ABOVE AND BEYOND

ANNUAL REPORT 2015

CALC

China Aircraft Leasing Group Holdings Limited

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

Stock code : 01848

CALC AT A GLANCE

65
Aircraft fleet
(as at 22 Mar 2016)

107
Aircraft on order with Airbus
(as at 22 Mar 2016)

172
Aircraft in 2022

3.5yrs
Average fleet age
(as at 31 Dec 2015)

10yrs
Average remaining lease term

Over 20%
Market share of Airbus A320 series aircraft deliveries in China market in 2015

HK$23.9b
Total assets
(as at 31 Dec 2015)

1st
Listed aircraft lessor in Asia

A constituent stock of the
MSCI
China Small Cap Index

Over 110
Staff with 9 offices worldwide

Global Transport Finance
Aircraft Lessor of the Year 2015

A constituent stock of **the Hang Seng Global Composite Index and the Hang Seng Composite Index**

CONTENTS

LEADING
THE WAY

CALC is a pioneer and a market leader in China's aircraft leasing industry. It has also successfully established and expanded its presence in global markets.

FULL VALUE-CHAIN AIRCRAFT

SOLUTIONS PROVIDER

CALC offers aircraft full-life solutions, covering aircraft operating leasing, sale-and-leaseback, structured finance, aircraft replacement and assets management. It is establishing the most sizeable aircraft disassembly facility in China to extend the value chain.

EXPERIENCED
MANAGEMENT TEAM

CALC is led by a highly-experienced management team with decades of collective experience in global aviation and finance industries.

GLOBAL
FINANCING NETWORK

CALC's diversified financing channels cover onshore and offshore banks, insurance companies, capital and debt markets, as well as export credit agencies (ECAs). It also introduced into China the first batch of aircraft lease realisations.

SOUND
RISK MANAGEMENT

CALC's strong assets management capability is coupled with a comprehensive risk management model covering asset risk, business operation risk, counterparty risk, corporate risk and in particular, financial market risk.


Shanghai, China
Tianjin, China
Harbin, China
Dublin, Ireland
Beijing, China
Toulouse, France
Hong Kong, China (HQ)
Shenzhen, China
Head Office
Office
Labuan, Malaysia

COMPANY PROFILE

China Aircraft Leasing Group Holdings Limited ("the Group") is the largest independent aircraft operating lessor in China, in terms of the total number of aircraft under ownership and new aircraft order book.

The Group was founded in 2006. Over this relatively short history, it has developed into a full value-chain aircraft solution provider thanks to its dedicated team who provides a combination of aviation, financial and technical expertise. In addition to aircraft operating leasing, we offer airline customers sale-and-leaseback arrangements, aircraft replacement, aircraft disassembly, asset management and other value-added fleet management solutions. Moreover, we are establishing our own purpose-built disassembly facility, the first in Asia. Our capability in providing full life-cycle solutions to airlines distinguishes us from other established lessors.

The Group started to lease and deliver to carriers outside China in 2015. Our strong clientele currently includes top-tier Chinese and Asian airlines as well as regional operators, and we have started expansion to Europe and other parts of the world. As at 31 December 2015, the Group had 63 aircraft delivered and leased with average lease terms of around 12 years (excluding 4 old aircraft). The Group's fleet is currently on schedule to expand to 172 aircraft by 2022.

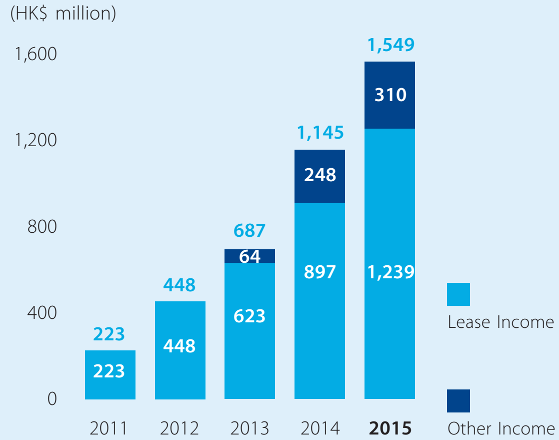
The Group has strong relationships with major Chinese and international financial institutions. We have also established other financing channels in the capital markets and debt markets, as well as obtaining UK export credit agency support for our aircraft financing. In 2013, we introduced the first batch of aircraft lease receivables realisations to Chinese investors as part of our strategy for financial product development. The model highlights our business innovation capability and further enhances our financial resources.

Listed on the main board of the Stock Exchange of Hong Kong on 11 July 2014, the Group is the first listed aircraft lessor in Asia. We are currently a constituent stock of the Hang Seng Global Composite Index, the Hang Seng Composite Index and MSCI China Small Cap Index.

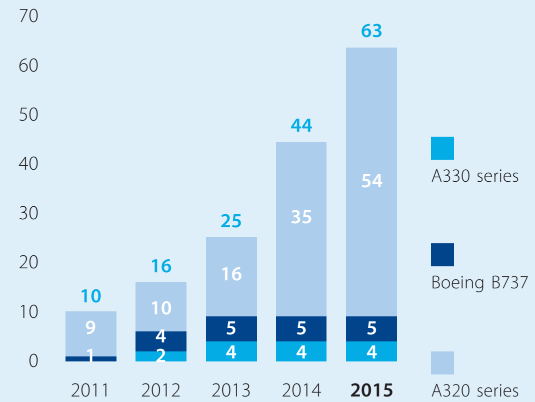
The Group was named "Aircraft Lessor of the Year" 2015 by Global Transport Finance — the first ever Chinese lessor to obtain this international accreditation.

FINANCIAL HIGHLIGHTS AND FIVE-YEAR FINANCIAL SUMMARY

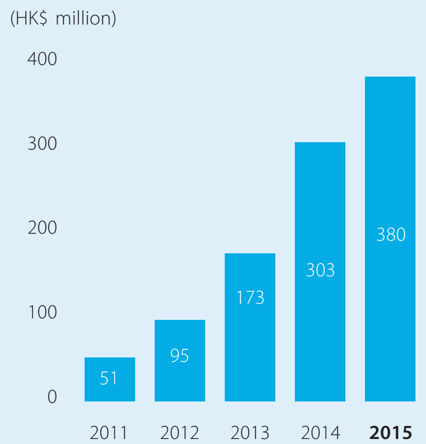
REVENUE AND OTHER INCOME



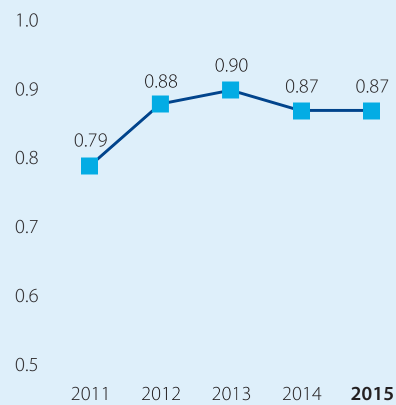
AIRCRAFT DELIVERED



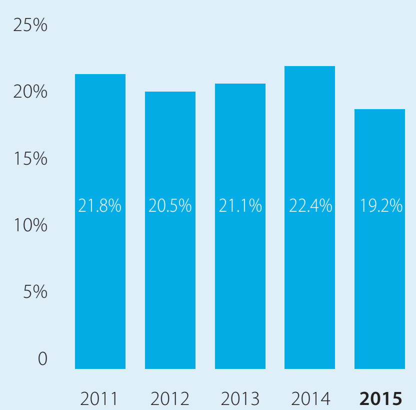
PROFIT FOR THE YEAR



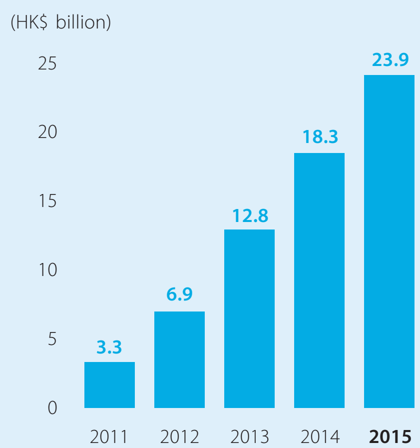
GEARING



RETURN ON EQUITY



TOTAL ASSETS



CONSOLIDATED RESULTS

	Year ended 31 December				
	2011 HK$'m	2012 HK$'m	2013 HK$'m	2014 HK$'m	**2015 HK$'m**
Revenue and other income	223	448	687	1,145	**1,549**
Profit before income tax	78	128	210	381	**480**
Income tax	(27)	(33)	(37)	(78)	**(100)**
Profit attributable to owners of the Company	51	95	173	303	**380**

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2011 HK$'m	2012 HK$'m	2013 HK$'m	2014 HK$'m	**2015 HK$'m**
ASSETS					
Property, plant and equipment	1	1,541	1,487	1,707	**2,413**
Finance lease receivables – net	3,136	4,388	7,679	11,443	**16,473**
Derivative financial assets	–	–	14	15	**19**
Prepayments and other receivables	106	808	2,183	3,503	**3,444**
Cash and bank balances	97	152	1,470	1,645	**1,598**
Total assets	3,340	6,889	12,833	18,313	**23,947**
LIABILITIES					
Total borrowings	2,623	6,087	11,592	15,985	**20,767**
Other liabilities	482	107	283	547	**972**
Total liabilities	3,105	6,194	11,875	16,532	**21,739**
Net assets	235	695	958	1,781	**2,208**

Per-Share-Basis	2011	2012	2013	2014	**2015**
Basic earnings per share (HK cents)	15.3	25.3	37.6	57.7	**63.6**
Net asset value per share (HK$) (Note 1)	0.70	1.85	2.09	3.04	**3.64**

Financial Ratios	2011	2012	2013	2014	**2015**
Gearing ratio (borrowings vs total assets)	79%	88%	90%	87%	**87%**
Return on average shareholders' equity	21.79%	20.47%	21.12%	22.42%	**19.25%**
Interest coverage (Note 2)	163%	164%	180%	187%	**176%**

Note:

(1) Per-share-basis calculation is based on the adjusted number of shares equivalent to Post-IPO's number of shares (in million of shares) 2011: 336; 2012: 376; 2013: 459; 2014: 586; 2015: 606.

(2) Interest coverage = EBITDA/Interest expense.

MAJOR ACHIEVEMENTS

MAR 2015

- **Issued HK$892.2 million Convertible Bonds**
- **Obtained first export credit agencies (ECAs) financing**

JUN 2015

- **Expanded into Europe -** Signed a Letter of Intent with Pegasus Airlines for the lease of two new Airbus A320 aircraft

JUL 2015

- **Commencement of construction of Asia's first aircraft disassembly facility**
- **Issued the first Medium-Term Notes (MTN) in China -** The five-year RMB 340 million MTN was rated AA by China Cheng Xin International

SEP 2015

- **Joined Hang Seng Composite Index family -** CALC becomes a constituent stock of the Hang Seng Global Composite Index and the Hang Seng Composite Index

OCT 2015

- **Took delivery of first of 100 aircraft from large order with Airbus**
- **Obtained first financing support from Korean Banks**
  (The Korea Development Bank, KDB Asia Limited and KEB Hana Bank)

NOV 2015

- **Expanded into Southeast Asia –** Signed a Letter of Intent with Jetstar Pacific for the lease of two A320 Aircraft
  (Another tentative agreement for leasing two additional A320 Aircraft was inked in January 2016)

DEC 2015 JAN 2016

- **Named "Aircraft Lessor of the Year" 2015 by Global Transport Finance**

  Aircraft Lessor of the Year 2015

- **Purchased four additional A320 aircraft from Airbus**

CHAIRMAN STATEMENT

Mr. CHEN Shuang
Chairman of the Board

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

RESULTS

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

DIVIDEND

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

BUSINESS REVIEW

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

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

ACKNOWLEDGEMENT

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

CHEN Shuang
Chairman of the Board
Hong Kong, 22 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

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

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

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

2. ANALYSIS OF INCOME AND EXPENSES

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

2.1 Revenue and Other Income

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

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

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

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

2.2 Expenses

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

	Year ended 31 December		
	2015 HK$'million Audited	2014 HK$'million Audited	Change %
Interest expense	**753.7**	520.5	44.8%
Depreciation	**91.3**	71.3	28.1%
Other operating expenses	**223.2**	199.9	11.7%
Total expenses	**1,068.2**	791.7	34.9%

(a) Interest Expense

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

(b) Depreciation

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

(c) Other Operating Expenses

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

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

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

2.3 Income Tax

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

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

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

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

	2015 HK$'million Audited	2014 HK$'million Audited	Change %
Property, plant and equipment	**2,412.6**	1,706.7	41.4%
Finance lease receivables, net	**16,473.0**	11,443.5	44.0%
Prepayments and other receivables	**3,444.3**	3,503.4	−1.7%
Pre-delivery payments ("PDP")	***2,942.2***	*3,241.2*	*−9.2%*
Other receivables	***502.1***	*262.2*	*91.5%*
Derivative financial assets	**19.4**	15.0	29.3%
Cash and bank balances	**1,597.7**	1,644.4	−2.8%
Total assets	**23,947.0**	18,313.0	30.8%

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

3.2 Liabilities

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

An analysis is given as follows:

	2015 HK$'million Audited	2014 HK$'million Audited	Change %
Bank borrowings	**18,775.2**	15,342.6	22.4%
Long-term borrowings	**794.2**	642.1	23.7%
Medium-term notes	**400.5**	–	N/A
Convertible bonds	**796.5**	–	N/A
Derivative financial liabilities	**32.1**	33.4	–3.9%
Deferred income tax liabilities	**122.1**	67.2	81.7%
Income tax payables	**37.7**	22.0	71.4%
Interest payables	**73.3**	42.4	72.9%
Other payables and accruals	**707.4**	382.6	84.9%
Total liabilities	**21,739.0**	16,532.3	31.5%

3.2.1 *Bank borrowings*

The analysis of bank borrowings is as follows:

	2015 HK$'million Audited	2014 HK$'million Audited	Change %
Secured bank borrowings for aircraft acquisition financing	**15,908.9**	12,262.7	29.7%
PDP borrowings	**2,063.6**	2,304.9	–10.5%
Working capital borrowings	**802.7**	775.0	3.6%
Total bank borrowings	**18,775.2**	15,342.6	22.4%

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

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

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

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

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

3.2.2 Long-term borrowings

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

3.2.3 Medium-term notes

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

3.2.4 Convertible bonds

In April and May 2015, the Company completed the issue of convertible bonds at a par value of HK$892.2 million, bearing a coupon rate of 3.0% per annum and arrangement fee of 3.5% per annum to China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited), Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited. The bonds mature in three years from the issue date and can be converted into shares at the holder's option at any time between the 41st day after their issue date and the 10th day before their maturity date. The conversion price is HK$11.28 per share, subject to adjustment in accordance with the terms and conditions of the bonds.

4. ANALYSIS OF CASH FLOWS

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

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

5. CAPITAL MANAGEMENT

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

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

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

The Group monitors capital through gearing ratios:

	2015 HK$'million Audited	2014 HK$'million Audited	Change %
Interest-bearing debts included in total liabilities	**20,766.5**	15,984.8	29.9%
Total assets	**23,947.0**	18,313.0	30.8%
Gearing ratio	**86.7%**	87.3%	–0.6p.p.

6. CAPITAL EXPENDITURE

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

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

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

7. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

7.1 Contingent Liabilities

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

7.2 Capital Commitments for Aircraft Acquisition

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

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOVE AND BEYOND

China Aircraft Leasing Group Holdings Limited ("CALC") is one of the forerunners in China's aircraft leasing industry, with a distinctive and profitable business model.

Promoting sustainability through robust corporate governance, environmental protection, community investment and workplace practice is one of CALC's key strategic objectives. This is to demonstrate our commitment to transparency and accountability to our stakeholders.

This is our second environmental, social and governance ("ESG") report which covers the significant efforts that CALC has put into aircraft safety, environmental protection and investing in its people and communities relating to its Hong Kong operations. In this report, we provide an outline of CALC's sustainability performance in year 2015 and set out our targets and action plan for the future.

During the year, the Group successfully bid for a plot of land of an approximately 300,000 square meter, in the south of Harbin Taiping International Airport, located within the Harbin Airport Economic Zone. The Group will commence the construction of a new aircraft disassembly centre (the "Aircraft Disassembly Centre") in Harbin Airport Economic Zone. Upon completion, the Aircraft Disassembly Centre will meet the unfulfilled need in the industry, and further consolidate our position as a full value-chain aircraft solutions provider.

We are honoured as the first aircraft leasing company in China to have been awarded the "Aircraft Lessor of the Year" by the Global Transport Finance ("GTF") in 2015 in recognition of our expertise in delivering outstanding services and providing effective financing solutions to a diverse range of customers. The GTF awards recognize and reward outstanding commitment and support the global transport finance industry by industry participants and professional parties in the aviation, airports, railways, shipping, seaports and logistics sectors. CALC has realised our globalisation strategy in 2015, and was able to tailor fleet management and aviation finance solutions for our customers in the mainland China and overseas markets, with an aim to enhancing airlines' operating flexibility and capital management efficiency of their development.

We would like to take this opportunity to thank our people for their contribution and support to our business objectives and various charitable activities during the year. Through enhancing our governance and inspiring our people on sustainable development, we are confident that we can focus our efforts on the areas of concern of our stakeholders and create a long-lasting and strong impact on our society.

▲ *CALC is the first aircraft leasing company in China to have been awarded the "Aircraft Lessor of the Year" in 2015, by the Global Transport Finance.*

OUR STAKEHOLDERS

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

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

We will continue to engage each stakeholder and build stronger relationships so that we can stay focused on their priorities. In 2015, a Sustainability Steering Committee ("SS Committee") with different focus groups for engaging our investors, employees, suppliers, contractors and customers, has already been set-up to oversee the Company's ESG issues in accordance with the terms of reference adopted on 26 March 2015. The current members of the SS Committee consist of Mr. CHEN Shuang (Chairman, Chief Executive Officer and Executive Director), Ms. LIU Wanting, Winnie (Deputy Chief Executive Officer, Chief Commercial Officer and Executive Director) and Mr. MOK Chung Tat, Barry (Deputy Chief Executive Officer and Chief Financial Officer).

Environmental, Social and Governance Execution

MATERIALITY MATRIX

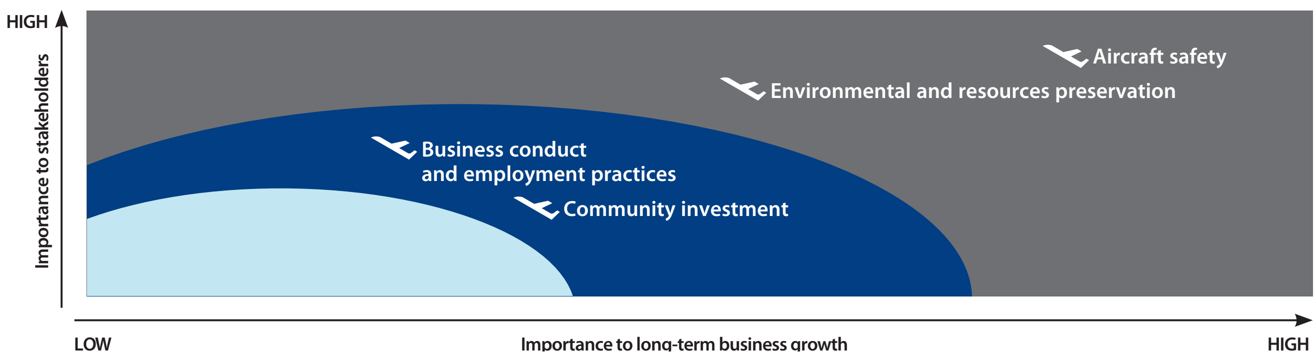
The issues that matter most to our business and our stakeholders are identified and presented in the materiality matrix. Among these, we rate aircraft safety, environmental, social and economic issues as being of top concern to our external stakeholders, weighted against the risks and opportunities to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

We are conducting a thorough materiality analysis to help us identify additional outstanding issues our stakeholders want to learn from our ESG reporting and also help us identify our focus and resource allocation.

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

The following issues are rated as material to our stakeholders:

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



ABOUT THIS REPORT

Reporting Period

This report covers the financial year from 1 January 2015 to 31 December 2015.

Reporting Scope

This is the second year of preparing this ESG report and confined to the Hong Kong operation.

Stock Exchange ESG Reporting Guide

The ESG reporting guide (the "ESG Guide"), with an aim to increasing transparency in the listed companies' ESG performance, is set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). CALC follows the ESG Guide on a voluntary basis and demonstrates its commitment to meeting stakeholders' expectations.

Reliability and Completeness

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

We have outlined four focus areas for 2015 and the coming three years' commitments, including:

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

We have gathered all relevant data and information from the financial and operational teams and have presented them in this report to the best of our knowledge, in good faith and due care. We will design and implement a more effective reporting system in 2016 so as to enrich the relevant information in this report. We rely on internal processes together with external experts to verify the accuracy of the sustainability-related data.

ESG Approach and Strategy

We are committed to integrating sustainability in leasing activities and assesses business for ESG considerations. As one of the pioneers in aircraft leasing industry, understanding ESG issues presents a major opportunity to reduce our business risks. Our focus on ESG issues supports our core business strategy and ensures we live up to our mission and vision and demonstrating our responsibility in our decision-making and interactions with our stakeholders.

AIRCRAFT SAFETY

Aircraft safety is ranked as the most important item in the materiality matrix. In terms of sustainability, aircraft safety and airline reputation are inter-related.

Pre-sale Focus	After-sale Focus
• **Product selection**: To provide choices and advice to customers according to their requirements. All of those suggestions should meet the aviation performance and operating standards. • **Product acceptance**: To ensure that the requirements are fulfilled by the suppliers.	• **Ongoing dialogue**: To maintain close communications with the airlines. • **Co-ordination**: To co-ordinate the suppliers and customers for aircraft enhancement. • **Safety check**: To conduct reviews of the aircraft condition on a regular basis.

GREEN AVIATION ECONOMY AND AIRCRAFT END-OF-LIFE MANAGEMENT

As mentioned in our last ESG report, the Group believes in the Green Economy concept, where protecting the environment is as important as developing its businesses. In June 2015, we has planned to fit 18 of our A320neo aircraft with PurePower® engines by a US company, Pratt & Whitney. The A320neo aircraft powered by PurePower® engines would be a great asset to add to our fleet, as it could offer a broad range of benefits, including fuel burn improvement, lower emissions and less noise while reducing operating cost. The Group's fleet is currently on schedule to expand to 172 aircraft by 2022.

Full Value-Chain

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 ourselves in the sector. In terms of the total number of aircraft in service and new aircraft in the order-book, CALC is the largest independent aircraft operating lessor in China. As the first listed aircraft lessor in Asia, the Group is dedicated to become a full value-chain aircraft solutions provider in operating aircraft leasing, disassembly, sale-and-leaseback, replacement, structured finance and asset management.

In the 16th Annual Asia Pacific Airfinance Conference held between 4 and 5 November 2015 in Hong Kong, Mr. Jens DUNKER, our Senior Vice President of Aircraft Trading and Global Marketing, presented his keynote about the future of leasing industry in Asia Pacific. Ms. Winnie LIU gave her speech on "Moving to Offshore Leasing — Internationalisation of Chinese Leasing Companies", and Mr. Christian MCCORMICK, our Managing Director — Finance, acted as the Chairman and Moderator in the Conference on 5 November 2015. Mr. Christian MCCORMICK also represented CALC to give the keynote speech at the Airline Economics Growth Frontier Asia-Pacific 2015 on 3 November 2015, while Mr. Jens DUNKER acted a speaker at the Lessor's Panel held the next day.

Leveraging on statistics and other relevant information, our speakers have drawn particular attention of the conference attendees to:

(i) strong aircraft demand;

(ii) large order backlogs;

(iii) growing percentage of global aircraft fleet under operating leases (to help reducing capital commitments and risks of airline operators);

(iv) developing Hong Kong as an aviation leasing hub; and

(v) the estimation of over 500 aged aircraft exiting the active aircraft fleet in the next decade.

▲ On 4 November 2015, Ms. Winnie LIU, as a speaker, gave her speech on "Moving to Offshore Leasing — Internationalisation of Chinese Leasing Companies" at the 16th Annual Asia Pacific Airfinance Conference.

▲ Mr. Christian MCCORMICK, gave his keynote address of "Lessor Risk versus Airline Risk & Why Lessors have more options" at the Airline Economics Conference held on 3 November 2015.

▲ On 4 November 2015, Mr. Jens DUNKER, presented his keynote about the future of leasing industry in Asia Pacific at the 16th Annual Asia Pacific Airfinance Conference held in Hong Kong.

To augment business opportunity to the Aircraft Disassembly Centre, metallic components from aircraft undergoing disassembling processes are intended to be recycled or re-used in the aviation industry (if they are of airworthiness quality) or other industries. This line of business will be the first of its kind in the industry in China.

The service scope of the Aircraft Disassembly Centre is intended to cover five areas:

(i) aircraft dismantling services;
(ii) disassembled parts sales;
(iii) aircraft frame customisation;
(iv) accident aircraft emergency management; and
(v) aero metals and non-metal recycling.

Recognitions of the Contributions by the Group to the Aviation Industry

At the 4th China Air Finance Development Summit ("Summit") held in Tianjin between 23 and 25 September 2015, the Group reviewed with industry leaders the support from Dongjiang Management Committee regarding the innovative systems and policies of Dongjiang Free-Trade Port ("DFTP"), shared CALC's mission of "Creating value for China's Aviation Development", and revealed the Group's strategies to contribute to China's aviation finance development through DFTP.

A the Summit held in Tianjin, China Asset Leasing Company Limited ("CALC (TJ)"), CALC's wholly-owned subsidiary, founded in DFTP in December 2010, is the first wholly foreign-owned enterprise in Dongjiang, Tianjin, executed a facilities framework agreement with the Export-Import Bank of China, and a strategic cooperation agreement with Bank of China (Tianjin Branch), witnessed by aviation finance professionals.

Under these agreements, huge backup capitals are offered to the Group to signify the banks' confidence in our business development in both the mainland China and overseas aircraft leasing markets. This gives great assistance to us in honouring our commitment to support the transportation asset planning, to align with government's development strategies, and to further support China to become a growth driver of the regional and world economies.

▲ *On 24 September 2015, Ms. Winnie LIU shared the mission and strategies of CALC at the Summit held in Tianjin regarding "Capturing Opportunities — Creating values for China's Aviation Development".*

▲ *Signing of Facilities Framework Agreement with the Export-Import Bank of China on 24 September 2015.*

▲ *CALC(TJ)'s issuance of medium-term notes was granted "Innovation Award — First Leasing Medium-Term Notes" at China Air Finance Awards. The Group's innovative DNA and quality financial products, as well as its influence for the industry development are once again recognised.*

On 20 July 2015, CALC (TJ) issued its 5-year medium-term notes of RMB340 million being rated 'AA' by China Cheng Xin International Credit Rating Co., Ltd. and becomes the first aircraft Leasing Company in China and the first enterprise in the Tianjin Free Trade Zone to issue medium-term notes.

CALC (TJ)'s issuance of these notes was bestowed "Innovation Award — First Leasing Medium Term Notes" at the 3rd China Air Finance Wan Hou Awards Presentation Ceremony held on 24 September 2015. This is a testament of the Group's innovative traits, highly rated financial products, as well as its influence in the industry.

CALC (TJ) is one of the nine pilot enterprises for the Centralised Operation of Forex Capital of Multinational Companies Programme in Tianjin, and the first and unique aircraft leasing company in China which is permitted to form a cross-border foreign currency fund pool. The Group has delivered 42 aircraft through the Dongjiang platform as at 31 December 2015.

Our Group has received the "Aircraft Lessor of the Year" award, at the GTF 2015 Annual Gala Awards Ceremony held in London on 8 December 2015, in recognition of our expertise by industry participants and professional parties in the aviation, airports, railways, shipping, seaports and logistics sectors in delivering outstanding services and providing effective financing solutions to a diverse range of customers. With this recognition and encouragement, we will continue to utilize our expertise as a full-value chain aircraft solutions provider to create innovative, value-added fleet management solutions for airlines worldwide, and to actively participate in the future development of the global aviation finance sector.

As at 31 December 2015, CALC has an Airbus order-book of 107 aircraft and has delivered 63 aircraft to our airline customers in Asia and Europe with efficient delivery and placement capabilities in the global market.

Global Transport Finance AVIATION RAILWAYS SHIPPING

Aircraft Lessor of the Year 2015

VALUES AND BEHAVIOUR OF OUR PEOPLE

Employees are the greatest assets of CALC and are the key driver of our sustainability and long-term growth. To achieve this, we create opportunities to attract, develop, retain and reward our workforce by offering them commensurate remuneration, personal growth and career development training, and fringe benefits, such as medical and Mandatory Provident Fund Scheme, pension, travel insurance, bonus leave vacation and other employment benefits as detailed below.

Integrity

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

'Speak up' policy

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

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

Healthcare and well-being

In 2015, we have continued promoting the "Eat and Drink Healthily" concept to our staff. Lemon water and fruit are available for staff every day. Provision of Lemon water and fruit may help staff reducing risk of many diseases.

Since 1 November 2015, new employee medical plans will include many areas not previously covered, such as body check, life insurance, physiotherapy, chiropractic and gynecology services. Before termination of services with the Group, retiring employees and those employees who have participated the old medical plan for more than 6 months can opt at their own expense to extend and join the aforesaid medical coverage with the former insurance company.

In 2015, we have provided staff over 80 man-hours in general training, business/technical skills training and team-building training. We are committed to organising similar team-building activities periodically in future years.

Diversity and Equal Opportunity

It is important to promote equal opportunities in workplace so as to establish an environment for our people to maximize their potential, regardless of gender, pregnancy status, marital status and race. We do not recruit child labour and prevent forced labour.

We are committed to implementing work-life-balance practices as this is critical for sustaining employee performance over time.

In order to encourage employees' awareness about health, each employee of the Hong Kong office and six offices in mainland China was issued a "smart health bracelet" at the end of November 2015. The bracelet has many functions, especially in helping employees record their exercise consumption, sleep quality and other health parameters. With the bracelet and the information it provides, each employee can make better plans to rest and exercise.

CALC cultivates the 'big family' atmosphere for all its employees.

Developing our people and team building

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

Supply Chain Management

CALC believes that building sustainable supply chains can create value for our employees, aircraft suppliers and service providers, communities and our customers. We emphasize on facilitating the interaction and communication with its aircraft manufacturers, and relevant aircraft service providers. In order to establish an efficient and green supply chain with its aircraft suppliers and service providers, we aim at maintaining long-term strategic and co-operative relationships with those counterparties with good credit history, solid reputation, high product or service quality, proven track records of environmental compliance and sound commitment to social responsibility. CALC conducts periodic reviews on the performance of its suppliers with an objective of a better control over and an assurance of its financial products and service quality.

Customer Data Protection and Privacy Policies

We adhere to applicable laws and regulations in protection of customer data when conducting our leasing business activities. We are conscientious about secure communication and data protection.

Anti-corruption

CALC maintains and effectively implements a comprehensive system of internal control policies and procedures for prevention of corruption, frauds, bribery, extortion, money laundering and any malpractice or unethical practices.

Whistle-blowing procedures

We provide a communication channel for enquiries, feedback and complaints from inside and outside our Group. Anyone can fill in the "Feedback and Complaints" form on our website if they wish to do so. They may choose our Audit Committee Members, Investor Relations Representatives or both to handle the case. We are committed to thoroughly investigating each enquiry, feedback and complaint and having it resolved fairly and in the strictest confidence.

INVESTING IN OUR COMMUNITY

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

In 2015, we made donations to various charitable bodies to contribute to the community. At the same time, many of our people volunteered to participate in activities such as the ACCA Community Day Rickshaw Race, Orbis Walk for Sight, Environmental Ironman Triathlon, Orbis Carnival, Orbis 2015 World Sight Day and Moonwalkers Night Walkathon.

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

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

Forms of contribution	**2015**
Cash Donations	**HK$830,000**
Management and other employee time	**280 hours**

◄▼ *On 18 January 2015, our people have participated in the 18th ACCA Community Day Rickshaw Race Fund Raising Event held at Chater Road Sunday Pedestrian Zone in Central.*

▲ *On 29 March 2015 we participated in Orbis Walk for Sight.*

▲ *On 16 June 2015, we participated in Environmental Ironman Triathlon organised by the World Green Organisation.*

▲ *On 24 June 2015, we participated in Orbis Carnival.*

▲ *On 8 October 2015, we have participated in Orbis 2015 World Sight Day fundraising event and made a donation to help subsidise surgeries that will enable many blind people to escape from the prison of darkness.*

Corporate Social Responsibility

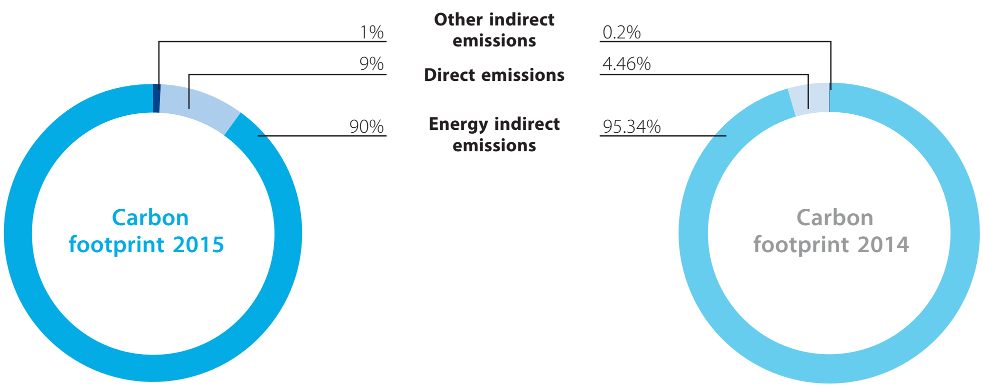
The Group has been awarded the Caring Company Logo by The Hong Kong Council of Social Service in commendation and giving public recognition of our efforts in 2015 that demonstrate good corporate citizenship.

商界展關懷
caringcompany 2015/16
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

CO_2 EMISSIONS

Carbon Footprint for years ended 31 December 2015 and 2014

		Tonnes of CO_2-e	
Scope	**Details**	**2015**	2014
1: Direct Emissions	Company-owned car	**6.95**	5.43
2: Energy Indirect Emissions	Electricity consumed	**72.67**	115.93
3: Other Indirect Emissions	Paper used	**1.25**	0.24
Total:		**80.87**	121.60
Carbon Footprint (tonnes per employee per annum)		**1.93**	2.90



We appreciate the importance of raising the awareness of our employees to understand our environmental impact and stress our determination by taking various reduction initiatives mentioned below to take action to reduce our footprint significantly. We will continue to support our people in reducing environmental impact in their personal and professional lives, as well as in our communities and our stakeholders all around the world.

Energy Saving

All staff are encouraged to switch off the power of light, air conditioners, computers, personal electronic devices and common office equipment when they are not in use. All electronic appliances are well maintained to keep efficiency in our office.

Water Saving

Auto taps are installed for using water at restrooms in our office and staff are encouraged to save water usage. Low-flush toilets are used in office to ensure that there is no water wastage.

Waste Management

Staff are encouraged to bring reusable containers and utensils for their own drinking or eating and reusable cups for visitors are used. Rubbish recycle pull out bins with usage guide are placed at staff common areas. Scratched, nicked or dented furniture were repaired or restored to good conditions during office renovation in 2015 to avoid unnecessary wastage. Records of stationery ordering, storage and usage are kept to control overstock and wastage. Reuse of stationery is also encouraged. Electric hand dryers are installed to reduce paper towel consumption.

Printing and Paper Saving

Staff were aware to collect and reuse single-sided recycle printings for internal documents.

To avoid unnecessary wastage and promote effective usage of paper, all staff have been educated to implement "think before printing" principle. Emails instead of hardcopy are encouraged. CALC encourages double-sided printing and copying, and has also appended on all emails an automatic footnote asking the recipients to consider the environment before printing. Space and page efficiency check with the help of printing preview is recommended. Other paper saving print default settings such as the adoption of economic mode, black and white output colour, selection of bypass for reuse recycled paper are encouraged.

Green Procurement

Purchases of snacks and fruits for all staff are ordered in bulk to reduce packing waste. Office supplies are purchased locally to reduce carbon footprint incurred in transportation.

IT Management

Energy saving mode is auto set for all computers. The containers of ink cartridges and toner of printers and copiers are recycled by the suppliers. The appropriateness in usage of IT equipment is evaluated and monitored to avoid misuse.

Transportation

We choose our office locations close to public transportations. Staff are encouraged to walk if meeting venues are within Central and Western District.

Green Office Management and Awards

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

Green Manager is assigned for our green office management who is responsible to promote green office awareness to all staff and encourage them to follow green office guidelines set by the management.

After green auditing and the verification of supporting documents by WGO, our Hong Kong office has received two qualifications — Green Office Label and United Nations Millennium Development Goals (UNMDG) Better World Company Label, for the recognition of our efforts in: energy savings, water savings, waste reduction, paper/printing reduction, green procurement, IT use and disposal, transportation, education and awareness, and green innovation.

Our Deputy CEO and CFO, Barry MOK, represented CALC at WGO GOALS 2015 Ceremony and received the trophy and certificate.

PROGRESS OF ACTIONS IN 2015 AND SUSTAINABILITY TARGETS FOR 2016

In 2016, CALC will introduce or continue the following initiatives to strengthen its ESG performance:

Progress/Targets	**Focus**
Participation of Green Office Awards Labelling Scheme (GOALS) of WGO in 2015 Continuous participation of the same scheme in 2016	• To upkeep the WGO Green Office Best Practices under nine categories — energy saving, water saving, waste reduction, paper/printing saving, green procurement, IT use and disposal, transportation, education and awareness, green innovation. • To build an energy monitoring system • To analyse and evaluate green office actions • To promote green office best practices to all offices of the Group located outside Hong Kong
Training workshops, talks and seminars on various topics in 2016 • Prevention of Bribery and Corruption • Awareness of Equal Opportunities	• To raise staff awareness of anti-corruption practices and equal opportunities, etc.
Establishment of SS Committee in 2015 Review of plans, policies and monitoring procedures by SS Committee and focus groups for compliance with the ESG reporting requirements in 2016	• To assess risks relating to ESG • To conduct a thorough materiality analysis to identify additional stakeholders' concerns • To review plans, policies and procedures implemented and identify gaps in the whole Group for compliance with the ESG reporting requirements • To analyse and evaluate with comparative figures of performances in the two ESG subject areas, namely, environmental and social areas
Development and review of policies on human resources, health and safety, development and training, environmental protection, etc. (in progress)	• To enhance CALC's compliance and best practice in ESG areas • To address the opportunities and risks arising from strategic issues, and enhance management efficiency and employee relations

CORPORATE GOVERNANCE REPORT

The Board of the Company (the "Board") is pleased to present this corporate governance report in the annual report for the year ended 31 December 2015 of the Company and its subsidiaries (the "Group").

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

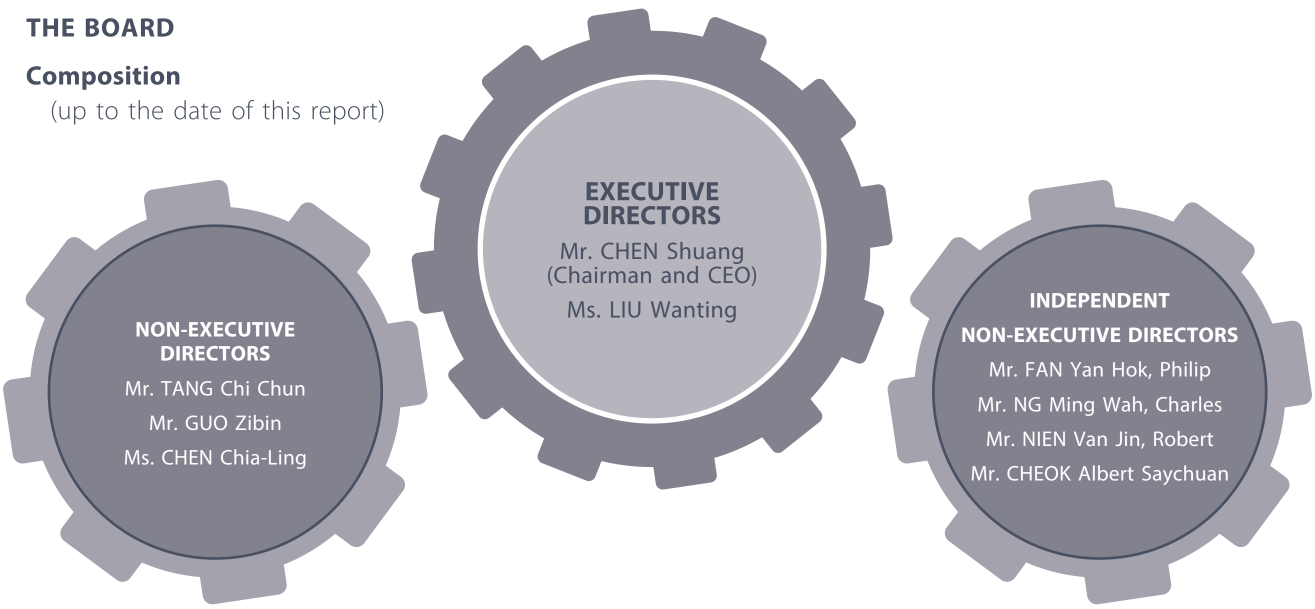
The Company has complied with all Code Provisions set out in the CG Code for the year ended 31 December 2015 with the exception of Code Provision A.2.1 due to the overlapping roles of Chairman and chief executive officer of the Company (the "CEO") performed by Mr. CHEN Shuang with effect from 18 June 2015. The Board considers that the balance of power and authority of the Board will not be impaired even though the roles of the Chairman and the CEO 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 CEO, the Board's decision could be made effectively and are beneficial to the management and development of the Group's businesses. The Board will review this structure from time to time and will consider the separation of the two roles at an appropriate time.

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

THE BOARD

Composition

(up to the date of this report)



Throughout the year, the Board has complied with the Listing Rules to have at least three independent non-executive directors (the "INED(s)") who represent one-third of the Board and with one of whom holds appropriate professional qualifications and accounting or related financial management expertise.

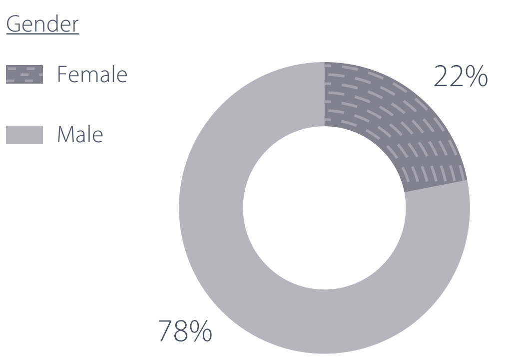
The Board received from each INED a written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules, and the nomination committee of the Company (the "Nomination Committee") assessed the independence of each INED at the meeting before the date of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

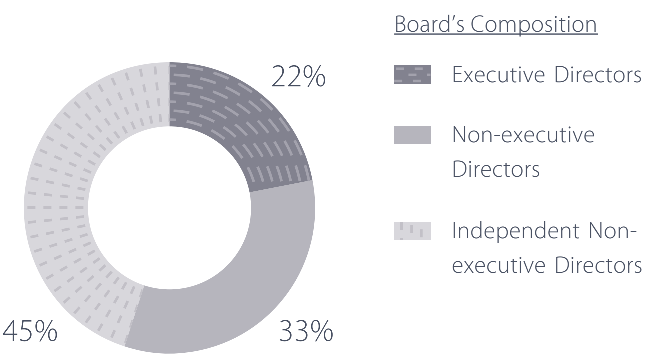
The Directors do not have financial, business, family or other material/relevant relationships with each other.

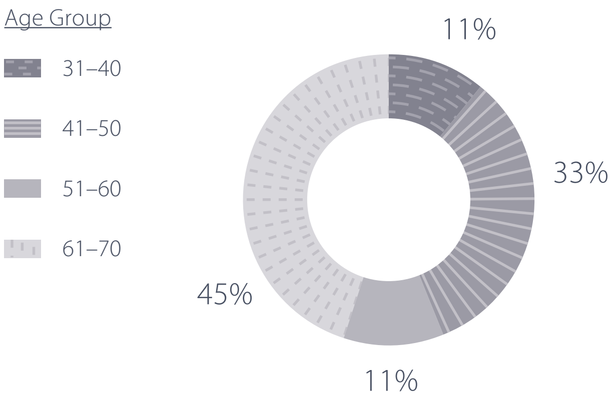
After annual assessment by the Nomination Committee at the meeting before the date of this report, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategy. The profile of Directors as at the date of this report is set out on pages 74 to 78.

Board Diversity

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







Roles of the Board

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

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

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

Appointment, Re-election, Rotation and Removal of Directors

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

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

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

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

Board Meetings and General Meetings

Three general meetings (including an annual general meeting) and five Board meetings were held during the year. The attendances of each director at the Board and general meetings during the year are set out in sub-section headed "Board, Board Committee and General Meetings Attendance".

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

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

Induction and Continuing Development of Directors

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

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

	Type of Trainings		
Directors	**Type 1**	**Type 2**	**Type 3**
Executive Directors			
CHEN Shuang	✓	✓	✓
LIU Wanting	✓	✓	✓
Non-executive Directors			
TANG Chi Chun	✓	✓	✓
GUO Zibin	✓	✓	—
Independent Non-executive Directors			
FAN Yan Hok, Philip	✓	✓	✓
NG Ming Wah, Charles	✓	✓	✓
NIEN Van Jin, Robert	✓	✓	—
CHEOK Albert Saychuan	✓	✓	✓

Type of trainings:

1. *Reading materials.*
2. *Attending the training sessions/press conference arranged by the Company.*
3. *Attending or giving speech at external seminars or training sessions.*

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

Chairman and Chief Executive Officer

The roles of the Chairman of the Board and the CEO are performed by Mr. CHEN Shuang with effect from 18 June 2015. The Board considers that the balance of power and authority of the Board will not be impaired even though the roles of the Chairman and the CEO 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 CEO, the Board's decision could be made effectively and are beneficial to the management and development of the Group's businesses. The Board will review this structure from time to time and will consider the separation of the two roles at an appropriate time.

In December 2015, the Company has appointed Ms. Liu Wanting (executive director) and Mr. Mok Chung Tat, Barry (Chief financial officer) as Deputy CEOs of the Group.

The respective responsibilities of the Chairman and CEO are set out in the delegation policy which has been approved by the Board.

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

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

REMUNERATION OF DIRECTORS

The remuneration paid to and/or entitled by each of the directors for the year ended 31 December 2015 is set out in Note 28(a) to the financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 of the CG Code. The primary duties of the Audit Committee include but not limited to reviewing and supervising the Group's financial reporting process and internal control system and providing advices and comments to the Board. As at the date of this report, the Audit Committee consisted of Mr. NG Ming Wah, Charles (Chairman), Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. GUO Zibin. The Chairman of the Audit Committee holds appropriate professional qualifications or expertise in accounting or relevant finance management. Five Audit Committee meetings were held during the year. The attendances of each Audit Committee member during the year are set out in sub-section headed "Board, Board Committee and General Meetings Attendance".

During the year, the Audit Committee has reviewed with the Management Team and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the following:

- the review of the condensed consolidated financial statements for the six months ended 30 June 2015 and the audited consolidated financial statements for the year ended 31 December 2015;
- the discussion with the auditor on the nature and scope of the audit and reporting obligations before commencement of audit;
- the recommendation to the Board for the proposal for re-appointment of the external auditor of the Company and approval of the remuneration and terms of engagement of the external auditor; and
- the review of the Company's financial controls, internal control and risk management systems.

Remuneration Committee

The Remuneration Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and Code Provision B.1 of the CG Code. The primary duties of the Remuneration Committee include but not limited to regular monitoring of the remuneration of all the directors and senior management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consisted of Mr. FAN Yan Hok, Philip (Chairman), Mr. NG Ming Wah, Charles, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan. One Remuneration Committee meeting was held during the year. The attendances of each Remuneration Committee member during the year are set out in sub-section headed "Board, Board Committee and General meetings Attendance".

During the year, the Remuneration Committee has considered and recommended to the Board the remuneration and other benefits paid by the Company to the directors and senior management.

Nomination Committee

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

As at the date of this report, the Nomination Committee consisted of Mr. NIEN Van Jin, Robert (Chairman), Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles and Mr. CHEOK Albert Saychuan. Two Nomination Committee meetings were held during the year. The attendances of each Nomination Committee member during the year are set out in sub-section headed "Board, Board Committee and General Meetings Attendance".

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of INEDs and made recommendation to the Board on the appointment or re-appointment of directors.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The external auditor of the Company had given to the Company a written confirmation of its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants before the conduct of the annual audit for the year ended 31 December 2015.

During the year, PricewaterhouseCoopers, the auditor of the Company, provided both audit and non-audit services to the Company for a total remuneration of HK$5,747,000. The relevant fee paid for audit services amounted to approximately HK$3,800,000 and the balancing of the remuneration related to the non-audit services of approximately HK$1,947,000.

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITY OF FINANCIAL REPORTING

The directors acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015 to give true and fair presentation of the financial position of the Company in accordance with all applicable Hong Kong Financial Reporting Standards and for timely financial disclosures under the Listing Rules and any other regulatory requirements.

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

The statements as to the auditor's responsibility of financial reporting is set out in the independent auditor's report on page 81.

INTERNAL CONTROL

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

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

COMPANY SECRETARY

Ms. TAI Bik Yin has been appointed as the company secretary of the Company on 26 March 2015. Ms. TAI has professional qualification and extensive experience in discharging her duties as the company secretary of the Company. Ms. TAI is a full-time employee of the Group and reports to the Board. She has day-to-day knowledge of the Company's affairs. Ms. TAI had taken no less than 15 hours of professional training for the financial year ended 31 December 2015.

SHAREHOLDERS' RIGHTS

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

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

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

The Company's Hong Kong branch share registrar and transfer office serves the shareholders with respect to all share registration matters.

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

SHAREHOLDERS' COMMUNICATION POLICY

The Company has adopted a shareholders' communication policy. Under the policy, the Company communicates with its shareholders and investors through various means. Timely publication of interim and annual results, announcements on the latest development of the Company and press release on the Company's website and the Stock Exchange's website could make shareholders of the Company appraise the Company's financial position. Shareholders are highly required to pay attention to these public information. Holding of an annual general meeting could provide an effective forum for the Company's shareholders to share their views with the Board. Shareholders are welcome to attend the forthcoming annual general meeting. The directors and the external auditor of the Company would be available at the forthcoming annual general meeting to answer shareholders' questions about the annual results for the financial year ended 31 December 2015.

CONSTITUTIONAL DOCUMENTS

Since the adoption of amended and restated memorandum and articles of the Company took effect from the listing date of 11 July 2014, there are no changes in the memorandum and articles of association of the Company during the year.

Board, Board Committee and General Meetings Attendance

The attendances of each director at all Board and Board committee meetings and general meetings during the year, demonstrating satisfactory attendance, are set out below:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
CHEN Shuang(1)	5/5	n/a	n/a	n/a	1/1	0/2
LIU Wanting	5/5	n/a	n/a	n/a	1/1	2/2
POON Ho Man(2)	1/2	n/a	n/a	n/a	0/1	n/a
Non-executive Directors						
TANG Chi Chun	5/5	n/a	n/a	n/a	1/1	0/2
GUO Zibin	5/5	2/5	n/a	n/a	0/1	1/2
Independent Non-executive Directors						
FAN Yan Hok, Philip	5/5	n/a	1/1	1/2	1/1	2/2
NG Ming Wah, Charles	5/5	5/5	1/1	2/2	1/1	2/2
NIEN Van Jin, Robert(3)	5/5	5/5	1/1	2/2	1/1	1/2
CHEOK Albert Saychuan(4)	4/4	4/4	n/a	n/a	n/a	1/2
ZHANG Chongqing(5)	0/1	1/1	1/1	1/2	0/1	n/a
Total number of meetings	5	5	1	2	1	2
Dates of Meetings	26/3/2015	20/3/2015	30/1/2015	26/3/2015	8/5/2015	19/5/2015
	18/6/2015	29/6/2015		29/4/2015		30/6/2015
	16/7/2015	21/8/2015				
	25/8/2015	15/10/2015				
	14/12/2015	3/12/2015				

Notes:

(1) Mr. CHEN Shuang, Chairman of the Board, was appointed as the CEO and re-designated from a non-executive director to an executive director with effect from 18 June 2015.

(2) Mr. POON Ho Man resigned as an executive director and CEO with effect from 18 June 2015.

(3) Mr. NIEN Van Jin, Robert was appointed as Chairman of the Nomination Committee on 8 May 2015.

(4) Mr. CHEOK Albert Saychuan was appointed as an INED and a member of the Audit Committee, Remuneration Committee and Nomination Committee with effect from the conclusion of the annual general meeting held on 8 May 2015.

(5) Mr. ZHANG Chongqing retired as an INED and resigned as Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee with effect from the conclusion of the annual general meeting held on 8 May 2015.

REPORT OF THE DIRECTORS

The board of directors (the "Board") is pleased to present the Directors' Report of the year 2015 together with the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL BUSINESS ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of income on page 84 of this annual report.

The directors have declared an interim dividend of HK$0.04 per share, totaling HK$24.2 million which was paid on 30 October 2015.

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

CLOSURE OF REGISTER OF MEMBERS

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

(i) For determining shareholders' eligibility to attend and vote at the AGM:

(a)	Latest time to lodge transfer documents for registration	4:30 p.m. on 13 May 2016
(b)	Closure of Register of Members	16 May 2016 to 17 May 2016 *(both dates inclusive)*
(c)	Record date	17 May 2016

(ii) For determining entitlement to the final dividend:

(a)	Latest time to lodge transfer documents for registration	4:30 p.m. on 1 June 2016
(b)	Closure of Register of Members	2 June 2016 to 3 June 2016 *(both dates inclusive)*
(c)	Record date	3 June 2016

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 10 to the financial statements.

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

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 86 to 87 of this annual report and Notes 11 and 31 to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2015, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$1,774,845,000, are set out in Note 31(a) to the financial statements.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 16 to the financial statements.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to HK$830,000.

SHARE OPTION SCHEMES

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

As at the date of this annual report, the total number of shares available for issue under the Pre-IPO Share Option Scheme is 17,023,980 shares (as at the date of the 2014 annual report of 26 March 2015: 42,030,000 shares), which represented approximately 2.8% (as at 26 March 2015: 7.2%) of the issued share capital of the Company. No option was granted under the Pre-IPO Share Option Scheme during the year.

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

As at the date of this annual report, the total number of shares available for issue under the Post-IPO Share Option Scheme is 24,447,000 shares (as at the date of the 2014 annual report of 26 March 2015: 26,289,400 shares), which represented approximately 4% (as at 26 March 2015: 4.5%) of the issued share capital of the Company. No option was granted under the Post-IPO Share Option Scheme during the year.

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

(a) Purpose of the Share Option Schemes

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

(b) Who may join

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

(c) Subscription price for Shares

(c.1) Post-IPO Share Option Scheme

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

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

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

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

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

(c.2) Pre-IPO Share Option Scheme

The exercise price for the subscription of shares under the Pre-IPO Share Option Scheme shall be calculated from a base price of US$0.121 each as adjusted by a required time value cost of 10% per annum.

(d) Consideration for the option

(d.1) Post-IPO Share Option Scheme

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

(d.2) Pre-IPO Share Option Scheme

Each of the grantees is required to pay US$1 on acceptance of the options granted under the Pre-IPO Share Option Scheme.

(e) Maximum number of Shares

(e.1) Post-IPO Share Option Scheme

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

(e.2) Pre-IPO Share Option Scheme

Save for the options which have been granted in 2011, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

(f) Maximum entitlement of each Participant

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

(g) Exercise of option

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

(h) Duration of the Share Option Schemes

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

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

Details of movement of the Company's Share Option Schemes are disclosed in Note 11(a) to the financial statements.

DIRECTORS

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

Executive Directors

Mr. CHEN Shuang (Chairman and Chief Executive Officer) (re-designated from non-executive director to executive director with effect from 18 June 2015)
Ms. LIU Wanting
Mr. POON Ho Man (resigned with effect from 18 June 2015)

Non-executive Directors

Mr. TANG Chi Chun
Mr. GUO Zibin
Ms. CHEN Chia-Ling (appointed on 19 January 2016)

Independent Non-executive Directors

Mr. FAN Yan Hok, Philip
Mr. NG Ming Wah, Charles
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan (appointed on 8 May 2015)
Mr. ZHANG Chongqing (retired on 8 May 2015)

According to Article 16.18 of the Company's articles of association, not less than one-third of the directors (including those appointed for a specific term) shall retire from office by rotation provided that each director shall be subject to retirement by rotation at the annual general meeting at least once every three years. Accordingly, Mr. CHEN Shuang, Mr. TANG Chi Chun, Ms. LIU Wanting, Mr. FAN Yan Hok, Philip and Mr. NG Ming Wah, Charles shall retire by rotation. Mr. CHEN Shuang, Mr. TANG Chi Chun, Ms. LIU Wanting and Mr. FAN Yan Hok, Philip, being eligible, will offer themselves for re-election at the forthcoming AGM. Mr. NG Ming Wah, Charles has decided to retire from his position as an independent non-executive director of the Company with effect from the conclusion of the forthcoming AGM and accordingly, he will not offer himself for re-election.

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

Accordingly, Mr. CHEOK Albert Saychuan, being a new director appointed by the Board during the year, had retired from office and, being eligible, offered himself for re-election at the extraordinary general meeting held on 19 May 2015. Ms. CHEN Chia-Ling, being a new director appointed by the Board on 19 January 2016, will retire from office and, being eligible, will offer herself for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

None of the director offering themselves for re-election at the forthcoming AGM has entered into any service contract with the Company or any of its subsidiaries which is not terminable by the employing company within one year without payment or compensation other than the normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group at any time during the year ended 31 December 2015.

PERMITTED INDEMNITY

Pursuant to the Company's articles of association, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the applicable laws and regulations. The Company has arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

Profile of the directors and senior management are set out on pages 74 to 80 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' EMOLUMENTS

Details of the remuneration of the directors for the year ended 31 December 2015 are set out in Note 28(a) to the financial statements.

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

As at 31 December 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")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are as follows:

		Number of Shares Held (L)(1)				
Name of directors	**Capacity/nature of interest**	**Personal interests**	**Corporate interests**	**Derivatives interests**	**Total interests**	**Approximate percentage of shares in issue(2)**
Mr. CHEN Shuang	Beneficial owner	200,000	—	200,000(4)	400,000	0.07%
Ms. LIU Wanting	Interest of controlled corporation	—	10,000,000(3)	—	10,000,000	1.65%
Mr. TANG Chi Chun	Beneficial owner	—	—	200,000(4)	200,000	0.03%
Mr. GUO Zibin	Beneficial owner	—	—	200,000(4)	200,000	0.03%
Mr. FAN Yan Hok, Philip	Beneficial owner	66,000	—	134,000(4)	200,000	0.03%
Mr. NG Ming Wah, Charles	Beneficial owner	—	—	200,000(4)	200,000	0.03%
Mr. NIEN Van Jin, Robert	Beneficial owner	100,000	—	134,000(4)	234,000	0.04%
Mr. CHEOK Albert Saychuan	Beneficial owner	5,000	—	—	5,000	Below 0.01%

Notes:

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

(2) Based on 605,923,800 Shares in issue as at 31 December 2015.

(3) These shares were held by Smart Vintage Investments Limited, a company wholly-owned by Ms. LIU Wanting.

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

Save as disclosed above, as at 31 December 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) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

Based on the information available to the directors of the Company as at 31 December 2015 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2015, the entities and/or persons who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed o the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be 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 shares held(L)(1)	Number of underlying shares held(L)(1)	Approximately percentage of shares in issued(2)
China Everbright Aerospace Holdings Limited ("CE Aerospace")	Beneficial owner	207,639,479		34.27%
	Beneficial owner		1,340,000(3)	0.22%
China Everbright Financial Investments Limited ("CE Financial")	Beneficial owner	8,220,000		1.36%
	Beneficial owner		34,388,297(4)	5.68%
China Everbright Limited ("CEL")	Interest of controlled corporation	215,859,479(5)		35.62%
	Interest of controlled corporation		34,388,297(4)	5.68%
	Interest of controlled corporation		1,340,000(3)	0.22%
China Everbright Holdings Company Limited ("CE Hong Kong")	Interest of controlled corporation	215,859,479(6)		35.62%
	Interest of controlled corporation		34,388,297(4)	5.68%
	Interest of controlled corporation		1,340,000(3)	0.22%
China Everbright Group Ltd ("CE Group")	Interest of controlled corporation	215,859,479(7)		35.62%
	Interest of controlled corporation		34,388,297(4)	5.68%
	Interest of controlled corporation		1,340,000(3)	0.22%
Central Huijin Investment Limited ("Huijin Limited")	Interest of controlled corporation	215,859,479(7)		35.62%
	Interest of controlled corporation		34,388,297(4)	5.68%
	Interest of controlled corporation		1,340,000(3)	0.22%
Friedmann Pacific Asset Management Limited ("FPAM")	Beneficial owner	181,683,589(10)		29.98%
	Beneficial owner		871,000(8)	0.14%
Capella Capital Limited ("Capella")	Interest of controlled corporation	181,683,589(10)		29.98%
	Interest of controlled corporation		871,000(8)	0.14%
Mr. POON Ho Man	Interest of controlled corporation	186,633,589(11)		30.80%
	Interest of controlled corporation		871,000(8)	0.14%
	Interest of controlled corporation		10,050,000(9)	1.66%
Ms. Christina NG	Interest of spouse	186,633,589(12)		30.80%
	Interest of spouse		871,000(8)	0.14%
	Interest of spouse		10,050,000(9)	1.66%
Huarong (HK) International Holdings Limited ("HK Huarong")	Beneficial owner		34,388,297(13)	5.68%
China Huarong Assets Management Co., Ltd. ("China Huarong")	Interest of controlled corporation		34,388,297(14)	5.68%

Notes:

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

(2) Based on 605,923,800 Shares in issue as at 31 December 2015.

(3) 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.

(4) 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.

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

(6) CE Hong Kong indirectly holds more than one-third of the voting power at general meetings of CEL. Accordingly, CE Hong Kong is deemed to be interested in all shares and underlying shares mentioned in notes (3) to (5) above.

(7) According to the Company's announcements in respect of the restructuring of CE Group 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 (3) to (5) above.

(8) 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.

(9) 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.

(10) 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.

(11) 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 (8) and (10) above. Mr. POON is also interested in 4,950,000 shares held by Equal Honour.

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

(13) 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.

(14) 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 31 December 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.

MANAGEMENT CONTRACTS

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

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.

DEED OF NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 23 June 2014 during the year ended 31 December 2015. The independent non-executive directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling shareholders and duly enforced during the year ended 31 December 2015.

MAJOR CUSTOMERS

During the year, the income of the Group's lease accounted for 80% of the total revenue and other income, and the information of the customers of the lease and advisory segments is as follows:

	For the year ended 31 December 2015 Percentage of the total revenue and other income (before business taxes and surcharges) (%)
Top five customers	55.9%
The largest customer	13.0%

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

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

The Company entered into the following connected transactions and continuing connected transactions, as defined in the Listing Rules, with the following connected persons of the Company:

(a) Connected Persons

Following the completion of the restructuring of CE Group on 14 May 2015, CE Group became the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CEL. CEL is a controlling shareholder of the Company and accordingly, CE Group is a controlling shareholder of the Company. Thus CE Group and its associates, including China Everbright Bank Company Limited ("CE Bank"), have become connected persons of the Company upon completion of the restructuring of CE Group.

Ever Alpha Investments Limited ("Ever Alpha") and CE Financial are wholly-owned subsidiaries of CEL. Therefore, Ever Alpha and CE Financial are associates of CEL and connected persons of the Company.

(b) Connected Transactions

1. *Issuance of Convertible Bonds to CE Financial*

Description of transaction

On 26 March 2015, the Company as the issuer and CE Financial as the investor entered into a subscription agreement (the "Subscription Agreement") in respect of the issuance and subscription of 3.0% convertible bonds in the principal amount of HK$387,900,000 (the "Convertible Bonds"). The details of which are set out in the Company's announcements dated 26 March 2015, 16 April 2015 and 27 May 2015, and the Company's circular dated 30 April 2015 respectively.

Pursuant to the Subscription Agreement, the Company shall pay to CE Financial a commitment arrangement fee at the rate of 3.5% per annum, payable semi-annually. Under the terms and conditions of the Convertible Bonds which will bear coupon interest at the rate of 3.0% per annum, payable semi-annually. The Convertible Bonds are convertible into new shares of the Company at a conversion price of HK$11.28 per share (subject to adjustments). The maturity date of the Convertible Bonds will fall on the expiry of three years from the date of issuance of the Convertible Bonds.

The Transaction was proposed to and passed by the independent shareholders by way of ordinary resolution at the Company's extraordinary general meeting held on 19 May 2015.

Total consideration

The Company had received a total consideration of HK$387,900,000 from CE Financial, representing the aggregate principal amount of the Convertible Bonds in May 2015. As at 31 December 2015, the liability amount of such convertible bonds was HK$350,490,000 and the interest expense incurred at an effective interest rate of 11.8% amounted to HK$23,450,000 for the year ended 31 December 2015.

2. *Guarantee services provided by CE Bank*

Description of transaction

On 22 June 2012, CALC Xianqing Limited ("CALC Xianqing") as buyer and Airbusac Limited ("Airbusac") as seller entered into a sale and purchase agreement in respect of the sale and purchase of an aircraft. Both CALC Xianqing and Airbusac are wholly-owned subsidiaries of the Company. 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 an irrevocable bank guarantee in favour of Airbusac (the "Guarantee"). The Guarantee was subsequently renewed by two guarantee amendments such that the expiry date of the Guarantee was amended to 26 June 2015.

Upon the expiry of the Guarantee, at the request of CALC Xianqing, on 26 June 2015, CE Bank, Tianjin Branch issued a new irrevocable bank guarantee in favour of Airbusac for a term from 26 June 2015 to 24 June 2016 (the "2015 Guarantee").

The guarantee amount shall not exceed US$10,000,000, which amount was determined based on the Guarantee dated 10 July 2012. Deposits in the amount of US$1,000,000 placed by the Group with CE Bank are pledged in favour of CE Bank as security. This amount is payable in RMB.

Details of the above transactions are set out in the Company's announcement dated 26 June 2015.

Consideration

The Loan Services Framework Agreement (as defined in the section of continuing connected transaction below) covers, and the annual monetary caps thereunder have taken into consideration, the transactions under the 2015 Guarantee. The loan services and guarantees to be provided by CE Group, including the 2015 Guarantee, will be covered by and subject to the annual monetary caps under the Loan Services Framework Agreement. For the period from 14 May 2015 to 31 December 2015, total handling fee charged by CE Bank, Tianjin Branch amounted to HK$472,000.

(c) Continuing Connected Transactions

1. Consultancy and logistics services provided by Ever Alpha

Description of transactions

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

In addition, Ever Alpha has the connection and prior experience working with Qingdao Airlines and it facilitated Qingdao Airlines to develop business plan by choosing to use Airbus aircraft, through its local affiliates. Ever Alpha will help the Company to ensure that Qingdao Airlines will pay the Company the lease payments on time in accordance with the terms of the relevant aircraft lease agreements. Pursuant to the Consultancy Agreement, Ever Alpha has undertaken to CALC (BVI) that if there is any default in lease payments, together with related interests and fees, by Qingdao Airlines up to the amount of US$200,000 for a period of 24 months, Ever Alpha will pay the Company the outstanding amount. The Directors believe that engaging Ever Alpha in the provision of consultancy services assists the Group in securing Qingdao Airlines as a new customer and ensuring a smooth and unobstructed completion of the transaction.

The Consultancy Agreement is for a term commenced on 27 September 2013 and expired on 31 December 2015.

Pricing basis

The consultancy fees charged by Ever Alpha will be at the rate of 2.5% of the total lease income for each leased aircraft over its entire lease term pursuant to the relevant aircraft lease agreement subject to a cap of US$1,000,000 per aircraft delivered to Qingdao Airlines.

Historical figures and total consideration

In 2011, 2012 and 2013, the Company did not pay any consultancy fee to Ever Alpha. In 2014 and 2015, the Company paid a consultancy fee of US$2,000,000 and US$3,000,000 to Ever Alpha respectively.

Annual caps

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

	Proposed annual caps For the years ended 31 December	
	2014 US$	**2015 US$**
Total consultancy fee payables	2,000,000	**3,000,000**

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

Details of the above transaction are set out under "Continuing Connected Transactions" in the Company's prospectus dated 30 June 2014.

2. Transactions with CE Group

Description of transactions

On 14 May 2015, the Company entered into a deposit services framework agreement (the "Deposit Services Framework Agreement"), a loan services framework agreement (the "Loan Services Framework Agreement") and an assignment of finance lease receivables framework agreement (the "Assignment of FLRs Framework Agreement") with CE Group (collectively known as the "Agreements").

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 (the "Trustee") of a trust plan of which Sun Life Everbright Asset Management Co. Ltd. is a beneficiary. Pursuant to the Assignment of FLRs Framework Agreement, the Group will assign the finance lease receivables to the trustee.

On 14 December 2015, the Company and CE Group entered into an amended and restated assignment of finance lease receivables framework agreement (the "Amendment") to amend and restated the Assignment of FLRs Framework Agreement. Under the Amendment, the Company and CE Group agreed that, in addition to the Trustee, the Group shall assign the finance lease receivables to associates of CE Group, including but not limited to CE Bank. Save for the above amendment, all other terms and conditions of the Assignment of FLRs Framework Agreement, including the term of agreement, payment terms, pricing standards, and the annual caps remain the same.

Term of the Agreements

The term of each of the Agreements commenced on 14 May 2015 and will expire on 31 December 2017.

Annual caps

The following annual caps are applicable to the above continuing connected transactions:

	Maximum Daily Closing Balance	Annual Caps		
	For the eight months ended 31 December HK$'000	For the eight months ended 31 December HK$'000	For the year ending 31 December HK$'000	
Agreements	**2015**	**2015**	**2016**	**2017**
Deposit Services Framework Agreement *— Provision of deposit services (including interests accrued thereon)*	272,449	296,000	345,000	394,000
Loan Services Framework Agreement *— Provision of secured loan services*	1,965,923	4,271,000	7,898,000	11,096,000
Assignment of FLRs Framework Agreement *— Assignment of finance lease receivables*	Nil	936,000	1,560,000	2,496,000

The transactions contemplated under the Loan Services Framework Agreement and the Assignment of FLRs Framework Agreement were proposed to and passed by the independent shareholders by way of ordinary resolution at the Company's extraordinary general meeting held on 30 June 2015.

Details of the above transactions are set out in the Company's announcement dated 14 May 2015 and 14 December 2015 and in the Company's circular dated 15 June 2015 respectively.

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

(d) Confirmation of Independent Non-Executive Directors

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

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

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

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

(e) Confirmation of the Auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group on pages 70 to 72 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules.

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

BUSINESS REVIEW

The business review of the Company are set out in "Chairman Statement" and "Management Discussion and Analysis" on pages 18 to 28 of this annual report.

AUDIT COMMITTEE AND REVIEW OF THE FINANCIAL STATEMENTS

The Company's Audit Committee comprises four members, namely Mr. NG Ming Wah, Charles (Chairman of the Audit Committee), Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. GUO Zibin, among whom, three are independent non-executive directors. The Committee has reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2015.

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

AUDITOR

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

By order of the Board
China Aircraft Leasing Group Holdings Limited

Chen Shuang
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 22 March 2016

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. CHEN Shuang

Chairman, Executive Director and Chief Executive Officer

Mr. CHEN Shuang, aged 48, is the Chairman, Chief Executive Officer and an Executive Director and is also the Chairman of each of Strategy Committee and Sustainability Steering Committee of the Company. Mr. CHEN was appointed as the Chairman and Non-executive Director on 12 August 2013 and was appointed as Chief Executive Officer and re-designated as Executive Director on 18 June 2015. Mr. CHEN is responsible for formulating and reviewing the Group's overall strategic planning and managing overall business operations.

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

Mr. CHEN was (i) an independent director of Noah Holdings Limited, a company listed on the New York Stock Exchange (stock code: NOAH.N) from November 2010 to April 2015; (ii) a supervisor of China Everbright Bank Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: SH601818) from December 2007 to October 2014; (iii) a director of Everbright Securities Company Limited, a company listed on the Shanghai Stock Exchange (stock code: SH601788) from August 2007 to October 2014; and (iv) an independent non-executive director of China Nonferrous Mining Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1258) from June 2012 to August 2014.

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

Ms. LIU Wanting

Executive Director, Deputy Chief Executive Officer and Chief Commercial Officer

Ms. LIU Wanting, aged 34, is an Executive Director, Deputy Chief Executive Officer and Chief Commercial Officer. Within the Group, Ms. LIU is also a director of certain subsidiaries of the Company and a member of each of its Strategy Committee and Sustainability Steering Committee. Ms. LIU is responsible for the Group's overall strategic planning and implementation, as well as managing overall commercial operations, including business development, aircraft trading and global marketing, financing arrangements, technical and asset management.

Ms. LIU joined the Group in June 2006. She has established extensive network with airlines, banks, financial institutions, governments, as well as aircraft manufacturers through long-term mutually beneficial cooperation.

Ms. LIU is currently a director of 中僑融資租賃有限公司 (Sino Asset Financial Leasing Limited), a company established in China and an associate of Friedmann Pacific Asset Management Limited which is one of the controlling shareholders of the Company. She is also the vice president of China Group Companies Promotion Association (中國集團公司促進會) and a founding member of Chinese Financial Association of Hong Kong (香港中國金融協會). Ms. LIU is the vice chairman of the Aviation Safety 《航空安全》magazine of the Aviation Safety Office under the Civil Aviation Administration of China (中國民用航空局航空安全辦公室), with a term from July 2014 to 2016. Ms. LIU was our representative in the Leasing Committee of China Association Enterprise with Foreign Investment from April 2010 to April 2011.

Ms. LIU holds a master's degree in communication management from Hong Kong Baptist University. She is currently an EMBA candidate at the PBC School of Finance at Tsinghua University in the PRC. Ms. LIU has given speeches in various conferences and forums on leasing and also delivered lectures to financing experts in the Greater China Region from time to time. Ms. LIU is also actively engaged in social contribution activities. She is a permanent member of Yes We Do Foundation and an active participant of Orbis' charity events.

Mr. TANG Chi Chun

Non-executive Director

Mr. TANG Chi Chun, aged 54, is a Non-executive Director appointed on 12 August 2013 and is also a member of Strategy Committee of the Company. Mr. TANG is responsible for the business development and advising on financial related operations of the Group.

Mr. TANG is an executive director and the chief financial officer of China Everbright Limited, a company listed on the Hong Kong Stock Exchange (stock code: 165). Mr. TANG was a director of Everbright Securities Company Limited, a company listed on the Shanghai Stock Exchange (stock code: SH601788), during the period from February 2008 to January 2011.

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

Mr. TANG is a certified public accountant and is a graduate of the Accountancy Department at the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). Mr. TANG is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a founding member of Hong Kong Business Accountants Association. Mr. TANG has over 30 years of experience in audit, investment, accounting, and finance.

Mr. GUO Zibin

Non-executive Director

Mr. GUO Zibin, aged 47, is a Non-executive Director appointed on 10 March 2014 and also a member of Audit Committee of the Company. Mr. GUO is responsible for attending meetings of the Board to perform duties as a member of the Board, but not participating in the day-to-day management of our business operations.

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

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

Ms. CHEN Chia-Ling

Non-executive Director

Ms. CHEN Chia-Ling, aged 45, is a Non-executive Director appointed on 19 January 2016.

Ms. CHEN holds a master's degree in international business from the University of Bristol in the United Kingdom and a bachelor's degree from York University in Canada. Ms. CHEN has over 20 years of experience in the financial services industry and over 10 years of experience in asset management, including experience with regard to launching exchange-traded funds ("ETF"). Since 2015, Ms. CHEN has been appointed as an independent trustee of CSOP ETF Trust ("CSOP Trust") and a member of the board of trustees of CSOP Trust. As of 31 December 2015, CSOP Trust consisted of three investment portfolios: CSOP FTSE China A50 ETF (AFTY:US), CSOP China CSI 300 A-H Dynamic ETF (HAHA:US) and CSOP MSCI China A International Hedged ETF (CNHX:US), all of which are listed on the New York Stock Exchange. Currently, Ms. CHEN is also a director of Chyang Sheng Dyeing & Finishing Co., Ltd. (1463:TW), a company listed on Taiwan Stock Exchange.

From September 2013 to October 2014, Ms. CHEN was a director of China Asset Management (Hong Kong) Limited ("CAMHK") as the manager of ChinaAMC ETF series which are listed on Hong Kong Stock Exchange. Ms. CHEN was also the chief executive officer ("CEO") of CAMHK from 2011 to 2014. Prior to taking over the CEO role, Ms. CHEN was the head of business development in charge of new business development including the infrastructure from 2009 to 2011. Before joining CAMHK, Ms. CHEN served as head of sales (Greater China) at Deutsche Asset Management (Hong Kong) Limited and a director of the Equity Derivatives Desk at ABN AMRO Bank.

Mr. FAN Yan Hok, Philip

Independent Non-executive Director

Mr. FAN Yan Hok, Philip, aged 66, is an Independent Non-executive Director appointed on 11 September 2013. Mr. FAN is also the chairman of Remuneration Committee and a member of Nomination Committee of the Company. Mr. FAN is currently holding directorships in the following companies listed on the securities market in Hong Kong or overseas:

Name of listed company	Securities exchange and stock code	Position held
China Everbright International Limited	Hong Kong Stock Exchange: 257	Independent non-executive director
Hysan Development Company Limited	Hong Kong Stock Exchange: 14	Independent non-executive director
First Pacific Company Limited	Hong Kong Stock Exchange: 142	Independent non-executive director
Goodman Group	Australian Stock Exchange: GMG	Independent director
Guolian Securities Co., Ltd.	Hong Kong Stock Exchange: 1456	Independent non-executive director

In the last three years, Mr. FAN had held directorships in the following companies listed on the securities market in Hong Kong or overseas:

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

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

Mr. NG Ming Wah, Charles

Independent Non-executive Director

Mr. NG Ming Wah, Charles, aged 66, is an Independent Non-executive Director appointed on 11 September 2013. Mr. NG is also the chairman of Audit Committee and a member of each of Nomination Committee and Remuneration Committee of the Company. Mr. NG obtained a bachelor of science degree in electronic and electrical engineering from Loughborough University in England in 1972 and a master of science degree in business studies from London Graduate School of Business Studies, University of London (now London Business School) in England in 1974. Mr. NG is a director of Somerley Capital Limited, a company licenced to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Mr. NG is also a non-executive director of Goldlion Holdings Limited (stock code: 533), a company listed on the Hong Kong Stock Exchange and is also a member of each of its audit, remuneration and nomination committees. In addition, Mr. NG is a member of the Board of Governors of the Hong Kong Arts Centre. Mr. NG has more than 40 years of experience in finance and management and he has had extensive experience in reviewing and analysing in depth financial statements of public companies together with extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements. Our executive Directors have considered Mr. NG's education, qualifications and experience and are satisfied that Mr. NG has the necessary training and experience for the purpose of Rule 3.10(2) of the Listing Rules.

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

Mr. NIEN Van Jin, Robert

Independent Non-executive Director

Mr. NIEN Van Jin, Robert, aged 68, is an Independent Non-executive Director appointed on 27 August 2014. Mr. NIEN is also a chairman of Nomination Committee and a member of each of Audit Committee and Remuneration Committee of the Company. Mr. NIEN was an executive director of Hopewell Holdings Limited ("Hopewell") (stock code: 0054), a company listed on the Hong Kong Stock Exchange, during 1980 to 2010, and then became a principal consultant during 2010 to 2011. He retired from Hopewell in July 2011. Before joining Hopewell in 1976, he worked with a renowned multi-national bank during 1972 to 1976. Mr. NIEN holds a bachelor's degree in economics from the University of Pennsylvania and a master's degree in business administration from the Wharton Graduate School of Business. He is a member of the Hong Kong Institute of Directors. Mr. NIEN has over 40 years' extensive financing experience in property in Hong Kong and infrastructure projects in PRC Pearl River Delta area, particularly in power plant and highway. He also has experience in the areas of corporate governance and corporate public relations.

Mr. CHEOK Albert Saychuan

Independent Non-executive Director

Mr. CHEOK Albert Saychuan, aged 65, is an Independent Non-executive Director appointed on 8 May 2015. Mr. NIEN is also a member of each of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr. CHEOK graduated from the University of Adelaide, Australia with First Class Honours in Economics. Mr. CHEOK is a Fellow of CPA Australia. He is a banker with over 35 years of experience in banking and business consultancy in the Asia-Pacific region. Mr. CHEOK is also the Vice President of the Board of Governors of the Malaysian Institute of Corporate Governance.

Between May 1979 and February 1982, Mr. CHEOK was an Advisor to the Australian Government Inquiry into the Australian Financial System which introduced comprehensive reforms to the Australian banking system. He was the Chief Manager at the Reserve Bank of Australia from October 1988 to September 1989 before becoming the Deputy Commissioner of Banking of Hong Kong for about three and a half years. He was subsequently appointed as an executive director in charge of Banking Supervision at the Hong Kong Monetary Authority from April 1993 to May 1995. Mr. CHEOK was the Chairman of Bangkok Bank Berhad in Malaysia, a wholly-owned subsidiary of Bangkok Bank of Thailand, from September 1995 to November 2005. Mr. CHEOK was formerly the Vice Chairman of Export and Industry Bank, Inc., which is listed on The Philippine Stock Exchange, from February 2006 to April 2012. Mr. CHEOK was also an independent non-executive director of Metal Reclamation Berhad, a public listed company in Malaysia from 1 July 1998 to 17 June 2015.

Mr. CHEOK is the independent non-executive Chairman of Auric Pacific Group Limited of Singapore, a food group listed in Singapore. He is the independent non-executive Chairman of Bowsprit Capital Corporation Limited, the Manager of First Real Estate Investment Trust ("REIT"), a listed healthcare REIT in Singapore and the independent non-executive Chairman of Lippo Malls Indonesia Retail Trust ("LMIRT") Management Limited, the Manager of LMIRT, a listed shopping mall REIT in Singapore. He is also the independent non-executive Chairman of Amplefield Limited, listed in Singapore. Mr. CHEOK is the independent non-executive Chairman and an independent non-executive director of AcrossAsia Limited and International Standard Resources Holdings Limited, both public listed companies in Hong Kong. He is also an independent non-executive director of Hongkong Chinese Limited in Hong Kong and Adavale Resources Limited in Australia. Outside his various board capacities, Mr. CHEOK is a well accomplished personal investment banker and financial adviser to select clients in Hong Kong, China and South East Asia. In this capacity he has been involved in several high profile mergers and acquisitions, asset acquisitions, corporate re-structuring, corporate strategies, brand image and building and private fund management. He has also been an adviser to Governments in various capacities.

SENIOR MANAGEMENT

Mr. MOK Chung Tat, Barry

Deputy Chief Executive Officer and Chief Financial Officer

Mr. MOK Chung Tat, Barry, aged 57, joined the Company on 1 June 2015 as Chief Financial Officer. He was appointed as Deputy Chief Executive Officer on 14 December 2015. Mr. MOK is responsible for the Group's overall strategic planning and implementation. He also oversees the financing, accounting and risk management as well as other corporate functions including legal and compliance, company secretary, human resources and administration, as well as investor and public relations.

Mr. MOK has held senior management positions in major listed companies in Hong Kong. He has over 30 years of extensive corporate and banking experience, and has arranged around HK$ 500 billion debt capital market facilities.

Mr. MOK was previously an executive director of Hopewell Holdings Limited (SEHK Stock Code: 054) and Hopewell Highway Infrastructure Limited (SEHK Stock Code: 737). Mr. MOK worked for BOCI Capital Limited from 1987 to 2004. His last position with the bank was the chief executive, overseeing the debt capital market businesses of the Bank of China group in Hong Kong.

Mr. MOK obtained his Bachelor Degree in Economics/Accounting from the University of Reading, United Kingdom. He was the founding board member of the Asian Pacific Loan Market Association when it was established in 1998.

Mr. TANG Yu Ping, Pitney

Chief Operating Officer

Mr. TANG Yu Ping, Pitney, aged 46, is the Chief Operating Officer, oversees all aspects of transaction-related functions and responsible for transaction planning and closing, business analysis and pricing, financial risk management, tax planning, structured finance as well as transaction legal. Mr. TANG joined the Group on 7 November 2011 as financial controller responsible for financial management and accounting. Mr. TANG is also the alternate director of China Aircraft Assets Ltd (incorporated in Labuan, Malaysia), a wholly-owned subsidiary of the Company.

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

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

Mr. Jens Christian DUNKER

Senior Vice President — Aircraft Trading and Global Marketing

Mr. Jens Christian DUNKER, aged 50, joined the Group in June 2011 and currently acts as Senior Vice President — Aircraft Trading and Global Marketing, leading the Group's aircraft sales and procurement as well as its global marketing activities. He obtained a master's degree in air transport management from the College of Aeronautics of the Cranfield Institute of Technology in the United Kingdom in 1993. In 1994, he completed the degree course in aerospace engineering at Technische Universität Berlin.

Mr. DUNKER worked for Deutsche Lufthansa AG from 1994 to 1998, as project manager and later as aircraft purchasing manager. He worked for Dornier Luftfahrt GmbH, a regional aircraft manufacturer, from 1998 to 1999. As sales engineering manager, he was responsible for the sales support of the Dornier 728JET new aircraft project. From 2000 to 2007, as the head of aircraft finance of TUI AG, Mr. DUNKER was responsible for the financing and asset management of a fleet of up to 130 aircraft. Since then, Mr. DUNKER has been acting as an independent consultant for various airlines and investors. Mr. DUNKER has over 20 years of experience in the aircraft industry with a focus on aircraft purchase, operating leasing and financing. During his career, Mr. DUNKER has been managing aircraft sales, leases and acquisitions with a total transaction value in excess of US$15 billion.

Mr. DUAN Xiaoge, Jerry

Senior Vice President — Technical and Asset Management

Mr. DUAN Xiaoge, Jerry, aged 49, is the Senior Vice President — Technical and Asset Management, in charge of technical and asset management of the Group. Mr. DUAN joined the Group on 17 July 2007 as a consultant and has become a full-time employee of the Group effective from 1 March 2013. Mr. DUAN obtained a degree of bachelor of professional aeronautics from the College of China Civil Aviation (中國民用航空學院) (currently known as Civil Aviation University of China) in 1988. Mr. DUAN further completed a professional manager MBA programme (職業經理MBA課程研修班) organised by Xi'an Jiaotong University (西安交通大學) in 2007. Mr. DUAN was qualified as an assistant engineer of China Northwest Airlines in 1989. Mr. DUAN is a qualified civil aircraft maintenance personnel of China Aviation Administration of China since 1994.

Prior to joining the Group, Mr. DUAN worked as an independent contracted technical consultant of GE Capital Aviation Services from 2000 to March 2012 where he was responsible for aircraft transactions, delivery and re-delivery of aircraft, delivery assignment, and managing aircraft alterations. Mr. DUAN has over 28 years of experience in the aircraft industry, focusing on aircraft maintenance and engineering, project consultancy and planning.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries set out on pages 81 to 162, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2016

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
ASSETS			
Property, plant and equipment	5	**2,412,544**	1,706,695
Finance lease receivables – net	6	**16,473,038**	11,443,485
Derivative financial assets	17	**19,439**	14,979
Prepayments and other receivables	7	**3,444,332**	3,503,360
Restricted cash	8	**208,387**	218,951
Cash and cash equivalents	9	**1,389,289**	1,425,570
Total assets		**23,947,029**	18,313,040
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	**60,592**	58,578
Reserves	11	**1,437,497**	1,273,531
Retained earnings		**690,452**	429,171
		2,188,541	1,761,280
Non-controlling interests	32	**19,461**	19,416
Total equity		**2,208,002**	1,780,696
LIABILITIES			
Deferred income tax liabilities	12	**122,132**	67,161
Bank borrowings	13	**18,775,249**	15,342,648
Long-term borrowings	14	**794,221**	642,116
Medium-term notes	15	**400,547**	—
Convertible bonds	16	**796,506**	—
Derivative financial liabilities	17	**32,103**	33,361
Income tax payables		**37,654**	21,991
Interest payables		**73,303**	42,411
Other payables and accruals	18	**707,312**	382,656
Total liabilities		**21,739,027**	16,532,344
Total equity and liabilities		**23,947,029**	18,313,040

The notes on pages 89 to 162 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 162 were approved by the Board of Directors on 22 March 2016 and were signed on its behalf.

CHEN Shuang
Director

LIU Wanting
Director

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Revenue			
Finance lease income	19	**1,015,395**	714,724
Operating lease income	19	**223,881**	182,127
		1,239,276	896,851
Other income	20	**310,026**	248,114
Revenue and other income		**1,549,302**	1,144,965
Expenses			
Interest expense	21	**(753,691)**	(520,532)
Depreciation	5	**(91,298)**	(71,312)
Other operating expenses	22	**(223,258)**	(199,886)
		(1,068,247)	(791,730)
Operating profit		**481,055**	353,235
Other (losses)/gains	24	**(814)**	27,480
Profit before income tax		**480,241**	380,715
Income tax expense	25	**(100,031)**	(78,049)
Profit for the year		**380,210**	302,666
Profit attributable to:			
Owners of the Company		**380,165**	302,750
Non-controlling interests		**45**	(84)
		380,210	302,666
Earnings per share for profit attributable to owners of the Company (expressed in HK$ per share)			
— Basic earnings per share	26(a)	**0.636**	0.577
— Diluted earnings per share	26(b)	**0.624**	0.545

The notes on pages 89 to 162 are an integral part of these consolidated financial statements.

Details of the dividends proposed and paid for the year are disclosed in Note 27.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Profit for the year		**380,210**	302,666
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of interest rate swaps — cash flow hedges	17	**4,734**	(40,461)
Reclassified from other comprehensive income to profit or loss			
— cash flow hedges	17	**1,844**	(1,267)
Currency translation differences		**(795)**	(2,023)
Total other comprehensive income for the year, net of tax		**5,783**	(43,751)
Total comprehensive income for the year		**385,993**	258,915
Attributable to:			
Owners of the Company		**385,948**	258,999
Non-controlling interests		**45**	(84)
		385,993	258,915

The notes on pages 89 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000	Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2014	78	743,099	195,421	938,598	19,500	958,098
Comprehensive income						
Profit for the year	—	—	302,750	302,750	(84)	302,666
Other comprehensive income						
Change in fair value of interest rate swaps — cash flow hedges (Note 17)	—	(40,461)	—	(40,461)	—	(40,461)
Reclassified from other comprehensive income to profit or loss — cash flow hedges (Note 17)	—	(1,267)	—	(1,267)	—	(1,267)
Currency translation differences	—	(2,023)	—	(2,023)	—	(2,023)
Total comprehensive income	—	(43,751)	302,750	258,999	(84)	258,915
Transactions with owners						
Issue of new shares	11,681	608,996	—	620,677	—	620,677
Share repurchase and cancellation	(78)	78	—	—	—	—
Capitalisation of shares	46,897	(46,897)	—	—	—	—
Employee share option scheme:						
— Value of employee services (Note 11(a))	—	12,006	—	12,006	—	12,006
Dividends (Note 27)	—	—	(69,000)	(69,000)	—	(69,000)
Total transactions with owners	58,500	574,183	(69,000)	563,683	—	563,683
Balance as at 31 December 2014	58,578	1,273,531	429,171	1,761,280	19,416	1,780,696

The notes on pages 89 to 162 are an integral part of these consolidated financial statements.

	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 as at 1 January 2015	**58,578**	**1,273,531**	**429,171**	**1,761,280**	**19,416**	**1,780,696**
Comprehensive income						
Profit for the year	—	—	380,165	380,165	45	380,210
Other comprehensive income						
Change in fair value of interest rate swaps — cash flow hedges (Note 17)	—	4,734	—	4,734	—	4,734
Reclassified from other comprehensive income to profit or loss — cash flow hedges (Note 17)	—	1,844	—	1,844	—	1,844
Currency translation differences	—	(795)	—	(795)	—	(795)
Total comprehensive income	**—**	**5,783**	**380,165**	**385,948**	**45**	**385,993**
Transactions with owners						
Employee share option scheme:						
— Value of employee services (Note 11(a))	—	12,182	—	12,182	—	12,182
— Issue of new shares from exercise of share options (Note 10(c))	2,014	29,460	—	31,474	—	31,474
Convertible bonds — equity component (Note 16)	—	116,541	—	116,541	—	116,541
Dividends (Note 27)	—	—	(118,884)	(118,884)	—	(118,884)
Total transactions with owners	**2,014**	**158,183**	**(118,884)**	**41,313**	**—**	**41,313**
Balance as at 31 December 2015	**60,592**	**1,437,497**	**690,452**	**2,188,541**	**19,461**	**2,208,002**

The notes on pages 89 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Profit after income tax		**380,210**	302,666
Adjustments for:			
— Depreciation of property, plant and equipment		**91,298**	71,312
— Interest expense		**753,691**	520,532
— Share-based payments		**12,182**	12,006
— Unrealised currency exchange loss		**7,426**	4,260
— Fair value gain on currency swap		**(1,183)**	(15,935)
— Fair value loss on interest rate swap		**3,225**	—
— Interest income		**(1,728)**	(1,376)
		1,245,121	893,465
Changes in working capital:			
— Finance lease receivables – net		**(4,906,045)**	(3,806,252)
— Prepayments and other receivables		**8,622**	(156,748)
— Other payables and accruals		**272,570**	176,383
— Income tax payables		**15,663**	13,378
— Deferred income tax liabilities		**56,120**	40,894
Net cash flows used in operating activities		**(3,307,949)**	(2,838,880)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(800,333)**	(299,017)
Deposit for purchase of land use rights		**(195,231)**	—
Deposits refund/(paid) for acquisition of aircraft		**296,017**	(1,173,953)
Interest received		**1,728**	1,376
Net cash flows used in investing activities		**(697,819)**	(1,471,594)
Cash flows from financing activities			
Proceeds from issuance of new shares		**31,474**	620,677
Proceeds from bank borrowings		**9,114,823**	7,832,293
Proceeds from long-term borrowings		**152,631**	492,423
Repayments of bank borrowings		**(5,681,754)**	(3,867,049)
Repayments of long-term borrowings		**(426)**	(116)
Interest paid on bank borrowings		**(745,321)**	(501,077)
Interest paid on long-term borrowings		**(42,190)**	(12,953)
Interest paid on convertible bonds		**(29,696)**	—
Decrease/(increase) in deposits pledged in respect of bank borrowings		**32,491**	(91,419)
Increase in deposits pledged in respect of derivative financial instruments		**(26,519)**	(25,764)
Issue of convertible bonds, net of transaction costs		**876,676**	—
Issue of medium-term notes, net of transaction costs		**422,674**	—
Dividend paid to shareholders	27	**(118,884)**	(69,000)
Net cash flows generated from financing activities		**3,985,979**	4,378,015
Net (decrease)/increase in cash and cash equivalents		**(19,789)**	67,541
Cash and cash equivalents at beginning of the year		**1,425,570**	1,367,344
Currency exchange difference on cash and cash equivalents		**(16,492)**	(9,315)
Cash and cash equivalents at end of the year		**1,389,289**	1,425,570

The notes on pages 89 to 162 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern

As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK$1,873.2 million (Note 3.1.3). Together with the acquisition of two additional aircraft subsequent to year-end (Note 33), the Group had capital commitments amounting to HK$41,091.2 million, mainly relating to acquisition of aircraft (Note 30), of which HK$5,558.2 million is payable within one year. In view of such circumstance, the directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

— The net current liabilities position of the Group is mainly because the Group uses short-term borrowings to finance the pre-delivery payments ("PDP") to the aircraft manufacturer when the new aircraft ordered by the Group are being built. PDP represents approximately 30% to 40% of the purchase consideration of the aircraft. The Group normally uses PDP financing for settlement of PDP and PDP financing is repayable after the aircraft is delivered. As at 31 December 2015, PDP amounting to HK$2,942.2 million had been paid (Note 7) and the balance of the corresponding PDP financing amounted to HK$2,063.6 million (Note 13), of which HK$1,247.7 million is repayable within one year and is related to aircraft to be delivered in 2016. The Group uses long-term aircraft borrowings for the repayment of PDP financing and the settlement of the balance payments of aircraft acquisition costs. However, the long-term aircraft borrowings can only be confirmed shortly before delivery of the relevant aircraft. Based on the industry practice and prior experience, long-term aircraft borrowings would be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in 2016 and thus the directors of the Company believe that long-term aircraft borrowings can be obtained to settle PDP financing and the balance payments of the aircraft acquisition costs due in 2016.

— According to the relevant aircraft purchase agreements (including the acquisition of 2 additional aircraft subsequent to year-end), PDP scheduled to be paid in the next twelve months from 31 December 2015 amounted to HK$1,626.4 million. As at the approval date of the consolidated financial statements, the Group had signed PDP financing agreements with various commercial banks which agree to provide financing of US$66.3 million (equivalent to HK$513.7 million) to the Group during 2016. The Group also obtained term sheets from two banks which agree, in principle, to provide total PDP financing facility of US$142.0 million (equivalent to HK$1,100.6 million) to the Group. Such PDP financing facility is available till 31 December 2018, of which US$118.2 million (equivalent to HK$916.1 million) will be drawn down in the next twelve months from 31 December 2015 subject to the signing and execution of the loan agreements. The remaining balance of PDP amounting to HK$196.6 million is to be funded by internally generated financial resources of the Group and additional financing expected to be obtained. As at the approval date of the consolidated financial statements, two commercial banks have granted the Group certain working capital facilities amounting to US$40.0 million (equivalent to HK$310.0 million), which are available in the coming twelve months from 31 December 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) ***Going concern*** *(continued)*

— The Group entered into cooperative agreements with certain banks pursuant to which these banks agreed to provide to the Group conditional loan facilities for aircraft acquisition. The granting of each specific loan will be subject to the banks' credit assessments and approvals and the agreement of terms and conditions of the respective loan agreements, which will only be confirmed shortly before the delivery of the relevant aircraft.

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

The directors of the Company have reviewed the Group's cash flow projections prepared by management, covering a period of not less than twelve months from the balance sheet date. Based on these projections, the sufficiency of cash flows for the Group's present requirements for the next twelve months from 31 December 2015 is heavily dependent on the Group's ability to obtain the necessary funding from the long-term aircraft borrowings and the availability of banking and other sources of financing. Based on the industry practice and prior experience, the directors are of the view that long-term aircraft borrowings can be obtained as the related lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in 2016.

On this basis, the directors of the Company are of the opinion that, taking into account the Group's operating performance and business prospects, internal resources, available banking facilities that have been granted or will be granted as detailed above, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 31 December 2015. Accordingly, the directors consider that the Group will be in a position to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

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

(i) *New and amended standards adopted by the Group*

The following amendments to Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(i) New and amended standards adopted by the Group (continued)

Amendments from annual improvements to HKFRSs — 2010–2012 Cycle, on HKFRS 8, "Operating segments", HKAS 16, "Property, plant and equipment" and HKAS 38, "Intangible assets" and HKAS 24, "Related party disclosures".

Amendments from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 3, "Business combinations", HKFRS 13, "Fair value measurement" and HKAS 40, "Investment property".

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

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

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

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is assessing the impact of HKAS 9 adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(iii) New standards and interpretations not yet adopted (continued)

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKAS 15 adoption.

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

2.2 Subsidiaries

(a) Consolidation

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(a) Consolidation (continued)

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

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

(b) Separate financial statement

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

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

(c) Structured entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

(c) *Group companies*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

2.6 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Financial assets

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

During the year ended 31 December 2015, other than loans and receivables and derivatives at fair value through profit or loss, the Group did not hold any financial assets in other categories.

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

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

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

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

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

2.8 Offsetting financial instruments

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

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

As at 31 December 2015, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements were not material to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of financial assets carried at amortised cost

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

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

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

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

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

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

2.10 Derivative financial instruments and hedging activities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Derivative financial instruments and hedging activities *(continued)*

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

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

Cash flow hedges

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

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Borrowings and borrowing costs

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

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

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

Other borrowing costs are expensed as incurred.

2.14 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits

(a) Employee leave entitlements

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

(b) Pension obligations

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

(c) Profit-sharing and bonus plan

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

2.17 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Share-based payments *(continued)*

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

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

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

(b) Share-based payment transactions among group entities

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

(c) Social security contributions on share options gains

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

2.18 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Leases

(a) Where the Group is the lessor

Finance lease

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

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

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

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

Operating lease

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

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

(b) Where the Group is the lessee

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Revenue recognition

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

(a) Finance lease income

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

(b) Operating lease income

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

(c) Interest income

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

(d) Service income

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

2.21 Government grants

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

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

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

2.22 Financial guarantee contracts

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Financial guarantee contracts *(continued)*

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

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

2.23 Dividend distribution

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

2.24 Segment information

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 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$. The aircraft leasing income and the corresponding borrowings used to finance the leases are mainly denominated in US$ and RMB. Currency exchange risk may arise when the lease receivables and corresponding borrowings are denominated in different currencies. The management minimises the currency exchange risk by matching the lease receivables and borrowings under the same currency and considers hedging significant currency exchange exposure where necessary and appropriate.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk (continued)

(b) Cash flow and fair value interest rate risk

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 aircraft leases with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the leases and the corresponding bank borrowings do not match. As at 31 December 2015, there are 30 aircraft where the effective interest rates implicit in leases and the associated bank borrowings do not match (2014: 21 aircraft). Given the above scenario, the Group has managed its cash flow interest rate risk by entering into 13 floating-to-fixed interest rate swaps for the associated bank borrowings for as at 31 December 2015 (2014: 9 swaps). 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, the Group monitors the interest rate exposure closely and will consider hedging the exposure where necessary and appropriate.

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 31 December 2014 and 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 by approximately HK$17,093,000 (2014: HK$26,367,000); and would also have increased/decreased the Group's reserves by approximately HK$48,854,000 (2014: HK$51,203,000), because of the impact of cash flow hedge interest derivatives.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in economy, or in the health of the industry segment that represents a concentration in the Group's portfolio (see (d) below), could result in losses that are different from those provided for at the balance sheet date. The Group 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 as disclosed in the notes to the consolidated financial statements. 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 three investment banks, 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 the Group may apply towards the payment or discharge of any obligation owed by the lessee.

(b) Risk limit control and mitigation policies

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

(c) Impairment allowance policies

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

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

Finance lease receivables and financial assets of the Group are neither past due nor impaired. The Group has not encountered any delay or default in the collection of lease receivable balances. No impairment allowance was made for finance lease receivables and financial assets of the Group as at 31 December 2015 (31 December 2014: Nil).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.2 Credit risk *(continued)*

(d) Concentration of credit risk

During the year ended 31 December 2015, all the lessees of the Group are airline companies located in Mainland China and other countries or regions in Asia. Please see Notes 6 and 19 for an analysis of lease receivables and lease income by airline companies. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased asset.

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

3.1.3 Liquidity risk

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

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Current assets		
Finance lease receivables – net	**515,273**	363,624
Prepayments and other receivables	**114,563**	109,937
Cash and cash equivalents	**1,389,289**	1,425,570
	2,019,125	1,899,131
Current liabilities		
Bank borrowings	**3,411,695**	4,689,521
Long-term borrowings	**784**	611
Convertible bonds	**10,092**	—
Income tax payables	**37,654**	21,991
Interest payables	**73,303**	42,411
Other payables and accruals	**358,818**	382,656
	3,892,346	5,137,190
Net current liabilities	**(1,873,221)**	(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 twelve months from the balance sheet date.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 *Liquidity risk* *(continued)*

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2015					
Financial assets					
Finance lease receivables (i)	1,604,293	1,592,091	4,916,784	12,980,389	21,093,557
Other receivables excluding prepayments	103,718	—	—	—	103,718
Restricted cash	—	—	—	208,387	208,387
Cash and cash equivalents	1,389,289	—	—	—	1,389,289
Off-balance sheet — operating lease receivables (ii)	288,178	288,178	697,523	982,521	2,256,400
Derivative financial instruments	(928)	(1,962)	6,480	16,148	19,738
	3,384,550	1,878,307	5,620,787	14,187,445	25,071,089
Financial liabilities					
Bank borrowings	4,140,853	2,321,671	4,816,092	12,011,037	23,289,653
Long-term borrowings	55,262	56,105	168,371	1,127,491	1,407,229
Medium-term notes	26,392	26,392	485,203	—	537,987
Convertible bonds	57,991	57,991	921,166	—	1,037,148
Other payables and accruals (iii)	179,976	24,059	50,972	119,123	374,130
Off-balance sheet — operating lease commitments (iv)	18,153	16,848	16,481	—	51,482
Derivative financial instruments	25,424	11,026	(1,909)	(2,584)	31,957
	4,504,051	2,514,092	6,456,376	13,255,067	26,729,586
Net	(1,119,501)	(635,785)	(835,589)	932,378	(1,658,497)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk *(continued)*

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk (continued)

The Group has arranged for financing for the PDP for the acquisition of aircraft. The Group may use short-term borrowings to support its financing needs for the PDPs when the long-term bank borrowings were not available. Such short-term borrowings will be replaced by long-term bank borrowings upon the delivery of the aircraft as scheduled. As at 31 December 2015, the Group has made PDP amounting to HK$2,942,155,000 (2014: HK$3,241,157,000). PDP is prepayments in nature which do not represent contractual cash inflows and thus are not included in the analysis of the remaining contractual maturities above. The balance of PDP financing amounted to HK$2,063,645,000 as at 31 December 2015 (2014: HK$2,304,913,000). The analysis above includes the remaining contractual maturities of PDP financing.

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

3.1.4 Unconsolidated structured entities and transferred finance lease receivables

Certain wholly-owned subsidiaries of the Group (collectively "the CALC SPCs") signed contracts with trust plans, pursuant to which, the CALC SPCs transferred to the trust plans their future aircraft finance lease receivables under their separate aircraft leasing agreements with airline companies. The gross, undiscounted amount of the finance lease receivables due and payable up to the end of lease terms of the aircraft leasing agreements ("undiscounted amount"), the discounted carrying amount of these finance receivables at the date of the transfer ("discounted amount") and the consideration for the transfer ("consideration") for the year ended 31 December 2015 are set out below.

	Undiscounted amount HK$'000	Discounted amount HK$'000	Consideration HK$'000
For the year ended 31 December 2015	**586,133**	**402,666**	**463,986**
For the year ended 31 December 2014	1,913,495	1,301,386	1,452,455

The trust plans also appointed the CALC SPCs as the service agent to collect the lease rentals from the airline companies. The services to be provided include maintaining relationship with the airline companies, collecting of rental on behalf the trust plan, following up assessments of the lease item, inquiring and reporting on lease rentals collection. CALC SPCs recognised service fee income over the lease servicing period. For the year ended 31 December 2015, service fee income of HK$218,000 (2014: HK$217,000) was included in Group's other income.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

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

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

	Unconsolidated structured entities			
	Size HK$'000	Funding provided by the Group (Note (i)) HK$'000	Group's maximum exposure (Note (ii)) HK$'000	Interest held by Group
As at 31 December 2015	**2,314,345**	**6,008**	**121,560**	**Service fee**
As at 31 December 2014	1,913,561	6,361	121,674	Service fee

Note:

(i) The beneficiary of one of the trust plans has signed a currency swap arrangement with a bank to hedge its currency exposures arising from transfer of the lease rentals during the period from 27 February 2014 to 27 November 2023. The Group has placed a pledged deposit of HK$6,008,000 (2014: HK$6,361,000) to the bank in respect of this currency swap on behalf of the trust plan as at 31 December 2015 (Note 8). The Group does not need to bear any credit risk on this currency swap arrangement as the contract was signed between the beneficiary of the trust plan and the bank.

(ii) The Group converted the US$ lease rentals received on behalf of one of the trust plans during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement includes an embedded derivative – a currency swap contract. The notional principal of this currency swap contract amounted to US$15,684,296 (equivalent to HK$121,560,000). As at 31 December 2015, the fair value of this currency swap contract amounted to HK$16,148,000 (2014: HK$14,979,000) and the fair value gain of HK$1,183,000 was recognised in other gains and losses for the year ended 31 December 2015 (2014: gain of HK$15,935,000) (Note 17(a)).

Apart from that disclosed above, the Group did not provide financial or other support to the trust plan as at 31 December 2015. The Group has no current intentions to provide, or assist in the provision of, financial or other support in any future period.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, raise new debts, or adjust the amount of dividend paid to shareholders. No changes were made to the objectives, policies or processes for managing capital during the year ended 31 December 2015.

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

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Total liabilities	**21,739,027**	16,532,344
Total assets	**23,947,029**	18,313,040
Asset-liability ratio	**90.8%**	90.3%

3.3 Fair value estimation

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets and financial liabilities that were measured at fair value at 31 December 2014 and 2015.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2015				
Assets				
Currency swap	**—**	**16,148**	**—**	**16,148**
Interest rate swaps for hedging	**—**	**3,291**	**—**	**3,291**
	—	**19,439**	**—**	**19,439**
Liabilities				
Interest rate swaps for hedging	**—**	**32,103**	**—**	**32,103**
At 31 December 2014				
Assets				
Currency swap	—	14,979	—	14,979
Liabilities				
Interest rate swaps for hedging	—	33,361	—	33,361

The fair values of the interest rate swaps for hedging and the currency swap are determined by using valuation techniques, mainly discounted cash flow analysis. The Group uses its judgements to select the appropriate methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to the valuation models, including yield curves, 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.

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

The fair values of cash and cash equivalents, other receivables, interest payable and other payables approximate their carrying amounts because these financial assets and liabilities, which are short term in nature and mature within one year, are not sensitive to changes in inputs to valuation techniques.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

	31 December 2015		31 December 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	**HK$'000**	HK$'000	HK$'000
Finance lease receivables – net	**16,473,038**	**18,516,108**	11,443,485	13,141,127
Bank borrowings	**18,775,249**	**19,617,484**	15,342,648	16,203,738
Long-term borrowings	**794,221**	**887,854**	642,116	658,559
Medium-term notes	**400,547**	**400,547**	—	—
Convertible bonds	**796,506**	**796,506**	—	—

The fair values of finance lease receivables and borrowings are estimated by discounting the future cash flows at the current market rates available to the Group for similar financial instruments. The fair values of medium-term notes and convertible bonds approximated to their carrying amounts. The fair values are considered to be of level 2 within the fair value hierarchy.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Estimation of unguaranteed residual value on leased assets

Unguaranteed residual value is a portion of the residual value of a leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor. The unguaranteed residual value of the aircraft at the inception of the lease is based on management's estimates with reference to valuation reports issued by independent valuers. Please refer to Note 6 for the unguaranteed residual values recognised at the end of each reporting period. The estimation of unguaranteed residual value at the inception of the leases impacts the determination of unearned finance income. Subsequent to initial recognition, estimated unguaranteed residual values are reviewed regularly. If there is a reduction in the estimated unguaranteed residual value, the income allocation over the remaining lease term will be revised and the reduction in respect of net present value of unguaranteed residual value will be adjusted immediately in profit or loss. The directors of the Company are of the opinion that there had been no reduction in the carrying amount of the unguaranteed residual value as at 31 December 2015.

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

4.1 Critical accounting estimates and assumptions *(continued)*

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

The residual value of each aircraft is estimated by management and reasonably supported by an aircraft industry publication providing aircraft valuation for general reference. The residual values of the aircraft under the 57 (2014: 40) finance leases as at 31 December 2015 were approximately HK$6,142,055,000 (2014: HK$4,459,299,000). A 5% decrease in the expected residual value from the management's current estimates would result in a decrease in profit before income tax for the year ended 31 December 2015 by approximately HK$15,827,000 (2014: HK$10,663,000).

(b) *Income taxes and deferred tax*

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

In accordance with the corporate income tax laws in the PRC, a 5% or 10% withholding tax is levied on the dividend declared by the companies established in the PRC to their foreign investors starting from 1 January 2008. No deferred tax liability has been provided by the Group on the retained earnings of approximately HK$590,270,000 as at 31 December 2015 (2014: HK$283,531,000), expected to be retained by the subsidiaries in the PRC and not to be remitted out of the PRC in the foreseeable future.

(c) *Recognition of share-based compensation expenses*

The Company has granted share options. Binomial valuation model was used to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as the risk free interest rate, dividend yield, expected volatility and staff annual retention rate, is required to be made by the directors in applying the Binomial valuation model (Note 11 (a)).

(d) *Impairment loss for finance lease receivables*

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

(e) *Impairment of non-financial assets*

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

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

4.1 Critical accounting estimates and assumptions *(continued)*

(e) *Impairment of non-financial assets (continued)*

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

(f) *Fair values of derivative financial instruments*

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

4.2 Critical judgements in applying the Group's accounting policies

(a) *Determination of control over structured entities*

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

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

(b) *Classification of leases*

The Group has entered into certain aircraft leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased aircraft to the lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the aircraft from its consolidated balance sheet and has instead, recognised finance lease receivables in their place (Note 6). Otherwise the Group includes the aircraft under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

5 PROPERTY, PLANT AND EQUIPMENT

	Aircraft HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2014						
Cost	1,569,537	1,009	692	1,348	—	1,572,586
Accumulated depreciation	(83,991)	(479)	(404)	(585)	—	(85,459)
Net book amount	1,485,546	530	288	763	—	1,487,127
Year ended 31 December 2014						
Opening net book amount	1,485,546	530	288	763	—	1,487,127
Additions	297,138	73	—	1,806	—	299,017
Disposal	—	—	—	(133)	—	(133)
Depreciation	(70,340)	(331)	(173)	(468)	—	(71,312)
Currency translation difference	(7,988)	(12)	—	(4)	—	(8,004)
Closing net book amount	1,704,356	260	115	1,964	—	1,706,695
As at 31 December 2014						
Cost	1,858,257	1,078	692	2,686	—	1,862,713
Accumulated depreciation	(153,901)	(818)	(577)	(722)	—	(156,018)
Net book amount	1,704,356	260	115	1,964	—	1,706,695
Year ended 31 December 2015						
Opening net book amount	**1,704,356**	**260**	**115**	**1,964**	**—**	**1,706,695**
Additions	**791,229**	**3,462**	**—**	**2,231**	**15,397**	**812,319**
Depreciation	**(88,904)**	**(1,374)**	**(115)**	**(905)**	**—**	**(91,298)**
Currency translation difference	**(15,178)**	**21**	**—**	**(15)**	**—**	**(15,172)**
Closing net book amount	**2,391,503**	**2,369**	**—**	**3,275**	**15,397**	**2,412,544**
As at 31 December 2015						
Cost	**2,631,830**	**4,522**	**692**	**4,890**	**15,397**	**2,657,331**
Accumulated depreciation	**(240,327)**	**(2,153)**	**(692)**	**(1,615)**	**—**	**(244,787)**
Net book amount	**2,391,503**	**2,369**	**—**	**3,275**	**15,397**	**2,412,544**

Lease rentals amounting to HK$223,881,000 relating to the lease of aircraft for the year ended 31 December 2015 are included in "operating lease income" in the consolidated statement of income (2014: HK$182,127,000).

6 FINANCE LEASE RECEIVABLES – NET

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

(a) The directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from airline companies is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 31 December 2015. Please refer to Note 3.1.2 for credit risk analysis in greater detail.

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

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

6 FINANCE LEASE RECEIVABLES – NET *(continued)*

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

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

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

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

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

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

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

7 PREPAYMENTS AND OTHER RECEIVABLES

	31 December	
	2015	2014
	HK$'000	HK$'000
PDP (a)	**2,942,155**	3,241,157
Interest capitalised	**94,198**	63,158
Prepayments and receivables relating to aircraft acquisition	**98,184**	190,762
Deposit for land use rights (b)	**195,231**	—
Deposits paid	**5,142**	1,705
Others (c)	**109,422**	6,578
	3,444,332	3,503,360

(a) In 2012, the Group entered into aircraft purchase agreements with Airbus S.A.S for the acquisition of 36 aircraft for future lease projects. In 2014, the Group entered into additional aircraft purchase agreements with Airbus S.A.S for the acquisition of 100 aircraft. In December 2015, the Group entered into an agreement with Airbus S.A.S. for acquisition of additional 2 aircraft which was executed in a form of amendment agreement to the aircraft purchase agreement signed in 2014. Such prepayments were made according to the payment schedules set out in the aircraft purchase agreements. The aircraft are to be delivered during the period from 2016 to 2022.

(b) In 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 for construction of an aircraft disassembly centre.

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

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

	31 December	
	2015	2014
	HK$'000	HK$'000
US$	**3,225,503**	3,485,736
RMB	**211,531**	5,816
HK$	**3,626**	4,797
Other currencies	**3,672**	7,011
	3,444,332	3,503,360

8 RESTRICTED CASH

	31 December 2015 HK$'000	31 December 2014 HK$'000
Pledged for secured bank borrowings for aircraft acquisition financing (Note 13)	**119,214**	158,285
Pledged for PDP financing (Note 13)	**6,356**	10,344
Pledged for letters of guarantee issued by a bank	**24,555**	18,196
Pledged for interest rate swap contracts (Note 17)	**52,254**	25,765
Pledged for a currency swap contract	**6,008**	6,361
	208,387	218,951

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

	31 December 2015 HK$'000	31 December 2014 HK$'000
US$	**123,665**	154,320
RMB	**84,722**	64,631
	208,387	218,951

The average effective interest rate as at 31 December 2015 was 0.32% (2014: 0.57%).

9 CASH AND CASH EQUIVALENTS

	31 December 2015 HK$'000	31 December 2014 HK$'000
Cash at bank and on hand	**1,389,289**	1,425,570

9 CASH AND CASH EQUIVALENTS *(continued)*

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

	31 December 2015 HK$'000	31 December 2014 HK$'000
US$	**1,044,947**	1,102,810
RMB	**299,880**	184,319
HK$	**43,912**	138,005
Other currencies	**550**	436
	1,389,289	1,425,570

The average effective interest rate as at 31 December 2015 was 0.31% (2014: 0.62%).

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Par value of each share	Number of issued shares	Share capital in HK$
Issued			
As at 1 January 2014	US$1	10,000	78,000
Share repurchase and cancellation (a)(i)	US$1	(10,000)	(78,000)
Issue of new ordinary shares (a)(i)	HK$0.1	10,000	1,000
Capitalisation of shares (a)(ii)&(iii)	HK$0.1	468,971,000	46,897,100
Issue of new ordinary shares — IPO (b)	HK$0.1	116,800,000	11,680,000
As at 31 December 2014	HK$0.1	585,781,000	58,578,100
As at 1 January 2015	**HK$0.1**	**585,781,000**	**58,578,100**
Issue of new shares from exercise of share options (c)	**HK$0.1**	**20,142,800**	**2,014,280**
As at 31 December 2015	**HK$0.1**	**605,923,800**	**60,592,380**

10 SHARE CAPITAL *(continued)*

(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.

(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.

(c) During the year ended 31 December 2015, certain employees and consultants exercised share options granted under share option schemes, resulting in 20,142,800 new shares being issued, with total proceeds of HK$31,474,000. The related weighted average share price at the time of exercise was HK$10.75 per share.

11 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 as at 1 January 2014	89,132	623,720	2,588	22,287	—	5,372	743,099
Change in fair value of interest rate swaps							
— cash flow hedges (Note 17)	—	—	—	(40,461)	—	—	(40,461)
Reclassified from other comprehensive income to							
profit or loss — cash flow hedges (Note 17)	—	—	—	(1,267)	—	—	(1,267)
Currency translation differences	—	—	—	—	—	(2,023)	(2,023)
Issue of ordinary shares (Note 10(b))	608,996	—	—	—	—	—	608,996
Share repurchase and cancellation (Note 10(a))	78	—	—	—	—	—	78
Capitalisation of shares (Note 10(a))	(46,897)	—	—	—	—	—	(46,897)
Employee share option scheme:							
— Value of employee services (a)	—	—	12,006	—	—	—	12,006
Balance as at 31 December 2014	651,309	623,720	14,594	(19,441)	—	3,349	1,273,531
Balance as at 1 January 2015	**651,309**	**623,720**	**14,594**	**(19,441)**	**—**	**3,349**	**1,273,531**
Change in fair value of interest rate swaps							
— cash flow hedges (Note 17)	**—**	**—**	**—**	**4,734**	**—**	**—**	**4,734**
Reclassified from other comprehensive income to							
profit or loss — cash flow hedges (Note 17)	**—**	**—**	**—**	**1,844**	**—**	**—**	**1,844**
Currency translation differences	**—**	**—**	**—**	**—**	**—**	**(795)**	**(795)**
Employee share option scheme:							
— Value of employee services (a)	**—**	**—**	**12,182**	**—**	**—**	**—**	**12,182**
— Issue of new shares from exercise							
of share options (Note 10(c))	**32,063**	**—**	**(2,603)**	**—**	**—**	**—**	**29,460**
Convertible bonds — equity component (Note 16)	**—**	**—**	**—**	**—**	**116,541**	**—**	**116,541**
Balance as at 31 December 2015	**683,372**	**623,720**	**24,173**	**(12,863)**	**116,541**	**2,554**	**1,437,497**

(a) Share-based payments

(i) Pre-IPO Share Option Scheme

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

11 RESERVES *(continued)*

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

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

During the year ended 31 December 2011, options to subscribe for 45,000,000 shares were granted by CALH to its directors and employees, Friedmann Pacific Asset Management Limited ("FPAM"), China Everbright Aerospace Holdings Limited ("CE Aerospace") and the consultants of the Group and were allocated to Tranche A and Tranche B as follows:

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

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

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

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

The exercise price is US$0.161 per share for those options exercised during the period from 1 July 2014 to 30 June 2015 with adjustment by a required time value cost of 10% per annum for those options exercised thereafter. All the options shall lapse or expire after three years from the first financial year results publication date after the IPO of the Company. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

11 RESERVES *(continued)*

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

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

The following share options under the Pre-IPO Share Option Scheme were outstanding during the year and as at 31 December 2015:

			Number of shares under options					Price of the Company's shares: Exercise price (US$) per share				Price of the Company's shares: Immediately before the exercise date *(Note d)* (HK$) per share	
Name of grantees	**Date of grant**	**Tranche**	**At 1 January 2015**	**Granted during the year**	**Exercise during the year**	**Lapsed during the year**	**At 31 December 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 October 2011	A	660,000	—	(660,000)	—	—	0.161	0.177	0.195	0.215	11.08	26/3/2015 to 26/3/2018
			660,000	—	—	—	660,000	N/A	0.177	0.195	0.215		26/3/2016 to 26/3/2018
			680,000	—	—	—	680,000	N/A	N/A	0.195	0.215		26/3/2017 to 26/3/2018
FPAM	10 October 2011	A	429,000	—	(429,000)	—	—	0.161	0.177	0.195	0.215	11.94	26/3/2015 to 26/3/2018
			429,000	—	—	—	429,000	N/A	0.177	0.195	0.215		26/3/2016 to 26/3/2018
			442,000	—	—	—	442,000	N/A	N/A	0.195	0.215		26/3/2017 to 26/3/2018
Sub-total			3,300,000	—	(1,089,000)	—	2,211,000						
Connected persons													
Equal Honour Holdings Limited *(Note a)*	7 October 2011	A	4,950,000	—	(4,950,000)	—	—	0.161	0.177	0.195	0.215	11.94	26/3/2015 to 26/3/2018
			4,950,000	—	—	—	4,950,000	N/A	0.177	0.195	0.215		26/3/2016 to 26/3/2018
			5,100,000	—	—	—	5,100,000	N/A	N/A	0.195	0.215		26/3/2017 to 26/3/2018
Smart Vintage Investments Limited *(Note b)*	7 October 2011	B	10,000,000	—	(10,000,000)	—	—	0.161	0.177	0.195	0.215	11.26	26/3/2015 to 26/3/2018
Sub-total			25,000,000	—	(14,950,000)	—	10,050,000						

11 RESERVES *(continued)*

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

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

			Number of shares under options					Price of the Company's shares: Exercise price (US$) per share				Price of the Company's shares: Immediately before the exercise date *(Note d)* (HK$) per share	
Name of grantees	Date of grant	Tranche	At 1 January 2015	Granted during the year	Exercise during the year	Lapsed during the year	At 31 December 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
Consultants													
Wealth Amass Limited *(Note c)*	10 October 2011	A	6,000,000	—	—	—	6,000,000	0.161	0.177	0.195	0.215		26/3/2015 to 26/3/2018
			4,000,000	—	—	—	4,000,000	N/A	0.177	0.195	0.215		26/3/2016 to 26/3/2018
Loft Profit Limited	7 October 2011	B	2,500,000	—	(2,500,000)	—	—	0.161	0.177	0.195	0.215	11.48	26/3/2015 to 26/3/2018
Sub-total			12,500,000	—	(2,500,000)	—	10,000,000						
Senior management and other employees	10 October 2011	A	339,900	—	(330,000)	—	9,900	0.161	0.177	0.195	0.215	11.19	26/3/2015 to 26/3/2018
			339,900	—	—	(33,000)	306,900	N/A	0.177	0.195	0.215		26/3/2016 to 26/3/2018
			350,200	—	—	(34,000)	316,200	N/A	N/A	0.195	0.215		26/3/2017 to 26/3/2018
	30 December 2011	A	66,000	—	(66,000)	—	—	0.161	0.177	0.195	0.215	10.72	26/3/2015 to 26/3/2018
			66,000	—	—	—	66,000	N/A	0.177	0.195	0.215		26/3/2016 to 26/3/2018
			68,000	—	—	—	68,000	N/A	N/A	0.195	0.215		26/3/2017 to 26/3/2018
Sub-total			1,230,000	—	(396,000)	(67,000)	767,000						
Total			**42,030,000**	**—**	**(18,935,000)**	**(67,000)**	**23,028,000**						

Note:

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

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

(c) 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.

(d) 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 year.

11 RESERVES *(continued)*

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

(ii) Post-IPO Share Option Scheme

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

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

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

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

The weighted average fair value of Post-IPO Share Options on the grant date determined using the Binominal valuation model was approximately HK$1.0, (directors and employees) and HK$0.9 (consultants) per option respectively, with a total value of HK$26,000,193.

11 RESERVES *(continued)*

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

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

The following share options under the Post-IPO Share Option Scheme were outstanding during the year and as at 31 December 2015:

			Number of shares under options					Price of the Company's shares		
Name of grantees	**Date of grant**	**Tranche**	**At 1 January 2015**	**Granted during the year**	**Exercise during the year**	**Lapsed during the year**	**At 31 December 2015**	**Exercise price (HK$) per share**	**Immediately before the exercise date** *(Note c)* **(HK$) per share**	**Exercise period**
Consultants *(Note a)*	2 September 2014	A	10,825,000	—	—	—	10,825,000	6.38		1/2/2015 to 1/9/2016
			10,825,000	—	—	—	10,825,000	6.38		1/2/2016 to 1/9/2016
Sub-total			21,650,000	—	—	—	21,650,000			
Directors										
Mr. Chen Shuang	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Mr. Tang Chi Chun	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Mr. Guo Zibin	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Mr. Fan Yan Hok, Philip	2 September 2014	B	66,000	—	(66,000)	—	—	6.38	11.52	1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017

11 RESERVES *(continued)*

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

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

			Number of shares under options					Price of the Company's shares		
Name of grantees	Date of grant	Tranche	At 1 January 2015	Granted during the year	Exercise during the year	Lapsed during the year	At 31 December 2015	Exercise price (HK$) per share	Immediately before the exercise date *(Note c)* (HK$) per share	Exercise period
Directors (continued)										
Mr. Ng Ming Wah, Charles	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Mr. Zhang Chongqing *(Note b)*	2 September 2014	B	66,000	—	(66,000)	—	—	6.38	14.78	1/3/2015 to 1/9/2017
			66,000	—	—	(66,000)	—	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	(68,000)	—	6.38		1/3/2017 to 1/9/2017
Mr. Nien Van Jin, Robert	2 September 2014	B	66,000	—	(66,000)	—	—	6.38	12.92	1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Sub-total			1,400,000	—	(198,000)	(134,000)	1,068,000			
Senior management and other employees	2 September 2014	B	1,267,200	—	(1,009,800)	(29,700)	227,700	6.38	10.50	1/3/2015 to 1/9/2017
			1,267,200	—	—	(379,500)	887,700	6.38		1/3/2016 to 1/9/2017
			1,305,600	—	—	(391,000)	914,600	6.38		1/3/2017 to 1/9/2017
Sub-total			3,840,000	—	(1,009,800)	(800,200)	2,030,000			
Total			**26,890,000**	**—**	**(1,207,800)**	**(934,200)**	**24,748,000**			

Note:

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

(b) Mr. Zhang Chongqing retired as a director of the Company with effect from the conclusion of the annual general meeting of the Company held on 8 May 2015.

(c) 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 year.

11 RESERVES *(continued)*

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

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

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

	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme Tranche A	Post-IPO Share Option Scheme Tranche B
Spot share price at the grant date	US$0.12	HK$5.66	HK$5.66
Risk free rate	0.943%	0.384%	0.709%
Dividend yield	17.5%	2.73%	2.73%
Expected volatility	45%	41.06%	42.09%
Suboptimal exercise factor	2.5	2.5	2.5

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

	For the year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Directors and employees	**2,962**	2,132
Consultants	**9,220**	9,874
	12,182	12,006

12 DEFERRED INCOME TAX LIABILITIES

The analysis of deferred tax liabilities is as follows:

	31 December 2015 HK$'000	31 December 2014 HK$'000
Deferred tax liabilities:		
— To be settled after 12 months	**122,132**	67,161

The movement of the deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation of leased assets HK$'000
Deferred tax liabilities	
As at 1 January 2014	26,267
Charged to profit or loss (Note 25)	40,894
As at 31 December 2014	67,161
As at 1 January 2015	**67,161**
Charged to profit or loss (Note 25)	**56,120**
Currency translation difference	**(1,149)**
As at 31 December 2015	**122,132**

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

As at 31 December 2015, certain subsidiaries of the Group had unused tax losses of approximately HK$344,861,000 (2014: HK$207,448,000) available to offset against future profits, for which deferred tax asset of HK$50,582,000 (2014: HK$29,590,000) had not been recognised as their future realisation is uncertain.

12 DEFERRED INCOME TAX LIABILITIES *(continued)*

The expiry dates of the unused tax losses are as follows:

	31 December	
	2015	2014
	HK$'000	HK$'000
Year		
2015	**—**	1,650
2016	**3,340**	3,340
2017	**4,291**	4,291
2018	**12,306**	12,306
2019	**12,750**	12,750
2020	**14,953**	—
No expiry date	**297,221**	173,111
	344,861	207,448

13 BANK BORROWINGS

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

(a) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating US$ LIBOR rates. As at 31 December 2015, the bank borrowings were secured by, in addition to other legal charges, all of the Group's aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain of the Group companies and pledge of deposits amounting to HK$119,214,000 (2014: HK$158,285,000).

(b) As at 31 December 2015, PDP financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, guarantees from the Company and China Aircraft Leasing Company Limited ("CALC (BVI)"), and pledge of deposits of HK$6,356,000 (2014: HK$10,344,000).

(c) As at 31 December 2015, the Group borrowed an aggregate amount of working capital borrowings of HK$802,681,000 (2014: HK$775,068,000) from four banks (2014: three banks) which was guaranteed by the Company and CALC (BVI) (2014: Same).

13 BANK BORROWINGS *(continued)*

The borrowings are repayable as follows:

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

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

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

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

The Group has the following undrawn borrowing facilities:

	31 December 2015 HK$'000	31 December 2014 HK$'000
Floating rate:		
— Expiring within one year	**85,003**	77,577
— Expiring beyond one year	**865,365**	318,458
	950,368	396,035

14 LONG-TERM BORROWINGS

	31 December 2015 HK$'000	2014 HK$'000
Borrowings from trust plans	**794,221**	642,116

As at 31 December 2015, seven borrowings (2014: five borrowings) were provided by trust plans to seven subsidiaries (2014: five subsidiaries) of the Group. The effective interest rates of long-term borrowings are from 6.2% to 7.8% (2014: from 6.4% to 7.8%) per annum for terms of 8 years to 11 years. These long-term borrowings were secured by shares of and aircraft held by each subsidiary and guaranteed by China Asset Leasing Company Limited. The trust plans are also counterparties to the transfer of finance lease receivable transactions entered into with each subsidiary (Notes 3.1.4 and 20).

15 MEDIUM-TERM NOTES

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

16 CONVERTIBLE BONDS

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

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

16 CONVERTIBLE BONDS *(continued)*

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

Interest expense on the carrying amount of the liability component is accrued at the effective interest rate of 11.8% to 14.1% (inclusive of arrangement fee) to adjust the carrying amount of the liability component to its amortised cost, being the present value of the expected future cash flows relating to periodic interest payments and principal repayment at par value at the maturity date.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	31 December	
	2015	2014
	HK$'000	HK$'000
Derivative financial assets		
— Currency swap (a) (Note 3.1.4)	**16,148**	14,979
— Interest rate swaps (b)	**3,291**	—
	19,439	14,979
Derivative financial liabilities		
— Interest rate swaps (b)	**32,103**	33,361

17 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

(a) CALC Baoli Limited ("CALC Baoli"), a wholly-owned subsidiary of the Group, signed a contract with an independent third party on 30 December 2013, pursuant to which CALC Baoli transferred its future aircraft finance lease receivables under an aircraft leasing agreement with an airline to a trust plan. CALC Baoli will convert the US$ lease rentals received on behalf of the third party during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement 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$121,560,000). As at 31 December 2015, the fair value of this currency swap contract amounted to HK$16,148,000 (2014: HK$14,979,000) and the fair value gain of HK$1,183,000 was recognised in other gains and losses for the year ended 31 December 2015 (2014: gain of HK$15,935,000).

(b) As at 31 December 2015, the Group had 13 outstanding interest rate swap contracts which will expire at various dates from 21 September 2018 to 21 March 2024, to exchange floating interest rates from LIBOR into fixed interest rates in a range of 1.5% to 2.1%. As at 31 December 2015, these interest rate swap contracts were secured by pledged deposits of HK$52,254,000 (2014: HK$25,765,000). Such pledged deposits can be used to settle the derivative financial liabilities under certain conditions.

(i) 12 outstanding interest rate swap contracts were accounted for as cash flow hedges, which were virtually fully effective during the year ended 31 December 2015 (2014: 9 contracts).

(ii) In December 2013, the Group terminated one interest rate swap contract for 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 be progressively reclassified from equity to interest expense as the hedged bank borrowing is progressively repaid from 2014 to 2026. During the year ended 31 December 2015, the realised gain of HK$1,184,000 (2014: HK$1,267,000) was reclassified from cash flow hedges reserve to interest expense.

(iii) 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 (2014: Nil) was reclassified from cash flow hedges reserve to other gains and losses upon the repayment of bank borrowing on 4 January 2015. Subsequently, the fair value loss of HK$197,000 for the period from 5 January 2015 to 31 December 2015 was directly recognised in profit or loss. During the year ended 31 December 2015, total fair value loss of HK$3,225,000 was charged to other gains and losses.

17 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Recognised in other comprehensive income		
— Change in fair value of interest rate swaps (b)(i)	**4,734**	(40,461)
— Reclassified from other comprehensive income to profit or loss (b)(ii) and (iii)	**1,844**	(1,267)
	6,578	(41,728)
Recognised in profit or loss		
— Unrealised gain on currency swap (a)	**1,183**	15,935
— Fair value loss on interest rate swap (b)(iii)	**(3,225)**	—
	(2,042)	15,935

18 OTHER PAYABLES AND ACCRUALS

	31 December	
	2015	2014
	HK$'000	HK$'000
Deposits and fund received for lease and aircraft projects	**424,386**	142,619
Consultant and insurance premium payable	**118,864**	99,006
Business tax, value-added tax and withholding tax payables	**90,293**	76,588
Operating lease rentals received in advance	**26,434**	22,523
Amounts due to related parties (Note 29)	**2,845**	—
Others (including salary and bonus payable)	**44,490**	41,920
	707,312	382,656

19 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2015, the Group is engaged in a single business segment, provision of aircraft leasing services to airline companies in Mainland China and other countries or regions in Asia. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

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

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

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

20 OTHER INCOME

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Gain from disposal of finance lease receivables (a)	**54,076**	111,459
Government subsidies (b)	**242,644**	133,927
Operating lease income on office premise from a related party (Note 29)	**1,093**	—
Others	**12,213**	2,728
	310,026	248,114

(a) As described in Note 3.1.4, the CALC SPCs signed separate contracts with the trust plans, to transfer their future aircraft lease receivables under their separate aircraft lease agreements with certain airline companies to the trust plans. As the Group has transferred substantially all the risks and rewards related to the lease receivables to the trust plans, it de-recognised the corresponding finance lease receivable. For the year ended 31 December 2015, the Group recognised a gain of HK$54,076,000 (2014: HK$111,459,000), determined by comparing the net proceeds with the carrying amount of the finance lease receivable de-recognised, less transaction costs and business tax and surcharges accrued.

(b) 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.

21 INTEREST EXPENSE

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Interest expense on bank borrowings	**771,832**	584,839
Interest expense on borrowings from trust plans	**46,922**	16,109
Interest expense on convertible bonds (a)	**66,067**	—
Interest expense on medium-term notes	**13,250**	—
Less: Interest capitalised on qualifying assets (b)	**(144,380)**	(80,416)
	753,691	520,532

(a) Interest expense on convertible bonds consists of interest paid or payable of HK$18,338,000 which is calculated based on interest rate of 3.0% per annum. The remaining amount represents arrangement fee based on a rate of 3.5% per annum and the notional adjustment to accrete the carrying amount of liability component of convertible bonds to the present value of estimated future cash flows expected to be required for settlement up to maturity date.

(b) 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 as the cost of aircraft upon delivery of aircraft.

22 OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Employee benefit expenses (Note 23)	**61,341**	55,607
Business tax and surcharges	**41,858**	33,571
Professional service expenses	**48,522**	35,649
Rental and utilities expenses	**19,724**	8,775
Office and meeting expenses	**13,184**	8,411
Travelling and training expenses	**15,352**	9,383
Auditor's remuneration		
— Audit service	**3,800**	3,250
— Non-audit service	**1,947**	2,038
Listing expenses	**—**	29,119
Others	**17,530**	14,083
	223,258	199,886

23 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Wages, salaries and bonuses	**54,772**	51,163
Share-based compensation (Note 11(a))	**2,962**	2,132
Welfare, medical and other expenses	**3,607**	2,312
	61,341	55,607

24 OTHER (LOSSES)/GAINS

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Unrealised gain on currency swap (Note 17)	**1,183**	15,935
Fair value loss on interest rate swap (Note 17)	**(3,225)**	—
Currency exchange gain	**1,228**	11,545
	(814)	27,480

25 INCOME TAX EXPENSE

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

Mainland China

The subsidiaries incorporated in Mainland China are subject to the PRC corporate income tax ("CIT") at 25%. PRC CIT is calculated at 25% on the taxable income for the year ended 31 December 2015. The leasing income is subject to business tax ("BT") at 5% or value added tax ("VAT") at 17% depending on when the leasing contracts were entered into between the subsidiaries and the customers.

BT at 5% or VAT at 17% and CIT at 10% are withheld on lease rental income payable by lessees in Mainland China to non-Mainland China tax resident subsidiaries of the Group for the year ended 31 December 2015. Interest payable to the group companies incorporated in Hong Kong is subject to BT at 5% and CIT at 7% (if tax treaty rate is applicable).

25 INCOME TAX EXPENSE *(continued)*

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at 16.5%. Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2015.

Others

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

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

The subsidiaries incorporated in Ireland, being section 110 companies under the Irish tax regime are subject to corporate tax at 25%.

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

The subsidiaries incorporated in Labuan are subject to income tax at 3% on the net profits or at Malaysian Ringgit 20,000 as elected annually by the subsidiaries.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% during the year ended 31 December 2015, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	Year ended 31 December	
	2015 **HK$'000**	2014 HK$'000
Profit before income tax	**480,241**	380,715
Tax calculated at a tax rate of 25%	**120,060**	95,179
Effects of:		
— Different tax rates applicable to different subsidiaries of the Group	**(8,850)**	(8,160)
— Income not subject to tax	**(32,380)**	(25,998)
— Non-deductible expenses	**208**	261
— Tax losses for which no deferred income tax assets were recognised	**20,993**	16,767
Tax charge	**100,031**	78,049

26 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

27 DIVIDENDS

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

On 25 August 2015, the Board declared an interim dividend of HK$0.04 (2014: Nil) per ordinary share totalling HK$24.2 million which was paid in October 2015.

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

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

28 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Year ended 31 December 2014

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Housing allowance HK$'000	Share-based payment HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman, non-executive director							
Mr. Chen Shuang	300	5	—	—	80	—	385
Executive directors							
Mr. Poon Ho Man	300	726	17,773	—	—	16	18,815
Ms. Liu Wanting	300	1,150	7,092	—	—	17	8,559
Non-executive directors							
Mr. Tang Chichun	300	5	—	—	80	—	385
Mr. Guo Zibin	243	10	—	—	80	—	333
Ms. Chen Ying	53	—	—	—	—	—	53
Independent non-executive directors							
Mr. Fan Yan Hok, Philip	300	10	—	—	80	—	390
Mr. Ng Ming Wah, Charles	300	15	—	—	80	—	395
Mr. Zhang Chongqing	300	10	—	—	80	—	390
Mr. Sun Quan	196	—	—	—	—	—	196
Mr. Nien Van Jin, Robert	104	15	—	—	80	—	199
	2,696	1,946	24,865	—	560	33	30,100

28 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' emoluments *(continued)*

Year ended 31 December 2015

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Housing allowance HK$'000	Share-based payment HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman, executive director							
Mr. Chen Shuang (ii)	300	10	—	—	111	—	421
Executive directors							
Mr. Poon Ho Man (i)	139	566	780	—	—	9	1,494
Ms. Liu Wanting	300	1,380	6,564	—	—	18	8,262
Non-executive directors							
Mr. Tang Chichun	300	25	—	—	111	—	436
Mr. Guo Zibin	300	35	—	—	111	—	446
Independent non-executive directors							
Mr. Fan Yan Hok, Philip	300	40	—	—	111	—	451
Mr. Ng Ming Wah, Charles	300	65	—	—	111	—	476
Mr. Zhang Chongqing (iii)	106	15	—	—	111	—	232
Mr. Nien Van Jin, Robert	300	65	—	—	111	—	476
Mr. Cheok Albert Saychuan (iv)	195	40	—	—	—	—	235
	2,540	2,241	7,344	—	777	27	12,929

(i) Resigned as chief executive officer and executive director with effect from 18 June 2015

(ii) Non-executive director until 17 June 2015. Appointed as chief executive officer and re-designated as an executive director with effect from 18 June 2015

(iii) Retired on 8 May 2015

(iv) Appointed on 8 May 2015

Certain directors also received emoluments from FPAM, China Everbright Limited ("CEL") and certain related parties of the Group for the year ended 31 December 2015 in relation to their services to these companies.

No emoluments were paid to any directors in respect of accepting office as director and in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2015 (2014: Nil).

28 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals

During the year ended 31 December 2015, the five individuals whose emoluments were the highest in the Group include one director and four individuals (2014: two directors and three individuals). The emoluments paid to the directors are reflected in the analysis presented above. For the year ended 31 December 2015, the emoluments paid to four (2014: three) remaining individuals are as follows:

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Basic salaries and allowances	**5,806**	4,272
Discretionary bonuses	**5,077**	6,191
Share-based payment	**405**	479
Other benefits	**65**	64
	11,353	11,006

The emoluments fell within the following bands:

	Year ended 31 December	
	2015	2014
HK$2,000,001 to HK$3,000,000	**1**	—
HK$3,000,001 to HK$4,000,000	**3**	3

During the years ended 31 December 2015 and 2014, no directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments.

29 RELATED PARTY TRANSACTIONS

Apart from the share option arrangement with key management and related parties as disclosed in Note 11(a), the following transactions were carried out with related parties at terms negotiated between the Group and the respective parties:

(a) Transactions with FPAM and its subsidiaries (collectively as "FPAM Group")

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Operating lease income on office premise receivable from:		
Friedmann Pacific Financial Service Limited	**1,093**	—
Operating lease expenses on office premise charged by:		
Friedmann Pacific Advisory Service Limited	**1,635**	—
Information technology support service fee charged by:		
富泰科信技術開發(深圳)有限公司	**2,912**	—

(b) Transactions with CEL and its subsidiaries

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Operating lease expenses on office premise charged by:		
CEL Venture Capital (Shenzhen) Limited	**521**	1,240

On 27 September 2013, CALC (BVI) and Ever Alpha Investment Limited ("Ever Alpha"), a subsidiary of CEL, entered into a consultancy agreement pursuant to which Ever Alpha agreed to support the Group by providing onsite supporting services to facilitate Qingdao Airlines Co., Ltd. ("Qingdao Airlines") to lease current generation of A320 aircraft from the Group. The onsite supporting services to be provided by Ever Alpha under the consultancy agreement included liaising and participating in preliminary discussion with Qingdao Airlines, providing relevant information to CALC (BVI) in respect of Qingdao Airlines and the leasing, providing strategic advice to CALC (BVI) to facilitate the leasing, assisting CALC (BVI) in negotiation, and contacting relevant government department and arranging for consultation when necessary. During the year ended 31 December 2015, the supporting service fee charged by Ever Alpha amounted to HK$23,400,000 (2014: HK$15,600,000).

29 RELATED PARTY TRANSACTIONS *(continued)*

(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 CEL. CEL indirectly holds approximately 35.6% equity interest in the Company as at 31 December 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") and Sun Life Everbright Asset Management Co. Ltd. ("Sun Life"), have become related parties of the Company upon completion of the restructuring of CE Group.

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

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 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 31 December 2015, the balances of bank deposits placed with CE Group, borrowings and undrawn facilities provided by CE Group amounted to HK$238.6 million, HK$2,096.2 million and HK$363.2 million, respectively. Accrual for interest payable on such borrowings amounted to HK$7.8 million as at 31 December 2015. For the period from 14 May 2015 (completion date of CE Group's restructuring) to 31 December 2015, interest income generated from, interest expense, loan upfront fee and transactions handling charges charged by CE Group amounted to HK$319,000, HK$51,587,000, HK$1,696,000 and HK$1,668,000 respectively. The Group did not enter into any assignment of finance lease receivables with CE Group during the period from 14 May 2015 to 31 December 2015.

29 RELATED PARTY TRANSACTIONS *(continued)*

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

(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 31 December 2015, total handling fee charged by CE Bank Tianjin Branch amounted to HK$472,000.

As at 31 December 2015, total guarantees provided by CE Bank in favour of the Group companies in respect of the sale and purchase of aircraft amounted to HK$174.4 million.

(iii) Compliance advisory service provided by CE Group

During the period from 14 May 2015 to 31 December 2015, professional fee amounted to HK$447,000 was charged by China Everbright Capital Limited for the compliance advisory service rendered to the Group.

(d) Issue of convertible bonds to China Everbright Financial Investments Limited

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 16). As at 31 December 2015, the liability amount of such convertible bonds was HK$350,490,000 and the interest expense incurred at an effective interest rate of 11.8% amounted to HK$23,450,000 for the year ended 31 December 2015.

29 RELATED PARTY TRANSACTIONS *(continued)*

(e) Standby facilities provided by China Everbright Finance Limited ("CE Finance")

On 28 November 2012, CALC AC Limited, a subsidiary of the Company, entered into an agreement with CE Finance, pursuant to which CE Finance provided a loan facility to CALC AC Limited for an amount up to 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 charges an upfront fee of US$600,000 (equivalent to HK$4,680,000) and an annual fee of 0.25% of the amount of commitment per annum.

During the year ended 31 December 2014, the facility fee charged by CE Finance amounted to HK$414,000. During the year ended 31 December 2015, CALC AC Limited repaid the loan and the corresponding standby facility with CE Finance was released. No facility fee was charged by CE Finance for the year ended 31 December 2015.

(f) Amounts due to related parties

	31 December	
	2015	2014
	HK$'000	HK$'000
FPAM Group	**2,845**	—

The above amounts due to related parties were unsecured, interest-free and repayable on demand.

(g) Key management compensation

Key management includes directors of the Company. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Salaries, discretionary bonus and other short-term employee benefits	**23,100**	26,774
Share-based payment	**1,182**	1,290
	24,282	28,064

30 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingencies

The Group had no material contingent liabilities outstanding at the end of each of the year ended 31 December 2015 (2014: nil).

(b) Capital commitments

Capital expenditures contracted but not provided for at the end of the reporting period, together with the acquisition of 2 additional aircraft subsequent to year-end (Note 33), are as follows:

	31 December	
	2015 **HK$'000**	2014 HK$'000
Contracted but not provided for:		
Acquisition of aircraft	**41,080,879**	45,901,694
Acquisition of property, plant and equipment excluding aircraft	**10,398**	—
	41,091,277	45,901,694

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

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

	31 December	
	2015 **HK$'000**	2014 HK$'000
Not later than one year	**18,153**	9,851
Later than one year and not later than five years	**33,329**	26,795
Later than five years	**—**	110
	51,482	36,756

30 CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

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

The Group had future minimum lease receipts under non-cancellable operating sub-leases in respect of office premise from a related party as follows:

	31 December 2015 HK$'000	31 December 2014 HK$'000
Not later than one year	**2,398**	—
Later than one year and not later than five years	**3,855**	—
	6,253	—

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

	31 December 2015 HK$'000	31 December 2014 HK$'000
Not later than one year	**285,780**	217,713
Later than one year and not later than five years	**981,846**	773,461
Later than five years	**982,521**	634,655
	2,250,147	1,625,829

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
ASSETS			
Investment in subsidiaries	32	**1,632,252**	1,174,126
Amounts due from subsidiaries		**749,818**	398,433
Prepayments and other receivables		**195,514**	403
Cash and cash equivalents		**99,121**	52,573
Total assets		**2,676,705**	1,625,535
EQUITY			
Share capital	10	**60,592**	58,578
Reserves	31(a)	**1,520,063**	1,359,292
Retained earnings	31(a)	**254,782**	198,445
Total equity		**1,835,437**	1,616,315
LIABILITIES			
Convertible bonds	16	**796,506**	—
Amounts due to subsidiaries		**38,141**	—
Other payables and accruals		**6,621**	9,220
Total liabilities		**841,268**	9,220
Total equity and liabilities		**2,676,705**	1,625,535

The balance sheet of the Company was approved by the Board of Directors on 22 March 2016 and was signed on its behalf.

CHEN Shuang	**LIU Wanting**
Director	*Director*

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Reserves HK$'000	Retained earnings HK$'000
Balance as at 1 January 2014	785,109	(12,166)
Comprehensive income		
Profit for the year	—	279,611
Total comprehensive income	—	279,611
Transactions with owners		
Issue of new ordinary shares	608,996	—
Share repurchase and cancellation	78	—
Capitalisation of shares	(46,897)	—
Employee share option scheme:		
— Value of employee services	12,006	—
Dividends	—	(69,000)
Total transactions with owners	574,183	(69,000)
Balance as at 31 December 2014	1,359,292	198,445
Balance as at 1 January 2015	**1,359,292**	**198,445**
Comprehensive income		
Profit for the year	**—**	**175,221**
Total comprehensive income	**—**	**175,221**
Transactions with owners		
Employee share option scheme:		
— Value of employee services	**14,770**	**—**
— Issue of new shares from exercise of share options	**29,460**	**—**
Convertible bonds-equity component	**116,541**	**—**
Dividends	**—**	**(118,884)**
Total transactions with owners	**160,771**	**(118,884)**
Balance as at 31 December 2015	**1,520,063**	**254,782**

32 SUBSIDIARIES

As at 31 December 2015, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
Directly owned:						
CALC (BVI)	BVI 24 March 2006	US$200,000,000	100%	—	Investment holding	Limited liability entity
Aircraft Recycling International Limited	Cayman Islands 22 August 2014	US$1	100%	—	Investment holding	Limited liability entity
Indirectly owned:						
CALC 6-Aircraft Limited	Ireland 15 July 2010	EUR100	100%	—	Aircraft leasing	Limited liability entity
CALC 8-Aircraft Limited	Ireland 15 July 2010	EUR100	100%	—	Aircraft leasing	Limited liability entity
CALC 10-Aircraft Limited	Ireland 20 June 2012	EUR100	100%	—	Aircraft leasing	Limited liability entity
CALC 11-Aircraft Limited	Ireland 10 December 2014	EUR1	100%	—	Aircraft leasing	Limited liability entity
CALC 12-Aircraft Limited	Ireland 6 February 2015	EUR1	100%	—	Aircraft leasing	Limited liability entity
CALC 15-Aircraft Limited	Ireland 4 February 2015	EUR1	100%	—	Aircraft leasing	Limited liability entity
CALC 19-Aircraft Limited	Ireland 10 June 2015	EUR100	100%	—	Aircraft leasing	Limited liability entity
CALC 20-Aircraft Limited	Ireland 10 June 2015	EUR100	100%	—	Aircraft leasing	Limited liability entity
CALC ENG Limited	Cayman Islands 15 October 2013	US$1	100%	—	Provision of financing	Limited liability entity
CALC Finance Cooperatief U.A.	Netherlands 28 August 2012	EUR100	100%	—	Provision of financing	Partnership
CALC Global Leasing Limited	Ireland 18 December 2014	EUR1	100%	—	Investment holding	Limited liability entity
CALC Manta Limited	BVI 25 April 2013	US$1	100%	—	Provision of financing	Limited liability entity
CALC PDP Limited	BVI 11 October 2013	US$1	100%	—	Provision of financing	Limited liability entity
CALC PDP1 Limited	BVI 14 May 2014	US$1	100%	—	Provision of financing	Limited liability entity
CALC Trout Limited	BVI 29 April 2015	US$1	100%	—	Provision of financing	Limited liability entity
China Aircraft Assets Limited	Hong Kong 3 May 2013	HK$1	100%	—	Provision of financing	Limited liability entity

32 SUBSIDIARIES *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
Indirectly owned: (continued)						
China Aircraft Assets Ltd	Labuan 29 April 2013	US$100	100%	—	Aircraft trading	Limited liability entity
China Aircraft CALC Management Limited	Hong Kong 17 October 2012	HK$1	100%	—	Provision of management services	Limited liability entity
China Aircraft Disassembly Centre (HK) Limited	Hong Kong 4 September 2014	HK$1	100%	—	Disassembly operation	Limited liability entity
China Corporate Jet Investment Limited	Hong Kong 22 May 2013	HK$1	75%	25%	Corporate jet business	Limited liability entity
China Corporate Jet Leasing Limited	BVI 6 July 2012	US$10,000,000	75%	25%	Corporate jet leasing	Limited liability entity
Sino Teamwork Limited	Hong Kong 9 January 2013	HK$1	100%	—	Provision of financing	Limited liability entity
中永平咸融資租賃(上海)有限公司 (CALC Pingxian Financial Leasing Limited)	PRC 31 March 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永永新融資租賃(天津)有限公司 (CALC Yongxin Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永甘露融資租賃(天津)有限公司 (CALC Ganglu Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永崇寧融資租賃(上海)有限公司 (CALC Chongning Financial Leasing Limited)	PRC 24 March 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永紹熙融資租賃(上海)有限公司 (CALC Shaoxi Financial Leasing Limited)	PRC 31 March 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永順融資租賃(上海)有限公司	PRC 27 November 2013	US$108,000,000	100%	—	Investment holding	Limited liability entity
中永義熙融資租賃(天津)有限公司 (CALC Yixi Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永聖紹融資租賃(上海)有限公司 (CALC Shengshao Financial Leasing Limited)	PRC 31 March 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永熙雍融資租賃(上海)有限公司 (CALC Xiyong Financial Leasing Limited)	PRC 24 March 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永熙寧融資租賃(上海)有限公司 (CALC Xining Financial Leasing Limited)	PRC 24 March 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中永緣禾融資租賃(天津)有限公司 (CALC Yuanhe Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	—	Aircraft leasing	Limited liability entity

32 SUBSIDIARIES *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
Indirectly owned: (continued)						
中飛上元租賃(天津)有限公司 (CALC Shangyuan Limited)	PRC 1 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛干寧租賃(天津)有限公司 (CALC Ganning Limited)	PRC 15 August 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛元和租賃(天津)有限公司 (CALC Yuanhe Limited)	PRC 25 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛天佑租賃(天津)有限公司 (CALC Tianyou Limited)	PRC 4 December 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛天寶租賃(天津)有限公司 (CALC Tianbao Limited)	PRC 25 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛文德租賃(天津)有限公司 (CALC Wende Limited)	PRC 15 August 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛弘道租賃(上海)有限公司 (CALC Hongdao Limited)	PRC 28 March 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛永淳租賃(上海)有限公司 (CALC Yongchun Limited)	PRC 10 October 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛永隆租賃(天津)有限公司 (CALC Yonglong Limited)	PRC 3 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛至德租賃(天津)有限公司 (CALC Zhide Limited)	PRC 25 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛長安租賃(天津)有限公司 (CALC Changan Limited)	PRC 24 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛長慶租賃(天津)有限公司 (CALC Changqing Limited)	PRC 25 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛咸亨租賃(天津)有限公司 (CALC Xianheng Limited)	PRC 3 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛咸通租賃(天津)有限公司 (CALC Xiantong Limited)	PRC 25 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛建元租賃(天津)有限公司 (CALC Jianyuan Limited)	PRC 8 November 2011	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛建享租賃(天津)有限公司 (CALC Jianxiang Limited)	PRC 8 November 2011	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛建炎租賃(天津)有限公司 (CALC Jianyan Limited)	PRC 5 May 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛建昭租賃(天津)有限公司 (CALC Jianzhao Limited)	PRC 29 June 2011	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛建章租賃(天津)有限公司 (CALC Jianzhang Limited)	PRC 8 November 2011	RMB100,000	100%	—	Aircraft leasing	Limited liability entity

32 SUBSIDIARIES *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Equity interest held by the non-controlling interests	Principal activities	Type of legal entity
Indirectly owned: (continued)						
中飛建鳳租賃(天津)有限公司 (CALC Jianfeng Limited)	PRC 8 November 2011	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛建德租賃(天津)有限公司 (CALC Jiande Limited)	PRC 4 November 2011	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛神龍租賃(天津)有限公司 (CALC Shenlong Limited)	PRC 24 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛租融資租賃有限公司 (China Asset Leasing Company Limited)	PRC 13 December 2010	US$300,000,000	100%	—	Investment holding	Limited liability entity
中飛通天租賃(天津)有限公司 (CALC Tongtian Limited)	PRC 3 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛景福租賃(天津)有限公司 (CALC Jingfu Limited)	PRC 15 August 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛登封租賃(天津)有限公司 (CALC Dengfeng Limited)	PRC 4 December 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛開耀租賃(天津)有限公司 (CALC Kaiyao Limited)	PRC 1 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛隆興租賃(天津)有限公司 (CALC Longxing Limited)	PRC 5 May 2014	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛儀鳳租賃(天津)有限公司 (CALC Yifeng Limited)	PRC 3 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛廣明租賃(天津)有限公司 (CALC Guangming Limited)	PRC 15 August 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛廣德租賃(天津)有限公司 (CALC Guangde Limited)	PRC 25 June 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛調露租賃(天津)有限公司 (CALC Diaolu Limited)	PRC 3 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛總章租賃(天津)有限公司 (CALC Zongzhang Limited)	PRC 1 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛興元租賃(天津)有限公司 (CALC Xingyuan Limited)	PRC 4 December 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛龍紀租賃(天津)有限公司 (CALC Longji Limited)	PRC 15 August 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛顯慶租賃(天津)有限公司 (CALC Xianqing Limited)	PRC 1 February 2012	RMB100,000	100%	—	Aircraft leasing	Limited liability entity
中飛如意租賃(天津)有限公司 (CALC Ruyi Limited)	PRC 4 December 2013	RMB100,000	100%	—	Aircraft leasing	Limited liability entity

32 SUBSIDIARIES *(continued)*

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

As at 31 December 2015, China Corporate Jet Investment Limited's equity attributable to non-controlling interests amounted to HK$19,461,000. It has not commenced any significant business activities since its incorporation. As this is not material to the Group, no summarised financial information on China Corporate Jet Investment Limited is provided in this report.

33 EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the report, the following significant events took place after 31 December 2015:

On 12 January 2016, the Group entered into an agreement with Airbus S.A.S to purchase two additional aircraft which such agreement was executed in a form of amendment agreement to the aircraft purchase agreement signed in 2014.

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
Ms. CHEN Chia-Ling

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Linklaters
Chiu & Partners

COMPLIANCE ADVISER

China Everbright Capital Limited

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

Rooms 6026-14, 6/F
Joint Inspection Service Centre of Closed Area
1 American Road
Dongjiang Free Trade Port Zone
Tianjin, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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)
The Korea Development Bank
Shanghai Pudong Development Bank Co., Ltd.
(Hong Kong Branch)
China Construction Bank Corporation

COMPANY'S WEBSITE

www.calc.com.hk

INVESTOR RELATIONS CONTACT

ir@calc.com.hk

STOCK CODE

The Company's shares are listed on the Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 01848

CALC

China Aircraft Leasing Group Holdings Limited

FULL VALUE-CHAIN AIRCRAFT SOLUTION PROVIDER

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