HK$93,725,000. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2014, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2015. The proposed final dividend amount is calculated based on the number of ordinary shares in issue as at 31 December 2014.

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Interim dividend paid of HK$nil (2013: HK$5,300) per ordinary share	**–**	53,000
Proposed final dividend of HK$0.16 (2013: HK$6,900) per ordinary share	**93,725**	69,000
Total	**93,725**	122,000

The aggregate amounts of the dividends paid and proposed during 2013 and 2014 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

27 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Year ended 31 December 2013

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonus HK$'000	Retirement benefits and others HK$'000	Total HK$'000
Chairman, non-executive director					
Mr. Chen Shuang (i)	117	–	–	–	117
Executive directors					
Mr. Poon Ho Man	300	252	–	13	565
Ms. Liu Wanting	117	912	1,665	14	2,708
Non-executive directors					
Mr. Tang Chichun (i)	117	–	–	–	117
Ms. Chen Ying (iii)	92	–	–	–	92
Independent non-executive directors					
Mr. Fan Yan Hok, Philip (ii)	92	–	–	–	92
Mr. Ng Ming Wah, Charles (ii)	92	–	–	–	92
Mr. Zhang Chongqing (ii)	92	–	–	–	92
Mr. Sun Quan (iv)	92	–	–	–	92
	1,111	1,164	1,665	27	3,967

Year ended 31 December 2014

	Fees HK$'000	**Basic salaries and allowances HK$'000**	**Bonus HK$'000**	**Retirement benefits and others HK$'000**	**Total HK$'000**
Chairman, non-executive director					
Mr. Chen Shuang (i)	**300**	**5**	**–**	**80**	**385**
Executive directors					
Mr. Poon Ho Man	**300**	**726**	**17,773**	**16**	**18,815**
Ms. Liu Wanting	**300**	**1,150**	**7,092**	**17**	**8,559**
Non-executive directors					
Mr. Tang Chichun (i)	**300**	**5**	**–**	**80**	**385**
Mr. Guo Zibin (v)	**243**	**10**	**–**	**80**	**333**
Ms. Chen Ying (iii)	**53**	**–**	**–**	**–**	**53**
Independent non-executive directors					
Mr. Fan Yan Hok, Philip (ii)	**300**	**10**	**–**	**80**	**390**
Mr. Ng Ming Wah, Charles (ii)	**300**	**15**	**–**	**80**	**395**
Mr. Zhang Chongqing (ii)	**300**	**10**	**–**	**80**	**390**
Mr. Sun Quan (iv)	**196**	**–**	**–**	**–**	**196**
Mr. Nien Van Jin, Robert (vi)	**104**	**15**	**–**	**80**	**199**
	2,696	**1,946**	**24,865**	**593**	**30,100**

(i) Appointed on 12 August 2013

(ii) Appointed on 11 September 2013

(iii) Appointed on 11 September 2013 and resigned on 7 March 2014

(iv) Appointed on 11 September 2013 and resigned on 27 August 2014

(v) Appointed on 10 March 2014

(vi) Appointed on 27 August 2014

27 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' emoluments *(continued)*

Certain directors also received emoluments from FPAM, China Everbright Limited and certain related parties of the Group for the year ended 31 December 2014, part of which were in relation to their services to the Company. No apportionment has been made as the directors consider it is impractical to apportion the amount between their services to the Company and their services to FPAM, China Everbright Limited and certain related parties of the Group.

(b) Five highest paid individuals:

During the year ended 31 December 2014, the five individuals whose emoluments were the highest in the Group include two directors and three individuals (2013: one director and four individuals), whose director's emoluments are reflected in the analysis presented above. For the year ended 31 December 2014, the emoluments paid to three (2013: four) remaining individuals are as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Basic salaries and allowances	**4,272**	4,162
Discretionary bonus	**6,191**	1,648
Share-based payment	**479**	28
Other benefits including pension	**64**	32
	11,006	5,870

The emoluments fell within the following bands:

	Year ended 31 December	
	2014	2013
Nil – HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$4,000,000	**3**	–

During the years ended 31 December 2014 and 2013, no directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments.

28 RELATED PARTY TRANSACTIONS

Apart from the share option arrangement with key management and related parties as disclosed in Note 12(a), the following transactions were carried out with related parties at terms negotiated between the Group and the respective parties:

(a) Management fee and consultancy fee charged by related parties

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Management fee and consultancy fee charged by:		
– China Everbright Global Investment Advisors Company Limited ("CEGIA")	**–**	1,170
– Friedmann Pacific Financial Services Limited ("FPFS")	**–**	480
– Beijing Fujing Investment Limited Company ("Beijing Fujing")	**–**	856
	–	2,506

CEGIA is a subsidiary of China Everbright Limited.

FPFS and Beijing Fujing are subsidiaries of FPAM.

(b) Operating lease expenses on office premises

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
CEL Venture Capital (Shenzhen) Limited	**1,240**	577

CEL Venture Capital (Shenzhen) Limited is a subsidiary of China Everbright Limited.

(c) Borrowings from related parties

(i) Borrowings from CE Finance

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
At 1 January	**–**	–
Proceeds from borrowings during the year	**–**	73,320
Repayments of borrowings during the year	**–**	(73,320)
At 31 December	**–**	–

The borrowings were obtained from CE Finance, which is a fellow subsidiary of CE Aerospace. These borrowings were guaranteed by Mr. Poon Ho Man and bore an interest rate ranging from 10% to 12% in 2013. During the year ended 31 December 2014, interest expense charged by CE Finance amounted to nil (2013: HK$1,156,000).

28 RELATED PARTY TRANSACTIONS *(continued)*

(c) Borrowings from related parties *(continued)*

(ii) Borrowings from FPAM

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
At 1 January	**–**	–
Proceeds from borrowings during year	**–**	46,800
Repayments of borrowings during year	**–**	(46,800)
At 31 December	**–**	–

The borrowing of USD6,000,000 from FPAM were guaranteed by Mr. Poon Ho Man and bore a fixed interest rate ranging from 10% to 12% in 2013. During the year ended 31 December 2014, interest expense charged by FPAM amounted to nil (2013: HK$728,000).

(d) Standby facilities provided by CE Finance and FPAM

On 28 November 2012, CALC AC Limited, a subsidiary of the Company, entered into an agreement with CE Finance, pursuant to which CE Finance provided a loan facility to CALC AC Limited for an amount up to USD40,000,000 (equivalent to HK$312,000,000) for the period from 28 November 2012 to 28 December 2015, for the sole purpose of paying CDB in satisfaction of the indebtedness outstanding under the CDB Facility Agreement (Note 14(ii)). CE Finance charges an upfront fee of USD600,000 and an annual fee of 0.25% of the amount of commitment per annum. The standby facilities will be released prior to the listing of the Company's shares on the Stock Exchange of Hong Kong Limited.

During the year ended 31 December 2014, the facility fee charged by CE Finance amounted to HK$414,000 (2013: HK$1,180,000).

Pursuant to a revolving loan facility agreement entered into between FPAM and CE Finance as lenders, Sino Teamwork Limited as borrower and CALC (BVI) as guarantor on 25 September 2013, FPAM and CE Finance agreed to provide a standby revolving loan facility of up to USD50 million of which up to USD25 million is extended by FPAM and up to USD25 million by CE Finance, at an interest rate of 12% per annum from the date of drawdown for a term of one year from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. As security for the facility, a corporate guarantee was provided by CALC(BVI) in favour of each of FPAM and CE Finance. An arrangement fee of USD25,000 was payable on the acceptance date of the revolving loan agreement and a standby fee of USD62,500 was payable quarterly to each of FPAM and CE Finance during the availability period. The revolving loan facility agreement was terminated on 25 April 2014.

(e) On 27 September 2013, CALC (BVI) and Ever Alpha Investment Limited ("Ever Alpha"), a subsidiary of China Everbright Limited, entered into a consultancy agreement pursuant to which Ever Alpha agreed to support the Group by providing onsite supporting services to facilitate Qingdao Airlines Co., Ltd. ("Qingdao Airlines") to lease current generation of A320 aircraft from the Group. The onsite supporting services to be provided by Ever Alpha under the consultancy agreement included liaising and participating in preliminary discussion with Qingdao Airlines, providing relevant information to CALC (BVI) in respect of Qingdao Airlines and the leasing, providing strategic advice to CALC (BVI) to facilitate the leasing, assisting CALC (BVI) in negotiation, and contacting relevant government department and arranging for consultation when necessary. During the year ended 31 December 2014, the supporting service fee charged by Ever Alpha amounted to USD2,000,000, equivalent to HK$15,600,000 (2013: nil).

28 RELATED PARTY TRANSACTIONS *(continued)*

(f) Amounts due to related parties:

	31 December 2014 HK$'000	2013 HK$'000
FPAM	–	317
CE Finance	–	512
Beijing Fujing	–	16
	–	845

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

(g) Key management compensation

Key management includes directors of the Company. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December 2014 HK$'000	2013 HK$'000
Salaries, discretionary bonus and other short-term employee benefits	**26,774**	10,205
Share-based compensation expenses	**1,290**	673
	28,064	10,878

29 CONTINGENT LIABILITIES AND COMMITMENTS – GROUP

(a) Contingencies

The Group had no material contingent liabilities outstanding at the end of each of the year ended 31 December 2014.

(b) Capital commitments

Capital expenditures contracted for at the end of the reporting period but not yet incurred is as follows:

	31 December 2014 HK$'000	2013 HK$'000
Acquisition of aircraft	**45,901,694**	10,162,469

On 3 December 2014, the Company entered into a memorandum of understanding ("MOU") with the Harbin Government in relation to the establishment of China's Aircraft Disassembly Operation in Harbin, the PRC. Pursuant to the MOU, the Group intends to set up a new business line in phases to disassemble aircraft in China, with a total investment of approximately USD2 billion (equivalent to approximately HK$15.6 billion), including the cost of old aircrafts to be purchased. As of the approval date of the consolidated financial statements, the Group has no contractual commitment and obligation under the MOU.

29 CONTINGENT LIABILITIES AND COMMITMENTS – GROUP *(continued)*

(c) Operating lease commitments – where the Group is the lessee

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

	31 December	
	2014	2013
	HK$'000	HK$'000
Not later than one year	**9,851**	5,592
Later than one year and not later than five years	**26,795**	2,363
Later than five years	**110**	–
	36,756	7,955

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

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

	31 December	
	2014	2013
	HK$'000	HK$'000
Not later than one year	**217,713**	145,436
Later than one year and not later than five years	**773,461**	581,743
Later than five years	**634,655**	783,552
	1,625,829	1,510,731

30 EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the report, the following significant events took place after 31 December 2014:

(a) On 26 March 2015, the Company as the issuer and China Everbright Financial Investments Limited, Huarong (HK) International Holdings Limited and Great Wall Pan Asia International Investment Co., Limited as the investors entered into subscription agreements in respect of the issuance and subscription of the convertible bonds in the aggregate principal amount of HK$892 million. The bonds will bear coupon interest of 3% per annum and mature in 3 years from the issue date. The Company will pay the respective investors a commitment arrangement fee at the rate of 3.5% per annum. The convertible bonds are convertible into shares of the Company at a conversion price of HK$11.28 per share (subject to adjustments). The completion of the issuance of the convertible bonds is subject to the satisfaction of the conditions precedent under the subscription agreements and the approval by independent shareholders, where applicable.

(b) On 17 March 2015, the Company and the Bank of Communications Company Limited entered into the Strategic Cooperation Framework Agreement (the "Agreement") in connection with their strategic cooperation on asset securitization and debenture issuances, including sales of aircraft lease receivables for not more than 20 aircraft. Further definitive agreements for specific projects will be signed when the detailed terms for such projects are agreed. The Agreement has a term of 3 years unless otherwise extended by both parties.

(c) On 26 March 2015, the Board of Directors of the Company proposed to declare a final cash dividend for the year ended 31 December 2014 in the amount of HK$0.16 per ordinary share, totalling HK$93,725,000 (calculated based on the number of ordinary shares in issue as at 31 December 2014).

31 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

CORPORATE INFORMATION

Board of Directors

Chairman and Non-Executive Director

Mr. CHEN Shuang

Executive Directors

Mr. POON Ho Man (Chief Executive Officer)
Ms. LIU Wanting

Non-executive Directors

Mr. TANG Chi Chun
Mr. GUO Zibin

Independent Non-executive Directors

Mr. FAN Yan Hok, Philip
Mr. NG Ming Wah, Charles
Mr. ZHANG Chongqing
Mr. NIEN Van Jin, Robert

Composition of Committee

Audit Committee

Mr. NG Ming Wah, Charles (Chairman)
Mr. ZHANG Chongqing
Mr. GUO Zibin
Mr. NIEN Van Jin, Robert

Remuneration Committee

Mr. FAN Yan Hok, Philip (Chairman)
Mr. NG Ming Wah, Charles
Mr. ZHANG Chongqing
Mr. NIEN Van Jin, Robert

Nomination Committee

Mr. ZHANG Chongqing (Chairman)
Mr. FAN Yan Hok, Philip
Mr. NG Ming Wah, Charles
Mr. NIEN Van Jin, Robert

Strategy Committee

Mr. CHEN Shuang (Chairman)
Mr. POON Ho Man
Ms. LIU Wanting
Mr. TANG Chi Chun

Company Secretary

Ms. TAI Bik Yin

Authorised Representatives

Mr. POON Ho Man
Ms. TAI Bik Yin

Registered Office

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

Principal Place of Business in China

Room 6026-14, 6/F
Joint Inspection Service Centre of Closed Area
1 American Road
Dongjiang Free Trade Port Zone
Tianjin, China

Principal Place of Business in Hong Kong

28th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Share Registrar

Maples Fund Services (Cayman) Limited

Hong Kong Share Registrar

Tricor Investor Services Limited

Principal Bankers

China Development Bank (Hong Kong Branch)
The Export-Import Bank of China
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
China Everbright Bank Co., Ltd. (Hong Kong Branch)

Auditors

PricewaterhouseCoopers

Legal Advisers

Linklaters
Chiu & Partners

Compliance Adviser

China Everbright Capital Limited

Company's Website

www.calc.com.hk

Investor Relations Contact

ir@calc.com.hk

Stock Code

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 1848

China Aircraft Leasing Group Holdings Limited

Stock code : 01848

Hong Kong (Head Office)

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