FLY AHEAD

CALC

China Aircraft Leasing Group Holdings Limited

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

Stock code : 01848

Interim Report 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHEN Shuang *(Chairman and 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. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan

COMPOSITION OF COMMITTEES

Audit Committee

Mr. NG Ming Wah, Charles *(Chairman)*
Mr. GUO Zibin
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan

Remuneration Committee

Mr. FAN Yan Hok, Philip *(Chairman)*
Mr. NG Ming Wah, Charles
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan

Nomination Committee

Mr. NIEN Van Jin, Robert *(Chairman)*
Mr. FAN Yan Hok, Philip
Mr. NG Ming Wah, Charles
Mr. CHEOK Albert Saychuan

COMPANY SECRETARY

Ms. TAI Bik Yin

AUTHORISED REPRESENTATIVES

Ms. LIU Wanting
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

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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 BRANCH 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

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INVESTOR RELATIONS CONTACT

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STOCK CODE

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 1848

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY PROFILE

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

Commercial aircraft deliveries in 2015 are expected to exceed US$120 billion, while lessors including China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are expected to fund approximately 40% of these[1], representing the largest share of new deliveries. In China, there is the desire for airlines to renew their fleets at a relatively young age, creating the demand for aircraft lifecycle management amid an endemic gap in the industry.

INTERIM BUSINESS REVIEW

Aircraft Leasing

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

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

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

Financing

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

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

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[1] Current Aircraft Finance Market Outlook Issued December 2014 by Boeing Capital Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM BUSINESS REVIEW *(continued)*

Financing *(continued)*

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

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

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

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

Other Important Developments

Government Support and Collaboration

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

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

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

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

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

Analysis of Income and Expenses

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW *(continued)*

Analysis of Income and Expenses *(continued)*

Revenue and Other Income

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW *(continued)*

Analysis of Income and Expenses *(continued)*

Expenses

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

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

* Include IPO listing expense of HK$24.7 million

(a) Interest expense

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

(b) Depreciation

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW *(continued)*

Analysis of Income and Expenses *(continued)*

Expenses *(continued)*

(c) *Other operating expenses*

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

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

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

Income Tax Expense

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW *(continued)*

Analysis of Financial Position

Assets

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW *(continued)*

Analysis of Financial Position *(continued)*

Assets *(continued)*

(b) *Prepayments and other receivables*

PDP

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

Deposits for land bidding

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

(c) *Derivative financial assets*

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

Liabilities

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

The analysis is shown as follows:

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

RESULTS OVERVIEW *(continued)*

Analysis of Financial Position *(continued)*

Liabilities *(continued)*

(a) *Bank borrowings*

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

The analysis of bank borrowings is shown as follows:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW *(continued)*

Analysis of Financial Position *(continued)*

Liabilities *(continued)*

(a) *Bank borrowings* *(continued)*

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

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

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

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

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

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

RESULTS OVERVIEW *(continued)*

Analysis of Financial Position *(continued)*

Liabilities *(continued)*

(b) *Long-term borrowings*

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

(c) *Convertible bonds*

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

(d) *Derivative financial liabilities*

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE DEVELOPMENT STRATEGY

Full Lifecycle Value-Chain

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

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

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

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

Globalisation Strategy

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

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

Expanding Financing Channels

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

OTHER INFORMATION

CAPITAL MANAGEMENT

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

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

The Group monitors capital by gearing ratio:

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

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

CAPITAL EXPENDITURE

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

The following table sets out our capital expenditure:

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

RISK MANAGEMENT

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

OTHER INFORMATION

RISK MANAGEMENT *(continued)*

Currency Exchange Risk

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

Interest Rate Risk

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

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

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

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

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

OTHER INFORMATION

RISK MANAGEMENT *(continued)*

Credit Risk

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

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

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

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

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

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

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

Liquidity Risk

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

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

OTHER INFORMATION

RISK MANAGEMENT *(continued)*

Liquidity Risk *(continued)*

The table below summarizes the maturity profile of the Group's financial assets, PDP 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 30 June 2015				
PDP	**2,220.4**	**1,041.6**	**116.6**	**3,378.6**
Total financial assets	**2,826.9**	**6,024.1**	**11,200.1**	**20,051.1**
Total financial liabilities	**(4,639.1)**	**(6,313.4)**	**(10,759.6)**	**(21,712.1)**
Net	**408.2**	**752.3**	**557.1**	**1,717.6**
As of 31 December 2014				
PDP	2,294.3	828.4	118.5	3,241.2
Total financial assets	2,879.0	5,362.1	9,926.6	18,167.7
Total financial liabilities	(5,638.8)	(5,378.1)	(9,637.2)	(20,654.1)
Net	(465.5)	812.4	407.9	754.8

CHARGES ON ASSETS

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

MATERIAL INVESTMENT, ACQUISITION, AND DISPOSAL

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

OTHER INFORMATION

HUMAN RESOURCES

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

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

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

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

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

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

Capital Commitment for Acquisition of Aircraft

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

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

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

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

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

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Arrangements for the Directors to Purchase Shares or Debentures

Saved as disclosed herein, at no time during the six months ended 30 June 2015 were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company (the "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 30 June 2015, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were detailed as follows:

Name of Directors	Capacity/ Nature of interest	Number of shares held (L)[1]	Number of underlying shares held	Approximately percentage of interest
CHEN Shuang	Beneficial owner		200,000[3]	0.03%
LIU Wanting	Interest of controlled corporation	10,000,000[2]		1.65%
TANG Chi Chun	Beneficial owner		200,000[3]	0.03%
GUO Zibin	Beneficial owner		200,000[3]	0.03%
FAN Yan Hok, Philip	Beneficial owner	66,000		0.01%
	Beneficial owner		134,000[3]	0.02%
NG Ming Wah, Charles	Beneficial owner		200,000[3]	0.03%
NIEN Van Jin, Robert	Beneficial owner	66,000		0.01%
	Beneficial owner		134,000[3]	0.02%
CHEOK Albert Saychuan	Beneficial owner	5,000		Below 0.01%

Notes:

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

(2) These shares were held by Smart Vintage Investments Limited which is wholly-owned by Ms. LIU Wanting.

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

OTHER INFORMATION

DISCLOSURE OF INTERESTS *(continued)*

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

Save as disclosed above, as at 30 June 2015, 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' and other Persons' Interests and Short Positions in the Shares and Underlying Shares

Based on the information available to the Directors as at 30 June 2015 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 30 June 2015, 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 held (L)[1]	Number of underlying shares held (L)[1]	Approximately percentage of interest
China Everbright Aerospace	Beneficial owner	207,639,479[4]		34.27%
Holdings Limited	Beneficial owner		1,340,000[2]	0.22%
("CE Aerospace")				
China Everbright Financial	Beneficial owner	8,220,000[4]		1.36%
Investments Limited	Beneficial owner		34,388,297[3]	5.68%
("CE Financial")				
China Everbright Limited	Interest of controlled corporation	215,859,479[4]		35.63%
("CE Limited")	Interest of controlled corporation		34,388,297[3]	5.68%
	Interest of controlled corporation		1,340,000[2]	0.22%
China Everbright Holdings	Interest of controlled corporation	215,859,479[5]		35.63%
Company Limited	Interest of controlled corporation		34,388,297[3]	5.68%
("CE Hong Kong")	Interest of controlled corporation		1,340,000[2]	0.22%
China Everbright Group Ltd.	Interest of controlled corporation	215,859,479[6]		35.63%
("CE Group")	Interest of controlled corporation		34,388,297[3]	5.68%
	Interest of controlled corporation		1,340,000[2]	0.22%

OTHER INFORMATION

DISCLOSURE OF INTERESTS *(continued)*

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

Name of shareholders	Capacity/ Nature of interest	Number of ordinary shares held (L)[1]	Number of underlying shares held (L)[1]	Approximately percentage of interest
Central Huijin Investment Limited ("Huijin Limited")	Interest of controlled corporation	215,859,479[6]		35.63%
	Interest of controlled corporation		34,388,297[3]	5.68%
	Interest of controlled corporation		1,340,000[2]	0.22%
Friedmann Pacific Asset Management Limited ("FPAM")	Beneficial owner	181,683,589[9]		29.99%
	Beneficial owner		871,000[7]	0.14%
Capella Capital Limited ("Capella")	Interest of controlled corporation	181,683,589[9]		29.99%
	Interest of controlled corporation		871,000[7]	0.14%
POON Ho Man	Interest of controlled corporation	186,633,589[10]		30.81%
	Interest of controlled corporation		871,000[7]	0.14%
	Interest of controlled corporation		10,050,000[8]	1.66%
Christina NG	Interest of spouse	186,633,589[11]		30.81%
	Interest of spouse		871,000[7]	0.14%
	Interest of spouse		10,050,000[8]	1.66%
Huarong (HK) International Holdings Limited ("HK Huarong")	Beneficial owner		34,388,297[12]	5.68%
China Huarong Asset Management Co., Ltd. ("China Huarong")	Interest of controlled corporation		34,388,297[13]	5.68%

DISCLOSURE OF INTERESTS *(continued)*

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

Notes:

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

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

(3) These interests represented the interests in underlying shares in respect of the convertible bonds issued by the Company to CE Financial pursuant to a subscription agreement with CE Financial dated 26 March 2015.

(4) The entire issued share capital of CE Aerospace and CE Financial is wholly-owned by CE Limited. Accordingly, CE Limited is deemed to be interested in all shares and underlying shares held by CE Aerospace and CE Financial.

(5) CE Hong Kong indirectly holds more than one-third of the voting power at general meetings of CE Limited. Accordingly, CE Hong Kong is deemed to be interested in all shares and underlying shares mentioned in notes (2) to (4) above.

(6) According to the Company's announcements in respect of the proposed restructuring dated 10 November 2014, 25 November 2014, 8 December 2014 and 14 May 2015, CE Group and Huijin Limited are deemed to be interested in all shares and underlying shares mentioned in notes (2) to (4) above.

(7) 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.

(8) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Equal Honour Holdings Limited ("Equal Honour"), a company wholly-owned by Mr. POON Ho Man, pursuant to the Pre-IPO Share Option Scheme.

(9) 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 shares and underlying shares held by FPAM.

(10) 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 is deemed to be interested in all shares and underlying shares mentioned in notes (7) and (9) above. Mr. POON is also interested in 4,950,000 shares held by Equal Honour.

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

(12) These interests represented the interests in underlying shares in respect of the convertible bonds issued by the Company to HK Huarong pursuant to a subscription agreement with HK Huarong dated 26 March 2015.

(13) The entire issued share capital of HK Huarong is indirectly wholly-owned by China Huarong. Accordingly, China Huarong is deemed to be interested in all underlying shares held by HK Huarong.

Save as disclosed above, as at 30 June 2015, 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.

OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Practices

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

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

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

The Company has adopted the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

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

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

Directors' Securities Transactions

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

OTHER INFORMATION

BOARD COMMITTEES

Audit Committee

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

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

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 (Chairman of the Remuneration Committee), Mr. NG Ming Wah, Charles, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan.

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 independent non-executive Directors.

As at the date of this report, the Nomination Committee consisted of Mr. NIEN Van Jin, Robert (Chairman of the Nomination Committee), Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles and Mr. CHEOK Albert Saychuan.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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.

As at the date of this interim report, the total number of shares available for issue under the Pre-IPO Share Option Scheme is 23,050,440 shares (as at the date of the 2014 annual report of 26 March 2015: 42,030,000 shares), which represented approximately 3.8% (as at 26 March 2015: 7.2%) of the issued share capital of the Company as at the date of this interim report. No option was granted under the Pre-IPO Share Option Scheme during the period.

OTHER INFORMATION

SHARE OPTION SCHEMES *(continued)*

Pre-IPO Share Option Scheme *(continued)*

The following share options granted under the Pre-IPO share Option Scheme were outstanding as at 30 June 2015:

			Number of share options					Price of the Company's shares					
								Exercise price (US$) per share				Immediately before the exercise date (Note 4) (HK$) per share	
Name of grantees	Date of grant	Tranche	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2015	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	10/10/2011	A	660,000	-	(660,000)	-	-	0.161	0.177	0.195	0.215	11.08	26/3/2015-26/3/2018
			660,000	-	-	-	660,000	N/A	0.177	0.195	0.215		26/3/2016-26/3/2018
			680,000	-	-	-	680,000	N/A	N/A	0.195	0.215		26/3/2017-26/3/2018
FPAM	10/10/2011	A	429,000	-	(429,000)	-	-	0.161	0.177	0.195	0.215	11.94	26/3/2015-26/3/2018
			429,000	-	-	-	429,000	N/A	0.177	0.195	0.215		26/3/2016-26/3/2018
			442,000	-	-	-	442,000	N/A	N/A	0.195	0.215		26/3/2017-26/3/2018
Sub-total			**3,300,000**	**-**	**(1,089,000)**	**-**	**2,211,000**						
Connected persons													
Equal Honour (Note 1)	7/10/2011	A	4,950,000	-	(4,950,000)	-	-	0.161	0.177	0.195	0.215	11.94	26/3/2015-26/3/2018
			4,950,000	-	-	-	4,950,000	N/A	0.177	0.195	0.215		26/3/2016-26/3/2018
			5,100,000	-	-	-	5,100,000	N/A	N/A	0.195	0.215		26/3/2017-26/3/2018
Smart Vintage Investments Limited (Note 2)	7/10/2011	B	10,000,000	-	(10,000,000)	-	-	0.161	0.177	0.195	0.215	11.26	26/3/2015-26/3/2018
Sub-total			**25,000,000**	**-**	**(14,950,000)**	**-**	**10,050,000**						
Consultants													
Wealth Amass Limited (Note 3)	10/10/2011	A	6,000,000	-	-	-	6,000,000	0.161	0.177	0.195	0.215		26/3/2015-26/3/2017
			4,000,000	-	-	-	4,000,000	N/A	0.177	0.195	0.215		26/3/2016-26/3/2017
Loft Profit Limited	7/10/2011	B	2,500,000	-	(2,500,000)	-	-	0.161	0.177	0.195	0.215	11.48	26/3/2015-26/3/2018
Sub-total			**12,500,000**	**-**	**(2,500,000)**	**-**	**10,000,000**						
Senior management and other employees	10/10/2011	A	339,900	-	(307,560)	-	32,340	0.161	0.177	0.195	0.215	11.46	26/3/2015-26/3/2018
			339,900	-	-	(33,000)	306,900	N/A	0.177	0.195	0.215		26/3/2016-26/3/2018
			350,200	-	-	(34,000)	316,200	N/A	N/A	0.195	0.215		26/3/2017-26/3/2018
	30/12/2011	A	66,000	-	(66,000)	-	-	0.161	0.177	0.195	0.215	10.72	26/3/2015-26/3/2018
			66,000	-	-	-	66,000	N/A	0.177	0.195	0.215		26/3/2016-26/3/2018
			68,000	-	-	-	68,000	N/A	N/A	0.195	0.215		26/3/2017-26/3/2018
Sub-total			**1,230,000**	**-**	**(373,560)**	**(67,000)**	**789,440**						
Total			**42,030,000**	**-**	**(18,912,560)**	**(67,000)**	**23,050,440**						

Notes:

(1) Equal Honour is wholly-owned by Mr. POON Ho Man, a substantial shareholder of the Company.

(2) Smart Vintage Investments Limited is wholly-owned by Ms. LIU Wanting, a Director.

(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.

(4) The price of the Company's shares disclosed is the weighted average closing price of the shares immediately before the dates on which the share options were exercised during the period.

OTHER INFORMATION

SHARE OPTION SCHEMES *(continued)*

Post-IPO Share Option Scheme

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 the listing date of 11 July 2014.

As at the date of this interim report, the total number of shares available for issue under the Post-IPO Share Option Scheme is 24,807,400 shares (as at the date of the 2014 annual report of 26 March 2015: 26,289,400 shares), which represented approximately 4.1% (as at 26 March 2015: 4.5%) of the issued share capital of the Company as at the date of this interim report.

The following share options granted under the Post-IPO share Option Scheme were outstanding as at 30 June 2015:

			Number of share options						Price of the Company's Shares	
Name of grantees	Date of grant	Tranche	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2015	Exercise price (HK$) per share	Immediately before the exercise date (note 3) (HK$) per share	Exercise period
Consultants (note 1)	02/09/2014	A	10,825,000	–	–	–	10,825,000	6.38		1/2/2015-1/9/2016
			10,825,000	–	–	–	10,825,000	6.38		1/2/2016-1/9/2016
Sub-total			**21,650,000**	**–**	**–**	**–**	**21,650,000**			
Directors										
CHEN Shuang	02/09/2014	B	66,000	–	–	–	66,000	6.38		1/3/2015-1/9/2017
			66,000	–	–	–	66,000	6.38		1/3/2016-1/9/2017
			68,000	–	–	–	68,000	6.38		1/3/2017-1/9/2017
TANG Chi Chun	02/09/2014	B	66,000	–	–	–	66,000	6.38		1/3/2015-1/9/2017
			66,000	–	–	–	66,000	6.38		1/3/2016-1/9/2017
			68,000	–	–	–	68,000	6.38		1/3/2017-1/9/2017
GUO Zibin	02/09/2014	B	66,000	–	–	–	66,000	6.38		1/3/2015-1/9/2017
			66,000	–	–	–	66,000	6.38		1/3/2016-1/9/2017
			68,000	–	–	–	68,000	6.38		1/3/2017-1/9/2017
FAN Yan Hok, Philip	02/09/2014	B	66,000	–	(66,000)	–	–	6.38	11.52	1/3/2015-1/9/2017
			66,000	–	–	–	66,000	6.38		1/3/2016-1/9/2017
			68,000	–	–	–	68,000	6.38		1/3/2017-1/9/2017

OTHER INFORMATION

SHARE OPTION SCHEMES *(continued)*

Post-IPO Share Option Scheme *(continued)*

Name of grantees	Date of grant	Tranche	Number of share options: At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2015	Exercise price (HK$) per share	Price of the Company's Shares: Immediately before the exercise date (note 3) (HK$) per share	Exercise period
Directors *(continued)*										
NG Ming Wah, Charles	02/09/2014	B	66,000	–	–	–	66,000	6.38		1/3/2015-1/9/2017
			66,000	–	–	–	66,000	6.38		1/3/2016-1/9/2017
			68,000	–	–	–	68,000	6.38		1/3/2017-1/9/2017
ZHANG Chongqing (note 2)	02/09/2014	B	66,000	–	(66,000)	–	–	6.38	14.78	1/3/2015-1/9/2017
			66,000	–	–	(66,000)	–	6.38		1/3/2016-1/9/2017
			68,000	–	–	(68,000)	–	6.38		1/3/2017-1/9/2017
NIEN Van Jin, Robert	02/09/2014	B	66,000	–	(66,000)	–	–	6.38	12.92	1/3/2015-1/9/2017
			66,000	–	–	–	66,000	6.38		1/3/2016-1/9/2017
			68,000	–	–	–	68,000	6.38		1/3/2017-1/9/2017
Sub-total			**1,400,000**	**-**	**(198,000)**	**(134,000)**	**1,068,000**			
Senior management and other employees	02/09/2014	B	1,267,200	–	(950,400)	(29,700)	287,100	6.38	10.68	1/3/2015-1/9/2017
			1,267,200	–	–	(62,700)	1,204,500	6.38		1/3/2016-1/9/2017
			1,305,600	–	–	(64,600)	1,241,000	6.38		1/3/2017-1/9/2017
Sub-total			**3,840,000**	**-**	**(950,400)**	**(157,000)**	**2,732,600**			
Total			**26,890,000**	**-**	**(1,148,400)**	**(291,000)**	**25,450,600**			

Notes:

(1) 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.

(2) Mr. ZHANG Chongqing retired as a Director with effect from the conclusion of the annual general meeting of the Company held on 8 May 2015.

(3) The price of the Company's shares disclosed is the weighted average closing price of the shares immediately before the dates on which the share options were exercised during the period.

OTHER INFORMATION

OTHERS

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

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

The basic salary of Ms. LIU Wanting, an executive Director, has been increased from HK$1,200,000 to HK$1,440,000 per annum with effect from 1 April 2015.

Mr. CHEN Shuang, the Chairman, resigned as an independent director of Noah Holdings limited, a company listed on the New York Stock Exchange, with effect from 1 May 2015.

Mr. ZHANG Chongqing retired as an independent non-executive Director with effect from the conclusion of the 2015 annual general meeting held on 8 May 2015 and resigned as the Chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee of the Company accordingly.

Mr. NIEN Van Jin, Robert, an independent non-executive Director, was appointed as the Chairman of the Nomination Committee of the Company with effect from 8 May 2015.

Mr. CHEOK Albert Saychuan was appointed as an independent non-executive Director with effect from the conclusion of the 2015 annual general meeting of the Company held on 8 May 2015. Mr. CHEOK was also appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on the same day.

Mr. CHEOK Albert Saychuan resigned as an independent non-executive director of Metal Reclamation Berhad, a public listed company in Malaysia with effect from 17 June 2015.

Mr. POON Ho Man resigned as an executive Director and the Chief Executive Officer with effect from 18 June 2015.

Mr. CHEN Shuang, the Chairman, was appointed as the Chief Executive Officer and redesignated as an executive Director with effect from 18 June 2015.

Mr. FAN Yan Hok, Philip, an independent non-executive Director, was appointed as an independent non-executive director of Guolian Securities Co., Ltd which became a listed company on the Stock Exchange on 6 July 2015.

Mr. FAN Yan Hok, Philip, was previously an independent director of Suntech Power Holdings Co., Ltd. which is now under official liquidation.

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

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.

OTHER INFORMATION

OTHERS *(continued)*

Interim Dividend

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

Closure of Register of Members

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

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

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

By order of the Board
China Aircraft Leasing Group Holdings Limited

CHEN SHUANG
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 25 August 2015

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

pwc

羅兵咸永道

To The Board Of Directors of China Aircraft Leasing Group Holdings Limited
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 66, which comprises the interim consolidated balance sheet of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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INTERIM CONSOLIDATED BALANCE SHEET

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

The notes on pages 37 to 66 form an integral part of this interim condensed consolidated financial information.

CHEN Shuang
Director

LIU Wanting
Director

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Unaudited Six months ended 30 June 2015 HK$'000	2014 HK$'000
Revenue			
Finance lease income	17	**461,158**	342,031
Operating lease income	17	**109,114**	73,742
		570,272	415,773
Other income	18	**65,462**	16,636
Revenue and other income		**635,734**	432,409
Expenses			
Interest expense	19	**(337,230)**	(237,625)
Depreciation		**(44,588)**	(27,521)
Other operating expenses	20	**(95,640)**	(96,257)
		(477,458)	(361,403)
Operating profit		**158,276**	71,006
Other (losses)/gains	21	**(466)**	15,283
Profit before income tax		**157,810**	86,289
Income tax expense	22	**(41,083)**	(23,490)
Profit for the period		**116,727**	62,799
Profit attributable to:			
Owners of the Company		**116,678**	62,827
Non-controlling interests		**49**	(28)
		116,727	62,799

The notes on pages 37 to 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June **2015** **HK$'000**	 2014 HK$'000
Profit for the period		**116,727**	62,799
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of interest rate swaps – cash flow hedges	15	**(10,489)**	(33,458)
Reclassified from other comprehensive income to profit or loss			
– cash flow hedges	15	**2,436**	(596)
Currency translation differences		**323**	(470)
Total other comprehensive income for the period, net of tax		**(7,730)**	(34,524)
Total comprehensive income for the period		**108,997**	28,275
Total comprehensive income for the period attributable to:			
Owners of the Company		**108,948**	28,303
Non-controlling interests		**49**	(28)
		108,997	28,275
Earnings per share for profit attributable to owners of the Company (expressed in HK$ per share)			
– Basic earnings per share	24	**0.198**	0.134
– Diluted earnings per share	24	**0.194**	0.134

The notes on pages 37 to 66 form an integral part of this interim condensed consolidated financial information.

Details of the dividends proposed and paid for the period are disclosed in Note 23 to the interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	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 2014	78	743,099	195,421	938,598	19,500	958,098
Comprehensive income						
Profit for the period	–	–	62,827	62,827	(28)	62,799
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges (Note 15)	–	(33,458)	–	(33,458)	–	(33,458)
Reclassified from other comprehensive income to profit or loss – cash flow hedges (Note 15)	–	(596)	–	(596)	–	(596)
Currency translation differences	–	(470)	–	(470)	–	(470)
Total comprehensive income	–	(34,524)	62,827	28,303	(28)	28,275
Transaction with owners:						
Issue of new shares (Note 9(a))	1	(1)	–	–	–	–
Share repurchase and cancellation (Note 9(a))	(78)	78	–	–	–	–
Capitalisation of share premium (Note 9(a))	46,894	(46,894)	–	–	–	–
Dividends (Note 23)	–	–	(69,000)	(69,000)	–	(69,000)
Total transactions with owners	46,817	(46,817)	(69,000)	(69,000)	–	(69,000)
Balance at 30 June 2014	46,895	661,758	189,248	897,901	19,472	917,373
Balance at 1 January 2015	**58,578**	**1,273,531**	**429,171**	**1,761,280**	**19,416**	**1,780,696**
Comprehensive income						
Profit for the period	**–**	**–**	**116,678**	**116,678**	**49**	**116,727**
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges (Note 15)	**–**	**(10,489)**	**–**	**(10,489)**	**–**	**(10,489)**
Reclassified from other comprehensive income to profit or loss – cash flow hedges (Note 15)	**–**	**2,436**	**–**	**2,436**	**–**	**2,436**
Currency translation differences	**–**	**323**	**–**	**323**	**–**	**323**
Total comprehensive income	**–**	**(7,730)**	**116,678**	**108,948**	**49**	**108,997**
Transaction with owners:						
Dividends (Note 23)	**–**	**–**	**(94,648)**	**(94,648)**	**–**	**(94,648)**
Employee share option scheme:						
– Value of employee services	**–**	**7,253**	**–**	**7,253**	**–**	**7,253**
– Issue of new shares from exercise of share options (Note 9(c))	**2,006**	**29,058**	**–**	**31,064**	**–**	**31,064**
Convertible bonds – equity component (Note 14)	**–**	**116,541**	**–**	**116,541**	**–**	**116,541**
Total transactions with owners	**2,006**	**152,852**	**(94,648)**	**60,210**	**–**	**60,210**
Balance at 30 June 2015	**60,584**	**1,418,653**	**451,201**	**1,930,438**	**19,465**	**1,949,903**

The notes on pages 37 to 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June 2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Profit after income tax		116,727	62,799
Adjustments for:			
– Depreciation		44,588	27,521
– Interest expense		337,230	237,625
– Share-based payments		7,253	–
– Unrealised currency exchange (gain)/loss		(1,811)	4,017
– Unrealised loss/(gain) on currency swap		864	(6,487)
– Fair value loss on interest rate swap		1,271	–
– Interest income		(664)	(384)
		505,458	325,091
Changes in working capital:			
– Finance lease receivables – net		(1,864,155)	(1,887,655)
– Prepayments and other receivables		(38,877)	(88,755)
– Other payables and accruals		(17,778)	68,628
– Income tax payables		(2,368)	6,453
– Deferred income tax liabilities		30,767	7,723
Net cash flows used in operating activities		(1,386,953)	(1,568,515)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,880)	(298,677)
Deposits paid for acquisition of aircraft		(139,787)	(370,427)
Interest received		664	384
Net cash flow used in investing activities		(142,003)	(668,720)
Cash flows from financing activities			
Proceeds from exercise of share options		31,064	–
Proceeds from bank borrowings		3,063,311	3,198,205
Repayments of bank borrowings		(2,319,589)	(1,765,748)
Repayments of long-term borrowings		(194)	(38)
Interest paid on bank borrowings		(357,592)	(235,206)
Interest paid on long-term borrowings		(19,144)	(4,068)
Deposits pledged in respect of borrowings		60,146	(2,151)
Deposits pledged in respect of derivative financial instruments		(25,780)	(17,072)
Dividends paid to shareholders	23	(94,648)	(69,000)
Issue of convertible bonds, net of transaction costs	14	876,676	–
Net cash flows generated from financing activities		1,214,250	1,104,922
Net decrease in cash and cash equivalents		(314,706)	(1,132,313)
Cash and cash equivalents at beginning of the period		1,425,570	1,367,344
Currency exchange difference on cash and cash equivalents		833	(4,959)
Cash and cash equivalents at end of the period		1,111,697	230,072

The notes on pages 37 to 66 form an integral part of this interim condensed consolidated financial information.

1 GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 21 December 2012 as an exempted company with limited liability under the Companies Law (2012 Revision) of the Cayman Islands using the name "China Aircraft Leasing Company Limited". On 19 September 2013, the Company changed its name to "China Aircraft Leasing Group Holdings Limited". The address of the Company's registered office is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 July 2014 (the "Listing").

The Company is an investment holding company and its subsidiaries are principally engaged in the aircraft leasing business. The Company and its subsidiaries (together, "the Group") has operations mainly in the People's Republic of China ("PRC").

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

The Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

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

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

– The net current liabilities position of the Group is mainly because the Group uses short-term borrowings to finance the pre-delivery payments ("PDP") to the aircraft manufacturer when the new aircraft ordered by the Group are being built. PDP represent approximately 30% to 40% of the purchase consideration of the aircraft. The Group normally uses PDP financing for settlement of PDP and PDP financing is repayable after the aircraft is delivered. As at 30 June 2015, PDP amounting to HK$3,378.6 million had been paid (Note 8) and the balance of the corresponding PDP financing amounted to HK$2,741.2 million (Note 12), of which HK$1,971.8 million is related to the 19 aircraft to be delivered in the next 12 months from 30 June 2015 and repayable within one year. The Group uses long-term aircraft borrowings to repay PDP financing and settle the balance payments of aircraft acquisition costs. However, the long-term aircraft borrowings can only be confirmed shortly before taking delivery of the aircraft. Based on the industry practice and prior experience, long-term aircraft borrowings would be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or irrevocable letters of intent have already been signed for the aircraft scheduled for delivery in the next 12 months from 30 June 2015 and thus the Directors believe that long-term aircraft borrowings can be obtained to repay PDP financing and settle the balance payments of the aircraft acquisition costs due in the next 12 months from 30 June 2015.

2 BASIS OF PREPARATION *(continued)*

- According to the relevant aircraft acquisition agreements, PDP scheduled to be paid in the next 12 months from 30 June 2015 amounted to HK$1,672.1 million. As at 30 June 2015, the Group had already signed PDP financing agreements with four banks to secure funding commitment of US$77.8 million (equivalent to HK$603.1 million) in the next 12 months from 30 June 2015. Subsequent to 30 June 2015, the Group obtained a term sheet from a bank which agrees, in principle, to provide PDP financing facility of US$89.6 million (equivalent to HK$694.6 million) to the Group available up to 30 November 2018, of which US$77.6 million (equivalent to HK$601.6 million) will be drawn down in the next 12 months from 30 June 2015 subject to the signing and execution of the loan agreements. The remaining balance of PDP amounting to HK$467.4 million is to be funded by internally generated financial resources of the Group and additional financing which is expected to be obtained in the coming 12 months. As at the approval date of the Interim Financial Information, a commercial bank has granted the Group certain working capital facilities amounting to US$24.0 million (equivalent to HK$186.1 million), which are available up to 2 February 2018.

- In June 2013, the Group entered into a cooperative agreement with China Development Bank, Hong Kong Branch, pursuant to which the bank agrees to provide to the Group a conditional loan facility amounting to US$1.5 billion (equivalent to approximately HK$11.7 billion) during the period of 2013 to 2018 for the purpose of purchasing aircraft. The granting of each specific loan under this facility will be subject to the credit assessment by the bank and the agreement of terms and conditions, which will only be confirmed shortly before taking delivery of the relevant aircraft. The Group also entered into a framework strategic cooperative agreement with The Export-Import Bank of China on 4 November 2014, pursuant to which the bank agrees to provide the Group with a credit facility up to RMB10.0 billion (equivalent to approximately HK$12.5 billion). The term of the framework agreement is three years from the date of signing of the framework agreement. The granting of each specific loan under this facility will be subject to the credit assessment by the bank and the agreement of terms and conditions.

- On 15 July 2015, the subsidiary of the Company issued 5-year medium term notes in the aggregate principal amount of RMB340.0 million (equivalent to HK$432.9 million). The proceeds of the medium term notes will be used to finance the payment of aircraft acquisition cost.

- For the existing long-term aircraft borrowings, under the business model of the Group, the expected cash inflows from lease receivables generally match the required cash outflows for instalment repayments of the long-term aircraft borrowings over the entire lease term of the aircraft.

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

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

3 ACCOUNTING POLICIES

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

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

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

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

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

4 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's financial statements for the year ended 31 December 2014.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency exchange risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2014.

There have been no significant changes in the risk management department or in any risk management policies since 31 December 2014.

5.1.1 Market risk

(a) *Currency exchange risk*

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

(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. For the aircraft delivered up to 30 June 2015, there were 23 aircraft lease agreements (31 December 2014: 20 aircraft lease agreements) with rental fixed for the whole lease term while the associated bank borrowings bear floating rates. 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 8 aircraft lease projects as at 30 June 2015 (31 December 2014: 10 of the 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, 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.

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.1 Financial risk factors *(continued)*

5.1.1 Market risk *(continued)*

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

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 30 June 2015. 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 for the six months ended 30 June 2015 by approximately HK$3,729,000 (six months ended 30 June 2014: HK$14,510,000); and would also have increased/decreased the Group's reserves by approximately HK$36,025,000 (31 December 2014: HK$51,203,000) because of the impact of cash flow hedge interest derivatives.

The sensitivity analysis above indicates the impact on the Group that would have arisen 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 sheets date.

5.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in economy, or in the health of the industry segment that represents a concentration in the Group's portfolio (see (d) below), could result in losses that are different from those provided for at the balance sheets date. Management therefore carefully manages its exposure to credit risk. 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 16(i)). All these strengthen the control and management of credit risk.

The Group is also exposed to credit risk associated with its interest rate swaps arrangement with an investment bank, which has a high credit quality. The interest rate swaps were secured by pledged deposits placed by the Group.

(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 it may apply towards the payment or discharge of any obligation owed by the lessee.

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.1 Financial risk factors *(continued)*

5.1.2 Credit risk *(continued)*

(b) Risk limit control and mitigation policies

The Group manages credit limits granted to its lessees and controls concentration of credit risk and periodically assesses the lessees' repayment ability.

(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 as circumstances require.

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 30 June 2015 (31 December 2014: Nil).

(d) Concentration of credit risk

During the six months ended 30 June 2015, all the lessees of the Group are airline companies located in Mainland China and other countries or regions in Asia. Please see Note 7 and Note 17 for an analysis of lease receivables and lease income by airlines. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected.

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 receivable balances from these airline companies is low.

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.1 Financial risk factors *(continued)*

5.1.3 Liquidity risk

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

	30 June 2015 HK$'000	31 December 2014 HK$'000
Current assets		
Finance lease receivables – net	**435,367**	363,624
Prepayments and other receivables	**234,041**	109,937
Cash and cash equivalents	**1,111,697**	1,425,570
	1,781,105	1,899,131
Current liabilities		
Other payables and accruals	**364,878**	382,656
Income tax payables	**19,623**	21,991
Interest payable	**51,425**	42,411
Bank borrowings	**3,629,722**	4,689,521
Long-term borrowings	**620**	611
Convertible bonds	**9,831**	–
	4,076,099	5,137,190
Net current liabilities	**(2,294,994)**	(3,238,059)

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 dates.

Please also refer to Note 2 for additional analysis of liquidity risk.

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance 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. The objectives, policies or processes for managing capital remained largely unchanged during the six months ended 30 June 2015.

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.3 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 employs the quotations in the active market to determine the fair value thereof. If there is no active market for an instrument, the Company estimates fair value using valuation techniques, which include discounted cash flow analysis.

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

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

Financial assets and financial liabilities measured at fair values

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30 June 2015				
Assets				
Currency swap	**–**	**14,104**	**–**	**14,104**
Liabilities				
Interest rate swaps for hedging	**–**	**42,084**	**–**	**42,084**
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 currency swap are determined by using valuation techniques, mainly discounted cash flow analysis. Interest rate swaps are fair valued using forward interests extracted from observable yield curves. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to the valuation models, including yield curves, US$/RMB forward rates, are observable either directly or indirectly and thus their fair values are considered to be of level 2 within the fair value hierarchy.

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.3 Fair value estimation *(continued)*

Financial assets and financial liabilities carried at amortised cost

The fair values of cash and cash equivalents, restricted cash, 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.

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

	30 June 2015		31 December 2014	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Finance lease receivables – net	**13,301,676**	**15,326,274**	11,443,485	13,141,127
Bank borrowings	**16,094,019**	**17,587,388**	15,342,648	16,203,738
Long-term borrowings	**641,690**	**660,843**	642,116	658,559
Convertible bonds	**778,194**	**778,194**	–	–

The fair values of finance lease receivables, borrowings, convertible bonds and finance lease liabilities 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.

6 PROPERTY, PLANT AND EQUIPMENT

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

7 FINANCE LEASE RECEIVABLES – NET

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

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

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

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

7 FINANCE LEASE RECEIVABLES – NET *(continued)*

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

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

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

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

7 FINANCE LEASE RECEIVABLES – NET *(continued)*

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

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

8 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2015 HK$'000	31 December 2014 HK$'000
PDP (i)	**3,378,643**	3,241,157
Interest capitalised	**99,409**	63,158
Prepayments and receivables relating to aircraft acquisition	**107,558**	190,762
Deposit for land bidding (Note 27(a))	**158,730**	–
Others (ii)	**16,484**	8,283
	3,760,824	3,503,360

(i) The Group entered into aircraft acquisition agreement with Airbus SAS for the acquisition of various aircraft for future lease projects. Such prepayments were made according to the payment schedules set out in the aircraft acquisition agreement.

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

9 SHARE CAPITAL

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

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

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

(i) The authorised share capital of the Company was increased to HK$1,000,000,000 by the creation of 10,000,000,000 new shares of HK$0.1 each. The Company repurchased from China Aircraft Leasing Holdings Limited ("CALH") all of the 10,000 shares of US$1 each then in issue in the consideration of allotment and issue of 10,000 new shares of HK$0.1 each to CALH. Immediately thereafter, the Company cancelled 50,000 shares of US$1 each in the authorised capital of the Company.

(ii) The Company allotted and issued 468,941,929 new shares, credited as fully paid at par, by capitalising and applying in full up to an amount of HK$46,894,192.90 standing to the credit of the share premium account of the Company.

(iii) Pursuant to a shareholders' resolution dated 23 June 2014, conditional on the share premium account of the Company being credited as a result of the global offering, the Directors were authorised to capitalise the amount of HK$2,907.10 standing to the credit of the share premium account of the Company to pay up in full at par value of 29,071 shares for allotment and issue to the shareholders in proportion to their respective shareholdings. As at 30 June 2014, the global offering was not completed and the 29,071 shares were not issued.

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

9 SHARE CAPITAL *(continued)*

(c) On 2 September 2014, options to subscribe for 26,990,000 shares (the "Post-IPO Share Options") with an exercise price of HK$6.38 per share were granted under the Post-IPO Share Option Scheme to certain Directors and selected employees and consultants of the Group. The weighted average fair value of options granted on 2 September 2014 determined using the Binomial valuation model was approximately HK$1.2 (Directors and employees) and HK$0.9 (consultants) per option respectively. The total fair value of the Post-IPO Share Options on the grate date was HK$26,000,193.

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

Movement of outstanding share options granted under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme is as follows:

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

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

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

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Directors and employee	**1,819**	–
Consultants	**5,434**	–
	7,253	–

10 RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Share-based payment HK$'000	Cash flow hedges HK$'000	Convertible bonds HK$'000	Currency translation difference HK$'000	Total HK$'000
Balance at 1 January 2014	89,132	623,720	2,588	22,287	–	5,372	743,099
Issue of new shares (Note 9(a))	(1)	–	–	–	–	–	(1)
Share repurchase and cancellation (Note 9(a))	78	–	–	–	–	–	78
Capitalisation of share premium (Note 9(a))	(46,894)	–	–	–	–	–	(46,894)
Net effect of cash flow hedges:							
– Change in fair value of interest rate swaps (Note 15)	–	–	–	(33,458)	–	–	(33,458)
– Reclassified from other comprehensive income to profit or loss (Note 15)	–	–	–	(596)	–	–	(596)
Currency translation differences	–	–	–	–	–	(470)	(470)
Balance at 30 June 2014	42,315	623,720	2,588	(11,767)	–	4,902	661,758
Balance at 1 January 2015	**651,309**	**623,720**	**14,594**	**(19,441)**	**–**	**3,349**	**1,273,531**
Convertible bonds – equity component (Note 14)	**–**	**–**	**–**	**–**	**116,541**	**–**	**116,541**
Employee share option scheme:							
– Value of employee services	**–**	**–**	**7,253**	**–**	**–**	**–**	**7,253**
– Issue of new shares from exercise of share options (Note 9(c))	**31,584**	**–**	**(2,526)**	**–**	**–**	**–**	**29,058**
Net effect of cash flow hedges:							
– Change in fair value of interest rate swaps (Note 15)	**–**	**–**	**–**	**(10,489)**	**–**	**–**	**(10,489)**
– Reclassified from other comprehensive income to profit or loss (Note 15)	**–**	**–**	**–**	**2,436**	**–**	**–**	**2,436**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**323**	**323**
Balance at 30 June 2015	**682,893**	**623,720**	**19,321**	**(27,494)**	**116,541**	**3,672**	**1,418,653**

11 DEFERRED INCOME TAX

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

	30 June 2015 HK$'000	31 December 2014 HK$'000
Deferred income tax liabilities:		
– To be settled after 12 months	**97,971**	67,161

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

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

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.

12 BANK BORROWINGS

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

(i) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating USD LIBOR rates. As at 30 June 2015, the bank borrowings were secured by, in addition to other legal charges, all of the Group's aircraft leased to airline companies under either finance lease or operating lease, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain of the Group companies and pledge of deposits amounting to HK$87,847,000 (31 December 2014: HK$158,285,000).

(ii) As at 30 June 2015, bank borrowings for PDP for the acquisition of aircraft amounting to HK$2,741,195,000 (31 December 2014: HK$2,304,913,000) were secured by certain rights and benefits in respect of the acquisition of the aircraft, guarantees from the Company and China Aircraft Leasing Company Limited ("CALC (BVI)"), pledge of the shares in CALC Asset Limited and China Aircraft Purchase Limited and pledge of deposits of HK$12,602,000 (31 December 2014: HK$10,344,000).

(iii) As at 30 June 2015, the Group had outstanding working capital borrowings of HK$907,065,000 (31 December 2014: HK$775,068,000) from four banks (31 December 2014: three banks) which were guaranteed by the Company and CALC (BVI) (31 December 2014: Same).

The Group has the following undrawn borrowing facilities:

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

13 LONG-TERM BORROWINGS

	30 June 2015 HK$'000	31 December 2014 HK$'000
Borrowings from independent third parties	**641,690**	642,116

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

14 CONVERTIBLE BONDS

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

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

14 CONVERTIBLE BONDS *(continued)*

Interest expense (Note 19) on the carrying amount of the liability component is accrued at the effective interest rate of 11.8% to 14.0% (inclusive of arrangement fee) to adjust the carrying amount of the liability component to its amortised cost, being the present value of the expected future cash flows relating to periodic interest payments and principal repayment at par value at the maturity date.

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

15 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2015 HK$'000	31 December 2014 HK$'000
Derivative financial assets		
– Currency swap (i)	14,104	14,979
Derivative financial liabilities		
– Interest rate swaps (ii)	42,084	33,361

(i) CALC Baoli Limited ("CALC Baoli"), a wholly-owned subsidiary of the Company, 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 derivative – a currency swap contract. The notional principal of this embedded currency swap contract amounted to US$15,684,296 (equivalent to HK$121,674,000). As at 30 June 2015, the fair value of this currency swap contract amounted to HK$14,104,000 (31 December 2014: HK$14,979,000) and the fair value loss of HK$864,000 was recognised in other gains and losses for the six months ended 30 June 2015 (six months ended 30 June 2014: gain of HK$6,487,000).

15 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

(ii) As at 30 June 2015, the Group had 9 outstanding interest rate swap contracts (31 December 2014: 9 contracts) to exchange floating interest rates from LIBOR into fixed interest rates, of which 8 interest rate swap contracts (31 December 2014: 9 contracts) were accounted for as cash flow hedges which were virtually fully effective. The remaining 1 interest rate swap contract (31 December 2014: Nil) was accounted for at fair value through profit or loss.

As at 30 June 2015, the notional principal of the outstanding interest rate swap contracts amounted to US$338,055,000 (equivalent to HK$2,620,666,000) (31 December 2014: US$346,885,000 (equivalent to HK$2,691,030,000)). These interest rate swap contracts were secured by pledged deposits of HK$51,525,000 as at 30 June 2015 (31 December 2014: HK$25,765,000). Such pledged deposits may be used to settle the derivative financial liabilities under certain conditions.

(iii) In December 2013, the Group terminated one interest rate swap contract with a realised gain of US$1,947,000 (equivalent to HK$15,187,000). This realised gain was recognised in cash flow hedges reserve and will remain in the reserve until the hedged bank borrowing repayments occur during the period from 2014 to 2026, when the associated realised gain in the reserve will be progressively reclassified from equity to profit. During the six months ended 30 June 2015, the realised gain of HK$592,000 (six months ended 30 June 2014: HK$596,000) was reclassified from cash flow hedges reserve to the profit or loss.

(iv) In January 2015, CALC Jianqing Limited, a wholly-owned subsidiary of the Company, repaid the bank borrowing which was hedged by an interest rate swap. As a result, the hedge no longer met the criteria for hedge accounting and the cumulative fair value loss of HK$3,028,000 (six months ended 30 June 2014: Nil) was reclassified from cash flow hedges reserve to the profit or loss upon the repayment of bank borrowing on 4 January 2015. Subsequently, the fair value gain of HK$1,757,000 for the period from 5 January 2015 to 30 June 2015 was directly recognised in profit or loss.

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

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Recognised in other comprehensive income		
– Change in fair value of interest rate swaps	**(10,489)**	(33,458)
– Reclassified from other comprehensive income to profit or loss (iii and iv)	**2,436**	(596)
	(8,053)	(34,054)
Recognised in profit or loss		
– Unrealised (loss)/gain on currency swap (i)	**(864)**	6,487
– Fair value loss on interest rate swap (iv)	**(1,271)**	–
	(2,135)	6,487

16 OTHER PAYABLES AND ACCRUALS

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

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

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

17 LEASE RENTAL INCOME AND SEGMENT INFORMATION

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

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

17 LEASE RENTAL INCOME AND SEGMENT INFORMATION *(continued)*

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

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

18 OTHER INCOME

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Government subsidies (i)	**64,115**	15,829
Others	**1,347**	807
	65,462	16,636

(i) 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.

19 INTEREST EXPENSE

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

(i) Interest expense on convertible bonds consists of interest payable of HK$4,537,000 which is calculated based on interest rate of 3.0% per annum. The remaining amount represents arrangement fee based on a rate of 3.5% per annum and the notional adjustment to accrete the carrying amount of liability component of convertible bonds to the present value of estimated future cash flows expected to be required for settlement up to maturity date.

(ii) Interest capitalised on qualifying assets represents the amount of interest on interest-bearing debts which is directly attributable to the acquisition of aircraft and was capitalised or will be capitalised as the cost of aircraft upon delivery of aircraft.

20 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Key management and employee expenses	**30,204**	18,819
Professional service expenses	**19,571**	12,157
Business tax and surcharges	**17,421**	23,128
Rental and utilities expenses	**8,571**	4,534
Office and meeting expenses	**4,930**	3,346
Travelling and training expenses	**7,710**	4,341
Listing expenses	**–**	24,695
Others	**7,233**	5,237
	95,640	96,257

21 OTHER (LOSSES)/GAINS

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Unrealised (loss)/gain on currency swap (Note 15)	**(864)**	6,487
Fair value loss on interest rate swap (Note 15)	**(1,271)**	–
Currency exchange gain	**1,669**	8,796
	(466)	15,283

22 INCOME TAX EXPENSE

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

Mainland China

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

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

Hong Kong

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

Others

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

22 INCOME TAX EXPENSE *(continued)*

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

The subsidiaries incorporated in Ireland are subject to income tax at a rate of 25% under the S110 tax regime.

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

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

23 DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Interim dividend proposed of HK$0.04 per ordinary share	**24,234**	–

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

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

24 EARNINGS PER SHARE

(a) Basic

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

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

24 EARNINGS PER SHARE *(continued)*

(b) Diluted

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

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

25 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties at terms negotiated between the Group and the respective parties:

(a) Operating lease expenses on office premises

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Operating lease expenses on office premises charged by:		
CEL Venture Capital (Shenzhen) Limited	**354**	488
Friedmann Pacific Advisory Service Limited	**1,344**	–

CEL Venture Capital (Shenzhen) Limited is a subsidiary of China Everbright Limited ("CE Limited").

Friedmann Pacific Advisory Service Limited is a subsidiary of Friedmann Pacific Asset Management Limited ("FPAM").

(b) 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 six months ended 30 June 2015, the supporting service fee charged by Ever Alpha amounted to HK$23,400,000 (six months ended 30 June 2014: HK$15,600,000).

(c) Transactions with China Everbright Group Ltd. ("CE Group")

Following the completion of the restructuring of CE Group on 14 May 2015, CE Group became the sole shareholder of China Everbright Holdings Company Limited ("CE Hong Kong"). CE Hong Kong is the indirect controlling shareholder of CE Limited which indirectly holds approximately 49.7% equity interest in CE Limited. CE Limited in turn indirectly holds approximately 35.6% equity interest in the Company as at 30 June 2015. Accordingly, CE Group is now a controlling shareholder of the Company, and thus CE Group and its associates, including China Everbright Bank Company Limited ("CE Bank"), have become related parties of the Company upon completion of the restructuring of CE Group.

25 RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with China Everbright Group Ltd. ("CE Group") *(continued)*

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

On 14 May 2015, the Company entered into a deposit services framework agreement, a loan services framework agreement and an assignment of finance lease receivables framework agreement with CE Group. Pursuant to the deposit services framework agreement, CE Group will provide deposit services to the Group through its associate, CE Bank. Pursuant to the loan services framework agreement, CE Group will provide secured loan services to the Group through CE Bank and through the trustee of a trust plan of which Sun Life Everbright Asset Management Co. Ltd. is a beneficiary. Pursuant to the assignment of finance lease receivables framework agreement, the Group will assign the finance lease receivables to the trustee.

As at 30 June 2015, the balances of bank deposits placed in CE Group, borrowings and undrawn facilities provided by CE Group amounted to HK$283,697,000, HK$1,785,228,000, and HK$275,939,000. For the period from 14 May 2015 (completion date of CE Group's restructuring) to 30 June 2015, interest income generated from, interest expense and handling fee charged by CE Group amounted to HK$76,000, HK$10,389,000 and HK$330,000 respectively. The Group did not enter into any assignment of finance lease receivables with CE Group during the period from 14 May 2015 to 30 June 2015.

(ii) Guarantee services provided by CE Bank

On 22 June 2012, CALC Xianqing Limited ("CALC Xianqing") as buyer and Airbusac Limited ("Airbusac") as seller entered into the sale and purchase agreement in respect of the sale and purchase of an aircraft. In order to guarantee the payment obligations of CALC Xianqing under the sale and purchase agreement, on 10 July 2012, CE Bank Tianjin Branch issued a guarantee in favour of Airbusac with several renewals in the previous years. On 26 June 2015, CE Bank Tianjin Branch renewed the guarantee for one year term to 24 June 2016. For the period from 14 May 2015 to 30 June 2015, total handling fee charged by CE Bank Tianjin Branch amounted to HK$472,000.

(iii) Compliance advisory service provided by CE Group

During the period from 14 May 2015 to 30 June 2015, professional fee amounted to HK$91,000 was charged by China Everbright Capital Limited for the compliance advisory service rendered to the Group.

(d) On 26 May 2015, the Company completed the issue of convertible bonds at a par value of HK$387.9 million to China Everbright Financial Investments Limited maturing in 3 years with interest rate of 3.0% per annum and arrangement fee of 3.5% per annum (Note 14). As at 30 June 2015, the liability value of such convertible bonds was HK$343.3 million and the interest incurred at an effective interest rate of 11.8% amounted to HK$3,664,000 for the six months ended 30 June 2015.

25 RELATED PARTY TRANSACTIONS *(continued)*

(e) 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 China Everbright Finance Limited ("CE Finance"), pursuant to which CE Finance provided a loan facility to CALC AC Limited for an amount up to US$40,000,000 (equivalent to HK$312,000,000) for the period from 28 November 2012 to 28 December 2015, for the sole purpose of paying China Development Bank ("CDB") in satisfaction of the indebtedness outstanding under the CDB Facility Agreement. CE Finance charged an upfront fee of US$600,000 and an annual fee of 0.3% of the amount of commitment per annum.

During the six months ended 30 June 2015, CALC AC Limited repaid the PDP borrowing and the corresponding standby facility with CE Finance was released. No facility fee was charged by CE Finance for the six months ended 30 June 2014 and 2015.

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 have agreed to provide a standby revolving loan facility of up to US$50.0 million, of which up to US$25.0 million is extended by FPAM and up to US$25.0 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. 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 US$25,000 (equivalent to HK$195,000) was payable on the acceptance date of the revolving loan agreement and a standby fee of US$62,500 (equivalent to HK$487,500) 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.

26 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingencies

The Group had no material contingent liabilities outstanding as at 30 June 2015 (31 December 2014: Nil).

(b) Capital commitments

	30 June 2015 HK$'000	31 December 2014 HK$'000
Contracted but not provided for:		
– Acquisition of aircraft	**43,698,475**	45,901,694
– Acquisition of property, plant and equipment excluding aircraft	**1,329**	–
	43,699,804	45,901,694
Authorised but not contracted for:		
Land bidding for construction of an aircraft disassembly centre (Note 27 (a))	**41,677**	–

26 CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

(c) Operating lease commitments–where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating lease in respect of office premise are as follows:

	30 June 2015 HK$'000	31 December 2014 HK$'000
Not later than one year	**9,278**	9,851
Later than one year and not later than five years	**22,240**	26,795
Later than five years	**–**	110
	31,518	36,756

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

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

	30 June 2015 HK$'000	31 December 2014 HK$'000
Not later than one year	**218,247**	217,713
Later than one year and not later than five years	**737,898**	773,461
Later than five years	**561,933**	634,655
	1,518,078	1,625,829

27 EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the report, the following significant events took place after 30 June 2015:

(a) On 16 July 2015, the Company signed a land use right transfer agreement for purchase a plot of land of approximately 300,000 square metre in the Harbin Airport Economic Zone in the PRC at a cost of RMB157.4 million (equivalent to HK$200.4 million) for construction of an aircraft disassembly centre. The cost will be partially settled by a bidding deposit of HK$158,730,000 as at 30 June 2015 (Note 8).

(b) On 15 July 2015, a subsidiary of the Company issued 5-year medium term notes in the aggregate principal amount of RMB340.0 million (equivalent to HK$432.9 million) in the PRC. The notes bear interest at 6.5% per annum.