



# ***CALC***

China Aircraft Leasing Group Holdings Limited  
(Incorporated under the laws of the Cayman Islands with limited liability)  
Stock code : 01848



Interim Report  
**2016**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHEN Shuang  
(Chairman and Chief Executive Officer)  
Ms. LIU Wanting  
(Deputy Chief Executive Officer)

### Non-executive Directors

Mr. TANG Chi Chun  
Mr. GUO Zibin  
Ms. CHEN Chia-Ling\*

### Independent Non-executive Directors

Mr. FAN Yan Hok, Philip  
Mr. NIEN Van Jin, Robert  
Mr. CHEOK Albert Saychuan  
Mr. CHOW Kwong Fai, Edward, J.P.\*\*

## BOARD COMMITTEES

### Audit Committee

Mr. CHEOK Albert Saychuan (Chairman)  
Mr. GUO Zibin  
Mr. NIEN Van Jin, Robert  
Mr. CHOW Kwong Fai, Edward, J.P.\*\*

### Remuneration Committee

Mr. FAN Yan Hok, Philip (Chairman)  
Mr. NIEN Van Jin, Robert  
Mr. CHEOK Albert Saychuan  
Mr. CHOW Kwong Fai, Edward, J.P.\*\*

### Nomination Committee

Mr. NIEN Van Jin, Robert (Chairman)  
Mr. FAN Yan Hok, Philip  
Mr. CHEOK Albert Saychuan  
Mr. CHOW Kwong Fai, Edward, J.P.\*\*

## COMPANY SECRETARY

Ms. TAI Bik Yin

## AUTHORISED REPRESENTATIVES

Ms. LIU Wanting  
Ms. TAI Bik Yin

## AUDITORS

PricewaterhouseCoopers  
Certified Public Accountants

## LEGAL ADVISERS

Linklaters  
Morrison & Foerster

## 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

### In Hong Kong

28th Floor, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### Notes:

\* Appointed on 19 January 2016

\*\* Appointed on 19 July 2016

# CORPORATE INFORMATION

## SHARE REGISTRAR AND TRANSFER OFFICE

### Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman  
KY1-1102  
Cayman Islands

### Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS AND FINANCIAL INSTITUTIONS

The Export-Import Bank of China  
China Construction Bank Corporation  
China Everbright Bank Co., Ltd.  
China Development Bank  
Industrial and Commercial Bank of China (Asia) Limited  
Shanghai Pudong Development Bank Co., Ltd.  
Toronto-Dominion Bank  
Industrial and Commercial Bank of China Limited  
Bank of China Limited  
Credit Agricole Corporate and Investment Bank  
Bank of Communications Co., Ltd.  
The Korea Development Bank  
The Hongkong and Shanghai Banking Corporation Limited  
Chong Hing Bank Limited  
Dah Sing Bank Limited  
Mega International Commercial Bank Co., Ltd.  
China Merchants Bank Co., Ltd.  
SinoPac Leasing Corp.  
KDB Asia Limited  
KEB Hana Bank

## COMPANY'S WEBSITE

[www.calc.com.hk](http://www.calc.com.hk)

## INVESTOR RELATIONS CONTACT

[ir@calc.com.hk](mailto: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

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM BUSINESS REVIEW

### Aircraft Leasing

In the first half of 2016, the Group has successfully delivered seven aircraft to airline companies and thus grown its fleet to 70 aircraft as at 30 June 2016. According to our schedule, the Group's fleet will expand to 173 aircraft by 2022.

In line with its globalisation strategy, the Group has continued to develop with overseas airlines while further enhance its relationships with top-tier Chinese airline groups.

The Group has already signed and secured all lease agreements for the aircraft to be delivered in 2016. At the beginning of the year, the Group signed for two more aircraft with its first South-East Asian client, Jetstar Pacific Airlines of Vietnam, in addition to the mandate signed in November 2015 for the lease of two aircraft. Since its foray into Europe last year by signing an agreement with Turkey's leading low-cost airline Pegasus Airlines, the Group has completed the delivery of two new Airbus A320 aircraft to the carrier in June 2016.

In July 2016, the Group achieved another milestone in its international expansion by entering into a lease agreement with Japan's ANA Group. The concerned Airbus A320 aircraft will be subleased to ANA's low cost regional subsidiary Vanilla Air. By working with the largest airline in Japan, the Group is further expanding its global footprint.

CALC is in full support of the development of China's domestic aircraft manufacturing industry. In July 2016, the Group entered into a non-binding cooperative framework agreement with Commercial Aircraft Corporation of China Limited ("COMAC") to acquire 30 to 60 ARJ21-700 series aircraft from COMAC. CALC will act as an aircraft lessor to provide value-added leasing solutions to overseas airline.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM BUSINESS REVIEW (continued)

### Financing

The Group has completed several rental realisation transactions for aircraft in the first half of 2016. The Group has continued to enhance these products since it was first launched in 2013. We have also completed other several rental realisation transactions after interim period. These were structured into senior and junior tranches, a first-of-its-kind arrangement in China, to fit different appetites and strategies of investors, as well as to keep the all-in-costs at a lower level for CALC.

The Group launched its first USD bonds in an aggregate principal amount of US\$300 million in May 2016, which was CALC's largest debt-raising exercise to date and has allowed the Group to tap into the international bond market for the first time, establishing a significant channel for obtaining long-term financing from international investors. The USD bonds, bearing interest of 5.9% per annum, are unrated, unsecured and mature in 3 years. In the same month, the Group has obtained its first syndicated loan from the market through a consortium of six financial institutions. This syndicated loan facility of an approximately US\$195 million will further support the Groups' long-term and sustainable growth while reducing its funding cost.

In addition, the Group actively manages its balance sheet in order to optimise its financial position. In July 2016, it entered into separate agreements with bondholders to repurchase convertible bonds due in 2018 in the aggregate principal amount of HK\$581,850,000. Convertible bonds with par value of HK\$310.3 million issued to China Everbright Financial Investments Limited remained outstanding after the repurchase. This repurchase allows the Group more effective use of capital and resources, and thus create greater value for our shareholders.

Following its success in the first issuance of US\$300 million bonds, the Group has taken further step by launching US\$300 million five-year bonds in August 2016, bearing interest of 4.9% per annum, the second time in less than four months. This not only reflect investors' high confidence in the Group business prospects and credit quality, but also allows us to expand our investor base geographically.

### China Aircraft Disassembly Centre

With a vision of extending the value-chain and supporting the long-term development of China's aviation industry, the Group has started to build an aircraft disassembly centre of 300,000 square meters at Harbin Taiping Airport, the first purpose built disassembly facility in China. It is expected to start operation in early 2017. The Group has undergone a restructuring exercise and brought different shareholders with respective strengths and expertise to accelerate the commencement of operation of this first built disassembly facility in China. The restructuring was completed in July 2016 and CALC remains 48% shareholding after the restructuring.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. RESULTS

For the six months ended 30 June 2016, the Group delivered seven aircraft, which built our fleet size to 70. Revenue and other income was HK\$1,026.6 million, an increase of HK\$390.9 million or 61.5% increased from that of the corresponding period of last year. Profit attributable to owners of the Company for six months ended 30 June 2016 amounted to HK\$240.0 million, an increase of HK\$123.3 million or 105.7% compared with that of the corresponding period of last year. The main reasons were due to increased lease income which is resulted from continued expansion of the scale of aircraft leasing business and gain from realisation of finance lease receivables.

Total asset value was HK\$28,864.6 million as at 30 June 2016, compared with HK\$23,947.0 million as at 31 December 2015, an increase of HK\$4,917.6 million or 20.5%. Total liabilities amounted to HK\$26,592.9 million, increased by 22.3%. The increase in liabilities was because the Company's aircraft acquisitions were mainly funded through aircraft financing.

Equity attributable to owners of the Company was HK\$2,271.7 million as at 30 June 2016 compared with HK\$2,188.5 million as at 31 December 2015, an increase of HK\$83.2 million or 3.8%.

## 2. ANALYSIS OF INCOME AND EXPENSES

	Unaudited		Change
	Six months ended 30 June		
	2016	2015	
	HK\$'Million	HK\$'Million	
Finance lease income	617.1	461.2	33.8%
Operating lease income	176.7	109.1	62.0%
Gain from disposal of finance lease receivables	145.1	–	N/A
Government subsidies	81.9	64.1	27.8%
Sundry income	5.8	1.3	346.2%
<b>Total revenue and other income</b>	<b>1,026.6</b>	635.7	61.5%
Total expenses and losses	(691.4)	(477.9)	44.7%
Profit before income tax	335.2	157.8	112.4%
Income tax expenses	(95.2)	(41.1)	131.6%
<b>Profit for the period</b>	<b>240.0</b>	116.7	105.7%



# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. ANALYSIS OF INCOME AND EXPENSES (continued)

### 2.1 Revenue and Other Income

For the six months ended 30 June 2016, revenue and income amounted to HK\$1,026.6 million compared with HK\$635.7 million for the corresponding period of last year, an increase of HK\$390.9 million or 61.5%.

Lease income for the six months ended 30 June 2016 totalled HK\$793.8 million, compared with HK\$570.3 million for the six months ended 30 June 2015, an increase of HK\$223.5 million or 39.2%. The growth in lease income during the period under review was principally attributable to the increase in the Group's fleet size from 50 as at 30 June 2015 to 63 aircraft as at 31 December 2015 and increased to 70 aircraft as at 30 June 2016. During the six months ended 30 June 2016, seven aircraft were delivered, of which four were classified as finance leases and three as operating leases (six months ended 30 June 2015: six aircraft were delivered and classified as finance leases).

In addition, the Group recognised a total gain of HK\$145.1 million from disposal of aircraft lease receivables during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

Government subsidies for the six months ended 30 June 2016 amounted to HK\$81.9 million, compared with HK\$64.1 million for the six months ended 30 June 2015, an increase of HK\$17.8 million or 27.8%. This was mainly due to the increase in the fleet size.

### 2.2 Total Expenses and Losses

During the six months ended 30 June 2016, the Group had four principal types of operating expense, namely (a) interest expenses from aircraft acquisition financing and business expansion; (b) depreciation on property, plant and equipment; (c) other operating expenses; and (d) other losses relating to fair value change of swaps and currency exchange differences.

	Unaudited		
	Six months ended 30 June		Change
	2016	2015	
	HK\$'Million	HK\$'Million	
Interest expenses	475.4	337.2	41.0%
Depreciation	69.8	44.6	56.5%
Other operating expenses	137.8	95.6	44.1%
Other losses	8.4	0.5	1,580.0%
<b>Total expenses and losses</b>	<b>691.4</b>	<b>477.9</b>	<b>44.7%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. ANALYSIS OF INCOME AND EXPENSES (continued)

### 2.2 Total Expenses and Losses (continued)

#### (a) Interest Expenses

For the six months ended 30 June 2016, interest expenses incurred by the Group amounted to HK\$475.4 million compared with HK\$337.2 million in the corresponding period of last year, an increase of HK\$138.2 million or 41.0%. This was mainly due to an increase in total borrowings as a result of increased aircraft fleet size, the issuance of medium-term notes in July 2015, issuance of guaranteed bonds in May 2016 and the full period effect of interest expenses from convertible bonds in 2016.

#### (b) Depreciation

Depreciation on the Group's leasehold improvements, motor vehicles, office equipment and aircraft under operating leases for the six months ended 30 June 2016 was HK\$69.8 million, compared with HK\$44.6 million in the corresponding period of last year, an increase of HK\$25.2 million or 56.5%. This was mainly because the number of aircraft under operating leases was increased from four as at 30 June 2015 to ten as at 30 June 2016.

#### (c) Other Operating Expenses

Other operating expenses mainly represented salaries and bonuses; professional fees related to the aircraft leasing business; and rentals and office administration expenses. The Group's globalisation strategy, which includes plans to diversify its overseas customer base and expand overseas offices, led to an increase in manpower and business running costs.

#### (d) Other Losses

The Group has managed its cash flow interest rate risk by entering into interest rate swaps to convert the bank borrowings from floating interest rates to fixed interest rates. Other losses for the six months ended 30 June 2016 mainly included the fair value loss of HK\$10.5 million (six months ended 30 June 2015: loss of HK\$1.3 million) on one interest rate swap charged to the profit and loss account.

### 2.3 Income Tax Expenses

Income tax for the six months ended 30 June 2016 was HK\$95.2 million (six months ended 30 June 2015: HK\$41.1 million), resulting from increased profits achieved through growth in the leasing business and gain from realisation of finance lease receivables.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. ANALYSIS OF FINANCIAL POSITION

### 3.1 Assets

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 30 June 2016, the Group's total assets amounted to HK\$28,864.6 million compared with HK\$23,947.0 million as at 31 December 2015, an increase of HK\$4,917.6 million or 20.5%.

	Unaudited As at 30 June 2016 HK\$'Million	Audited As at 31 December 2015 HK\$'Million	Change
Finance lease receivables, net	16,423.4	16,473.0	-0.3%
Property, plant and equipment	3,716.4	2,412.5	54.0%
Cash and bank balances	4,844.7	1,597.7	203.2%
Pre-delivery payments ("PDP") and other receivables	3,859.9	3,444.4	12.1%
Derivative financial assets	20.2	19.4	4.1%
<b>Total assets</b>	<b>28,864.6</b>	<b>23,947.0</b>	<b>20.5%</b>

#### 3.1.1 Finance Lease Receivables, Net and Property, Plant and Equipment

The majority of total assets as at 30 June 2016 represented finance lease receivables and property, plant and equipment. Finance lease receivables represented the present value of minimum lease amounts receivables from aircraft classified as finance leases and their residual values. Property, plant and equipment included the cost of aircraft classified as operating leases, net of their accumulated depreciation. As at 31 December 2015, including the aircraft under the realisation of finance lease receivables, total fleet size was 63 aircraft, of which 57 were classified as finance leases and six as operating leases. As at 30 June 2016, including the aircraft under the realisation of finance lease receivables, total fleet size increased to 70 aircraft, of which 60 aircraft were classified as finance leases and 10 as operating leases.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. ANALYSIS OF FINANCIAL POSITION (continued)

### 3.1 Assets (continued)

#### 3.1.2 Cash and Bank Balances

Cash and bank balances increased by HK\$3,247.0 million or 203.2% from HK\$1,597.7 million as at 31 December 2015 to HK\$4,844.7 million as at 30 June 2016, following the issuance of guaranteed bonds in May 2016.

### 3.2 Liabilities

As at 30 June 2016, the Group's total liabilities amounted to HK\$26,592.9 million compared with HK\$21,739.0 million as at 31 December 2015, an increase of HK\$4,853.9 million or 22.3%. This was principally attributable to an increase in bank borrowings due to business expansion through the increase in fleet size and issuance of guaranteed bonds.

An analysis is given as follows:

	Unaudited As at 30 June 2016 HK\$'Million	Audited As at 31 December 2015 HK\$'Million	Change
Bank borrowings	20,206.4	18,775.2	7.6%
Guaranteed bonds	2,300.1	–	N/A
Long-term borrowings	1,277.7	794.2	60.9%
Convertible bonds	816.7	796.5	2.5%
Medium-term notes	392.4	400.5	-2.0%
Deferred income tax liabilities	199.7	122.1	63.6%
Derivative financial liabilities	110.1	32.1	243.0%
Interest payables	112.1	73.3	52.9%
Income tax payables	33.7	37.7	-10.6%
Other payables and accruals	1,144.0	707.4	61.7%
<b>Total liabilities</b>	<b>26,592.9</b>	21,739.0	22.3%

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. ANALYSIS OF FINANCIAL POSITION (continued)

### 3.2 Liabilities (continued)

#### 3.2.1 Bank Borrowings

The analysis of bank borrowings is as follows:

	Unaudited As at 30 June 2016 HK\$'Million	Audited As at 31 December 2015 HK\$'Million	Change
Secured bank borrowings for aircraft acquisition financing	17,561.6	15,908.9	10.4%
PDP financing	1,998.8	2,063.6	-3.1%
Working capital borrowings	646.0	802.7	-19.5%
<b>Total bank borrowings</b>	<b>20,206.4</b>	<b>18,775.2</b>	<b>7.6%</b>

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 the Group's 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\$351.6 million (31 December 2015: HK\$119.2 million).

PDP is required to be made under the aircraft acquisition agreements 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 agreements with Airbus.

As at 30 June 2016 and 31 December 2015, all the PDP financing was secured by rights and benefits in respect of the purchase of the aircraft and pledged deposits of HK\$2.4 million and HK\$6.4 million, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. ANALYSIS OF FINANCIAL POSITION *(continued)*

### 3.2 Liabilities *(continued)*

#### 3.2.1 Bank Borrowings *(continued)*

As at 30 June 2016, the Group had aggregate working capital borrowings of HK\$646.0 million (31 December 2015: HK\$802.7 million) from four banks (31 December 2015: four banks) which were guaranteed by the Company and China Aircraft Leasing Company Limited (“CALC (BVI)”) (31 December 2015: same).

The Group’s financial position has remained strong during the period under review. Its financial resources, including cash on hand, 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 Guaranteed Bonds

On 6 May 2016, a subsidiary of the Company issued three-year US\$300 million (equivalent to approximately HK\$2,330.1 million) bonds due in 2019, net of transaction costs of US\$3.7 million (equivalent to approximately HK\$28.9 million) which were listed on The Stock Exchange of Hong Kong Limited and guaranteed by the Company. These bonds bear coupon interest at 5.9% per annum, payable semi-annually in arrears on 6 May and 6 November each year. The carrying amount of these bonds as at 30 June 2016 was HK\$2,300.1 million.

#### 3.2.3 Long-term Borrowings

As at 30 June 2016, the Group obtained aggregate borrowings of HK\$1,122.5 million (31 December 2015: HK\$794.2 million) from trust plans which are also counterparties to the realisation of finance lease receivable transactions entered into with the relevant subsidiaries. The effective average interest rates of these borrowings range from 6.0% to 7.8% (31 December 2015: 6.2% to 7.8%) per annum for remaining terms of eight to eleven years (31 December 2015: same). These long-term borrowings were secured by the shares of, and the aircraft held by, the relevant subsidiaries and guaranteed by China Asset Leasing Company Limited.

As at 30 June 2016, two borrowings of HK\$155.2 million (31 December 2015: nil) were obtained through a Japanese Operating Lease with Call Option (“JOLCO”) financing arrangement for two aircraft delivered to airlines. These borrowings bear an effective interest rate of 5.1% per annum for their remaining terms of eight years and are guaranteed by the Company.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. ANALYSIS OF FINANCIAL POSITION *(continued)*

### 3.2 Liabilities *(continued)*

#### 3.2.4 Convertible Bonds

In April and May 2015, the Company completed the issuance of convertible bonds at par values of HK\$387.9 million, HK\$116.4 million and HK\$387.9 million respectively to China Huarong International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited. These bonds bear coupon interest at 3.0% per annum and arrangement fees 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 between the 41st day from their issue date and the 10th day prior to the maturity date. The conversion price is HK\$11.28 per share, subject to adjustment in accordance with the terms and conditions of the bonds.

Further to the above information disclosed in the notes to the consolidated financial statements of the annual report of the Company for the year ended 31 December 2015, the Company actually used the total net proceeds of approximately HK\$490.6 million from issue of the convertible bonds to China Huarong International Holdings Limited and Great Wall Pan Asia International Investment Co., Limited under the general mandate for aircraft acquisition, including part of financing of the aircraft purchases contemplated under the two aircraft purchase agreements entered into by Airbus S.A.S. and CALC (BVI) on 1 December 2014 regulating the purchase of 100 Airbus A320 series aircrafts. The actual use of proceeds was the same as the intended use as announced by the Company on 26 March 2015.

#### 3.2.5 Medium-term Notes

The carrying amount of the five-year RMB340.0 million medium-term notes issued in the PRC as at 30 June 2016 was HK\$392.4 million (31 December 2015: HK\$400.5 million). These notes bear coupon interest at 6.5% per annum and are due in 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the six months ended 30 June 2016:

		Unaudited Six months ended 30 June	
		2016	2015
		HK\$'Million	HK\$'Million
I:	Aircraft in operation		
	Lease income	1,013.5	739.4
	Bank repayment	(860.4)	(668.1)
		153.1	71.3
II:	Aircraft purchase and delivery		
	Capital expenditure	(2,313.0)	(2,037.6)
	Bank borrowings	2,109.6	1,234.2
		(203.4)	(803.4)
III:	New aircraft not yet delivered		
	PDP paid	(951.5)	(877.9)
	PDP refunded	869.3	738.1
	PDP financing	1,098.0	1,049.5
	Repayment of PDP financing	(1,213.9)	(666.5)
		(198.1)	243.2
IV:	Net capital movement		
	Proceeds from exercise of share options	25.5	31.1
	Purchase of non-controlling interests	(19.5)	–
	Dividends paid	(110.5)	(94.6)
	Realisation proceeds and long-term borrowings	1,566.3	–
	Early loan repayment on realisation	–	(684.1)
	Issue of convertible bonds, net of transaction costs	–	876.7
	Issue of guaranteed bonds, net of transaction costs	2,301.2	–
	Working capital financing and net cash generated from other operating activities	(541.6)	45.1
		3,221.4	174.2
	Net increase/(decrease) in cash and cash equivalents	2,973.0	(314.7)
	Cash and cash equivalents at beginning of the period	1,389.3	1,425.6
	Currency exchange difference on cash and cash equivalents	(9.7)	0.8
	<b>Cash and cash equivalents at end of the period</b>	<b>4,352.6</b>	<b>1,111.7</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## 5. CAPITAL MANAGEMENT

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

Operations and capital expenditure requirements are funded by a combination of cash generated from 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 six months ended 30 June 2016, 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:

	Unaudited As at 30 June 2016 HK\$'Million	Audited As at 31 December 2015 HK\$'Million	Change
Interest-bearing debts included in total liabilities	24,993.3	20,766.5	20.4%
Total assets	28,864.6	23,947.0	20.5%
Gearing ratio	86.6%	86.7%	-0.1p.p.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 6. CAPITAL EXPENDITURE

During the six months ended 30 June 2016, our capital expenditure was principally used for business expansion purposes, including the purchase of aircraft to generate lease income and the construction of an aircraft disassembly centre. The primary source of financing for our capital expenditure was bank borrowings and bonds issuance.

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

	Unaudited		Change
	Six months ended 30 June		
	2016	2015	
	HK\$'Million	HK\$'Million	
Acquisition of aircraft (for finance and operating leases)	2,313.0	2,037.6	13.5%
Acquisition of property, plant and equipment (excluding aircraft)	33.9	2.9	1,069.0%
<b>Total</b>	<b>2,346.9</b>	<b>2,040.5</b>	<b>15.0%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## 7. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

### 7.1 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2016 (31 December 2015: nil).

### 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, 33 aircraft have been delivered up to 30 June 2016, and three are to be delivered by the end of this year.

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 four aircraft have been delivered up to 30 June 2016, 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 by the end of 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 differing aircraft specifications and various price concessions, credits or discounts that may be provided by the 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 are expected to be substantially less than the manufacturer's list prices.

The Group's total aircraft purchase commitment amounted to HK\$38.6 billion as at 30 June 2016 (31 December 2015: HK\$41.1 billion), representing our estimated total purchase costs of the aircraft contracted to be purchased and delivered to us, net of PDP paid.

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

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

#### Arrangements for the Directors to Purchase Shares or Debentures

Saved as disclosed herein, at no time during the six months ended 30 June 2016 were there any rights to acquire benefits by means of the acquisition of shares (the "Shares") in or debentures of the Company granted to any director (the "Director(s)") or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

#### Directors' and Chief Executive's Interests and/or Short Positions In the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 30 June 2016, the interests or short positions of 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange are as follows:

Name of Directors	Capacity/ Nature of interests	Number of Shares held (L) <sup>(1)</sup>				Total interests	Approximate percentage of Shares in issue <sup>(2)</sup>
		Personal interests	Corporate interests	Derivatives interests			
CHEN Shuang	Beneficial owner	200,000	–	200,000 <sup>(4)</sup>	400,000	0.06%	
LIU Wanting	Interest of controlled corporation	–	10,000,000 <sup>(3)</sup>	–	10,000,000	1.61%	
TANG Chi Chun	Beneficial owner	–	–	200,000 <sup>(4)</sup>	200,000	0.03%	
GUO Zibin	Beneficial owner	–	–	200,000 <sup>(4)</sup>	200,000	0.03%	
FAN Yan Hok, Philip	Beneficial owner	66,000	–	134,000 <sup>(4)</sup>	200,000	0.03%	
NIEN Van Jin, Robert	Beneficial owner	100,000	–	134,000 <sup>(4)</sup>	234,000	0.04%	
CHEOK Albert Saychuan	Beneficial owner	5,000	–	–	5,000	Below 0.01%	



## OTHER INFORMATION

### DISCLOSURE OF INTERESTS (continued)

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

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) Based on 622,783,840 Shares in issue as at 30 June 2016.
- (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 the underlying Shares in respect of the share options granted by the Company to Directors pursuant to the Post-IPO Share Option Scheme.

Save as disclosed above, as at 30 June 2016, 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.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS (continued)

#### Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

Based on the information available to the Directors as at 30 June 2016 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 30 June 2016, 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 to 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 interests	Number of Shares held(L) <sup>(1)</sup>	Number of underlying Shares held(L) <sup>(1)</sup>	Approximate percentage of Shares in issue <sup>(2)</sup>
China Everbright Aerospace Holdings Limited ("CE Aerospace")	Beneficial owner	208,299,479 <sup>(5)</sup>		33.45%
	Beneficial owner		680,000 <sup>(3)</sup>	0.11%
China Everbright Financial Investments Limited ("CE Financial")	Beneficial owner	8,220,000 <sup>(5)</sup>		1.32%
	Beneficial owner		34,388,297 <sup>(4)</sup>	5.52%
China Everbright Limited ("CEL")	Interest of controlled corporation	216,519,479 <sup>(5)</sup>		34.77%
	Interest of controlled corporation		34,388,297 <sup>(4)</sup>	5.52%
	Interest of controlled corporation		680,000 <sup>(3)</sup>	0.11%
China Everbright Holdings Company Limited ("CE Hong Kong")	Interest of controlled corporation	216,519,479 <sup>(6)</sup>		34.77%
	Interest of controlled corporation		34,388,297 <sup>(4)</sup>	5.52%
	Interest of controlled corporation		680,000 <sup>(3)</sup>	0.11%
China Everbright Group Ltd. ("CE Group")	Interest of controlled corporation	216,519,479 <sup>(7)</sup>		34.77%
	Interest of controlled corporation		34,388,297 <sup>(4)</sup>	5.52%
	Interest of controlled corporation		680,000 <sup>(3)</sup>	0.11%
Central Huijin Investment Limited ("Huijin Limited")	Interest of controlled corporation	216,519,479 <sup>(7)</sup>		34.77%
	Interest of controlled corporation		34,388,297 <sup>(4)</sup>	5.52%
	Interest of controlled corporation		680,000 <sup>(3)</sup>	0.11%

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS (continued)

#### Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares (continued)

Name of shareholders	Capacity/ Nature of interests	Number of Shares held(L) <sup>(1)</sup>	Number of underlying Shares held(L) <sup>(1)</sup>	Approximate percentage of Shares in issue <sup>(2)</sup>
Friedmann Pacific Asset Management Limited ("FPAM")	Beneficial owner	182,112,589 <sup>(10)</sup>		29.24%
	Beneficial owner		442,000 <sup>(8)</sup>	0.07%
Capella Capital Limited ("Capella")	Interest of controlled corporation	182,112,589 <sup>(10)</sup>		29.24%
	Interest of controlled corporation		442,000 <sup>(8)</sup>	0.07%
POON Ho Man	Interest of controlled corporation	192,012,589 <sup>(11)</sup>		30.83%
	Interest of controlled corporation		442,000 <sup>(8)</sup>	0.07%
	Interest of controlled corporation		5,100,000 <sup>(9)</sup>	0.82%
Christina NG	Interest of spouse	192,012,589 <sup>(12)</sup>		30.83%
	Interest of spouse		442,000 <sup>(8)</sup>	0.07%
	Interest of spouse		5,100,000 <sup>(9)</sup>	0.82%
China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited) ("HK Huarong")	Beneficial owner		34,388,297 <sup>(13)</sup>	5.52%
China Huarong Assets Management Co., Ltd. ("China Huarong")	Interest of controlled corporation		34,388,297 <sup>(14)</sup>	5.52%



## OTHER INFORMATION

### DISCLOSURE OF INTERESTS (continued)

#### Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares (continued)

Notes:

- (1) The letter, "L" denotes the entity/person's long position in the securities.
- (2) Based on 622,783,840 Shares in issue as at 30 June 2016.
- (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 (6) 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 9,900,000 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.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS (continued)

#### Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares (continued)

Save as disclosed above, as at 30 June 2016, 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.

### CORPORATE GOVERNANCE

#### Corporate Governance Practices

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

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

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

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

The Company has complied with all Code Provisions set out in the CG Code for the six months ended 30 June 2016 with the exception of Code Provision A.2.1 due to the overlapping roles of Chairman and Chief Executive Officer of the Company performed by Mr. CHEN Shuang with effect from 18 June 2015. The Board considers that the balance of power and authority of the Board will not be impaired even though the roles of the Chairman and the Chief Executive Officer are performed by the same individual. At present, the Board also believes that under the leadership of Mr. CHEN Shuang as the Chairman and the Chief Executive Officer, the Board's decision can be made effectively and is beneficial to the management and development of the Group's businesses. The Board will review this structure from time to time and will consider the segregation of the two roles at an appropriate time.

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

## OTHER INFORMATION

### CORPORATE GOVERNANCE (continued)

#### Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

### BOARD COMMITTEES

#### 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. Such terms of reference have been revised on 1 January 2016 pursuant to the Listing Rules. 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. CHEOK Albert Saychuan (Chairman of the Audit Committee), Mr. GUO Zibin, Mr. NIEN Van Jin, Robert and Mr. CHOW Kwong Fai, Edward. Two of its members including the Chairman of the Audit Committee hold appropriate professional qualifications or expertise in accounting or relevant financial management.

During the period under review, the Audit Committee has reviewed with the management team and the external auditors the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control and financial reporting including the following:

- the review of the condensed consolidated financial statements of the Company for the year ended 31 December 2015 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2016, which have been reviewed by PricewaterhouseCoopers, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants;
- the discussion with the auditors on the nature and scope of the audit and reporting obligations before commencement of audit;
- the recommendation to the Board for the proposal for re-appointment of the external auditors of the Company and approval of the remuneration and terms of engagement of the external auditors; and
- the review of the Company's financial control, internal control and risk management systems.



## OTHER INFORMATION

### BOARD COMMITTEES (continued)

#### Remuneration Committee

The Remuneration Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and Code Provision B.1 of the CG Code. The primary duties of the Remuneration Committee include but not limited to regular monitoring of the remuneration of all the Directors and senior management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consisted of Mr. FAN Yan Hok, Philip (Chairman of the Remuneration Committee), Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward.

During the period under review, 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 independent non-executive Directors (“INEDs”).

As at the date of this report, the Nomination Committee consisted of Mr. NIEN Van Jin, Robert (Chairman of the Nomination Committee), Mr. FAN Yan Hok, Philip and Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward.

During the period under review, 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.

### SHARE OPTION SCHEMES

#### Pre-IPO Share Option Scheme

The pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) was adopted by the Group on 4 August 2011 and taken over by the Company under the corporate reorganisation of the Group on 23 June 2014. No option was granted under the Pre-IPO Share Option Scheme during the period under review.

As at the date of this interim report, the total number of Shares available for issue under the Pre-IPO Share Option Scheme is 6,606,140 Shares (as at the date of the 2015 interim report of 25 August 2015: 23,050,440 Shares), which represented approximately 1.1% (as at 25 August 2015: 3.8%) of 625,846,640 Shares in issue as at that date.

## OTHER INFORMATION

### SHARE OPTION SCHEMES (continued)

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

The following share options granted under the Pre-IPO Share Option Scheme were outstanding during the period and as at 30 June 2016:

Name of grantees	Date of grant	Tranche	Number of Shares under options				At 30 June 2016	Share price			Immediately before the exercise date per Share (note 3) HK\$	Exercise period
			At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period		Exercise price per Share US\$				
								1/7/2015 to 30/6/2016	1/7/2016 to 30/6/2017	1/7/2017 to 26/3/2018		
<b>Substantial Shareholders</b>												
China Everbright Aerospace Holdings Limited	10/10/2011	A	660,000	-	(660,000)	-	-	0.177	0.195	0.215	7.87	26/3/2016-26/3/2018
			680,000	-	-	-	680,000	N/A	0.195	0.215	-	26/3/2017-26/3/2018
Friedmann Pacific Asset Management Limited	10/10/2011	A	429,000	-	(429,000)	-	-	0.177	0.195	0.215	7.81	26/3/2016-26/3/2018
			442,000	-	-	-	442,000	N/A	0.195	0.215	-	26/3/2017-26/3/2018
<b>Sub-total</b>			<b>2,211,000</b>	<b>-</b>	<b>(1,089,000)</b>	<b>-</b>	<b>1,122,000</b>					
<b>Connected persons</b>												
Equal Honour Holdings Limited (note 1)	07/10/2011	A	4,950,000	-	(4,950,000)	-	-	0.177	0.195	0.215	7.31	26/3/2016-26/3/2018
			5,100,000	-	-	-	5,100,000	N/A	0.195	0.215	-	26/3/2017-26/3/2018
<b>Sub-total</b>			<b>10,050,000</b>	<b>-</b>	<b>(4,950,000)</b>	<b>-</b>	<b>5,100,000</b>					
<b>Consultants</b>												
Wealth Amass Limited (note 2)	10/10/2011	A	6,000,000	-	(6,000,000)	-	-	0.177	0.195	0.215	6.99	26/3/2015-26/3/2017
			4,000,000	-	(4,000,000)	-	-	0.177	0.195	0.215	7.63	26/3/2016-26/3/2017
<b>Sub-total</b>			<b>10,000,000</b>	<b>-</b>	<b>(10,000,000)</b>	<b>-</b>	<b>-</b>					
<b>Senior management and other employees</b>												
	10/10/2011	A	9,900	-	(9,900)	-	-	0.177	0.195	0.215	7.92	26/3/2015-26/3/2018
			306,900	-	(302,940)	(1,980)	1,980	0.177	0.195	0.215	7.82	26/3/2016-26/3/2018
			316,200	-	-	(2,040)	314,160	N/A	0.195	0.215	-	26/3/2017-26/3/2018
	30/12/2011	A	66,000	-	(66,000)	-	-	0.177	0.195	0.215	7.93	26/3/2016-26/3/2018
			68,000	-	-	-	68,000	N/A	0.195	0.215	-	26/3/2017-26/3/2018
<b>Sub-total</b>			<b>767,000</b>	<b>-</b>	<b>(378,840)</b>	<b>(4,020)</b>	<b>384,140</b>					
<b>Total</b>			<b>23,028,000</b>	<b>-</b>	<b>(16,417,840)</b>	<b>(4,020)</b>	<b>6,606,140</b>					

## OTHER INFORMATION

### SHARE OPTION SCHEMES (continued)

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

Notes:

- (1) Equal Honour Holdings Limited is wholly-owned by Mr. POON Ho Man, a substantial shareholder of the Company.
- (2) Amendment to the terms of share options granted to Wealth Amass Limited was approved by shareholders at an extraordinary general meeting of the Company held on 29 December 2014.
- (3) The price of the Shares disclosed is the weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the period.

#### Post-IPO Share Option Scheme

The post-IPO share option scheme (the "Post-IPO Share Option Scheme") was conditionally approved and adopted pursuant to a resolution in writing passed by the shareholders of the Company on 23 June 2014, which became effective on 11 July 2014. No option was granted under the Post-IPO Share Option Scheme during the period under review.

On 22 July 2016, the Company granted 26,240,000 share options (including the conditional grant of 13,800,000 share options to connected persons) to subscribe for 26,240,000 Shares under the Post-IPO Share Option Scheme. Such conditional grant of share options was approved by shareholders at an extraordinary general meeting of the Company held on 23 August 2016.

As at the date of this interim report, the total number of Shares available for issue under the Post-IPO Share Option Scheme is 46,259,600 Shares (as at the date of the 2015 interim report of 25 August 2015: 24,807,400 Shares), which represented approximately 7.4% (as at 25 August 2015: 4.1%) of 625,846,640 Shares in issue as at that date.

The following share options granted under the Post-IPO share Option Scheme were outstanding during the period and as at 30 June 2016:

Name of grantees	Date of grant	Tranche	Number of Shares under options				At 30 June 2016	Share price		Exercise period
			At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period		Exercise price per Share HK\$	Immediately before the exercise date per Share (note 3) HK\$	
Consultants (note 1)	02/09/2014	A	10,825,000	-	-	-	10,825,000	6.38	-	1/2/2015-1/9/2016
			10,825,000	-	-	-	10,825,000	6.38	-	1/2/2016-1/9/2016
<b>Sub-total</b>			<b>21,650,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,650,000</b>			
<b>Directors</b>										
CHEN Shuang	02/09/2014	B	66,000	-	-	-	66,000	6.38	-	1/3/2015-1/9/2017
			66,000	-	-	-	66,000	6.38	-	1/3/2016-1/9/2017
			68,000	-	-	-	68,000	6.38	-	1/3/2017-1/9/2017
TANG Chi Chun	02/09/2014	B	66,000	-	-	-	66,000	6.38	-	1/3/2015-1/9/2017
			66,000	-	-	-	66,000	6.38	-	1/3/2016-1/9/2017
			68,000	-	-	-	68,000	6.38	-	1/3/2017-1/9/2017



## OTHER INFORMATION

### SHARE OPTION SCHEMES (continued)

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

Name of grantees	Date of grant	Tranche	Number of Shares under options				At 30 June 2016	Share price		Exercise period
			At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period		Exercise price per Share HK\$	Immediately before the exercise date per Share (note 3) HK\$	
<b>Directors (continued)</b>										
GUO Zibin	02/09/2014	B	66,000	-	-	-	66,000	6.38	-	1/3/2015-1/9/2017
			66,000	-	-	-	66,000	6.38	-	1/3/2016-1/9/2017
			68,000	-	-	-	68,000	6.38	-	1/3/2017-1/9/2017
FAN Yan Hok, Philip	02/09/2014	B	66,000	-	-	-	66,000	6.38	-	1/3/2016-1/9/2017
			68,000	-	-	-	68,000	6.38	-	1/3/2017-1/9/2017
NIEN Van Jin, Robert	02/09/2014	B	66,000	-	-	-	66,000	6.38	-	1/3/2016-1/9/2017
			68,000	-	-	-	68,000	6.38	-	1/3/2017-1/9/2017
NG Ming Wah, Charles (note 2)	02/09/2014	B	66,000	-	(66,000)	-	-	6.38	7.75	1/3/2015-1/9/2017
			66,000	-	(66,000)	-	-	6.38	7.75	1/3/2016-1/9/2017
			68,000	-	-	(68,000)	-	6.38	-	1/3/2017-1/9/2017
<b>Sub-total</b>			<b>1,068,000</b>	<b>-</b>	<b>(132,000)</b>	<b>(68,000)</b>	<b>868,000</b>			
<b>Senior management and other employees</b>	02/09/2014	B	227,700	-	(19,800)	(33,000)	174,900	6.38	7.71	1/3/2015-1/9/2017
			887,700	-	(290,400)	(132,000)	465,300	6.38	7.81	1/3/2016-1/9/2017
			914,600	-	-	(170,000)	744,600	6.38	-	1/3/2017-1/9/2017
<b>Sub-total</b>			<b>2,030,000</b>	<b>-</b>	<b>(310,200)</b>	<b>(335,000)</b>	<b>1,384,800</b>			
<b>Total</b>			<b>24,748,000</b>	<b>-</b>	<b>(442,200)</b>	<b>(403,000)</b>	<b>23,902,800</b>			

#### Notes:

- Tranche A options to subscribe for 5,850,000 Shares were granted to an entity controlled by Mr. SUN Quan, a former INED.
- Mr. NG Ming Wah, Charles retired as a Director with effect from the conclusion of the annual general meeting of the Company held on 17 May 2016.
- The price of the Shares disclosed is the weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the period.

## OTHER INFORMATION

### OTHERS

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

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

#### Change of Directors/Other Directorship/Major Appointment

Ms. CHEN Chia-Ling was appointed as a non-executive Director with effect from 19 January 2016.

Mr. NG Ming Wah, Charles retired as an INED with effect from the conclusion of the 2016 annual general meeting of the Company held on 17 May 2016 and stepped down from the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company accordingly.

Mr. CHEOK Albert Saychuan, an INED, was appointed as the Chairman of the Audit Committee with effect from 17 May 2016.

Mr. FAN Yan Hok, Philip, an INED, resigned as an independent non-executive director of Guolian Securities Co., Ltd., a public listed company in Hong Kong, with effect from 5 July 2016.

Mr. CHOW Kwong Fai, Edward was appointed as an INED and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 19 July 2016.

#### Change of Directors' Remuneration

The remuneration package of Ms. LIU Wanting, an executive Director, has been increased from HK\$1,740,000 (including the basic salary of HK\$1,440,000 and Director's fee of HK\$300,000) to HK\$2,220,000 (combing the basic salary of HK\$1,920,000 and Director's fee of HK\$300,000) per annum with effect from 1 April 2016. Thereafter, Ms. LIU is no longer entitled to a separate Director's fee.

As authorised by the shareholders of the Company at the 2016 annual general meeting, the Board, on the recommendation of the Remuneration Committee, revised the remuneration of Directors with effect from 1 April 2016 as follows:

Annual Directors' fees	Before change	After change
	HK\$	HK\$
Executive Directors	300,000	– (note 1)
Non-executive Directors (including INEDs)	300,000	200,000

## OTHER INFORMATION

### OTHERS (continued)

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

#### Change of Directors' Remuneration (continued)

Annual Board committee fees	Before change	After change	
	Committee chairman/member HK\$	Committee chairman HK\$	Committee member HK\$
Audit Committee	–	100,000	80,000
Remuneration Committee	–	60,000	50,000
Nomination Committee	–	50,000	40,000

Accordingly, the adjusted annual remuneration for each Director as at the date of this report is as follows:

Name of Directors	Before change	After change		
	Director's fees HK\$	Director's fees HK\$	New Board committee fees HK\$	Total annual fees HK\$
<b>Executive Directors</b>				
CHEN Shuang	300,000	– (note 1)	N/A	–
LIU Wanting	300,000	– (notes 1 and 2)	N/A	–
<b>Non-executive Directors</b>				
TANG Chi Chun	300,000	200,000	N/A	200,000
GUO Zibin	300,000	200,000	80,000	280,000
CHEN Chia-Ling	300,000	200,000	N/A	200,000
<b>Independent Non-executive Directors</b>				
FAN Yan Hok, Philip	300,000	200,000	100,000	300,000
NIEN Yan Jin, Robert	300,000	200,000	180,000	380,000
CHEOK Albert Saychuan	300,000	200,000	190,000 (note 3)	390,000
CHOW Kwong Fai, Edward	N/A	200,000	170,000	370,000 (note 4)



## OTHER INFORMATION

### OTHERS (continued)

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

#### Change of Directors' Remuneration (continued)

Notes:

- (1) After change of Directors' remuneration, no Director's fee was paid to executive Directors.
- (2) The original Director's fee of HK\$300,000 for Ms. LIU Wanting, an executive Director, has been included in her basic salary with effect from 1 April 2016.
- (3) Since Mr. CHEOK Albert Saychuan has been appointed as the chairman of the Audit Committee with effect from 17 May 2016, he is entitled to a pro-rata annual fee of HK\$100,000 in 2016 for being the chairman of the Audit Committee from the effective date of such appointment.
- (4) Since Mr. CHOW Kwong Fai, Edward has been appointed as an INED, a member of each of Audit Committee, Remuneration Committee and Nomination Committee with effect from 19 July 2016, he is entitled to a pro-rata annual fee of HK\$370,000 for the year ending 31 December 2016.

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

### Public Float

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

### Interim Dividend

The Board has declared the payment of an interim dividend of HK\$0.14 per Share in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$0.04 per Share) to shareholders whose names appear on the register of members of the Company on 15 September 2016. The interim dividend will be paid on or about 30 September 2016.

### Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from 14 September 2016 to 15 September 2016, both days inclusive, during which period no transfer of Shares will be registered. The record date on which the shareholders of the Company are qualified to receive the interim dividend is 15 September 2016. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 13 September 2016.

## OTHER INFORMATION

### **OTHERS** (continued)

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2016.

By order of the Board

**China Aircraft Leasing Group Holdings Limited**

**CHEN SHUANG**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 25 August 2016

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 74, which comprises the interim consolidated balance sheet of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 August 2016

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# INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
<b>ASSETS</b>			
Property, plant and equipment	6	3,716,351	2,412,544
Finance lease receivables – net	7	16,423,366	16,473,038
Derivative financial assets	17	20,244	19,439
Prepayments and other receivables	8	3,859,878	3,444,332
Restricted cash		492,097	208,387
Cash and cash equivalents		4,352,649	1,389,289
<b>Total assets</b>		<b>28,864,585</b>	<b>23,947,029</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	9	62,278	60,592
Reserves	10	1,390,183	1,437,497
Retained earnings		819,269	690,452
		<b>2,271,730</b>	<b>2,188,541</b>
Non-controlling interests		–	19,461
<b>Total equity</b>		<b>2,271,730</b>	<b>2,208,002</b>
<b>LIABILITIES</b>			
Deferred income tax liabilities	11	199,669	122,132
Bank borrowings	12	20,206,440	18,775,249
Long-term borrowings	13	1,277,682	794,221
Medium-term notes	14	392,355	400,547
Convertible bonds	15	816,667	796,506
Guaranteed bonds	16	2,300,129	–
Derivative financial liabilities	17	110,147	32,103
Income tax payables		33,757	37,654
Interest payables		112,042	73,303
Other payables and accruals	18	1,143,967	707,312
<b>Total liabilities</b>		<b>26,592,855</b>	<b>21,739,027</b>
<b>Total equity and liabilities</b>		<b>28,864,585</b>	<b>23,947,029</b>

The notes on page 39 and 74 form an integral part of this interim condensed consolidated financial information.

**CHEN Shuang**  
Director

**LIU Wanting**  
Director

# INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>			
Finance lease income	19	617,135	461,158
Operating lease income	19	176,741	109,114
		<b>793,876</b>	570,272
Other income	20	232,761	65,462
Revenue and other income		<b>1,026,637</b>	635,734
<b>Expenses</b>			
Interest expenses	21	(475,421)	(337,230)
Depreciation		(69,834)	(44,588)
Other operating expenses	22	(137,832)	(95,640)
		<b>(683,087)</b>	(477,458)
<b>Operating profit</b>		<b>343,550</b>	158,276
Other losses	23	(8,394)	(466)
<b>Profit before income tax</b>		<b>335,156</b>	157,810
Income tax expenses	24	(95,138)	(41,083)
<b>Profit for the period</b>		<b>240,018</b>	116,727
<b>Profit attributable to:</b>			
Owners of the Company		240,018	116,678
Non-controlling interests		–	49
		<b>240,018</b>	116,727
<b>Earnings per share for profit attributable to owners of the Company (expressed in HK\$ per share)</b>			
– Basic earnings per share	26	0.392	0.198
– Diluted earnings per share	26	0.379	0.194

The notes on page 39 and 74 form an integral part of this interim condensed consolidated financial information.

Details of the dividends declared and paid for the period are disclosed in Note 25 to the interim condensed consolidated financial information.

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
<b>Profit for the period</b>		<b>240,018</b>	116,727
<b>Other comprehensive income for the period:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of interest rate swaps – cash flow hedges	17	(70,791)	(10,489)
Reclassified from other comprehensive income to profit or loss			
– cash flow hedges	17	(592)	2,436
Currency translation differences		(938)	323
<b>Total other comprehensive income for the period, net of tax</b>		<b>(72,321)</b>	(7,730)
<b>Total comprehensive income for the period</b>		<b>167,697</b>	108,997
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		167,697	108,948
Non-controlling interests		–	49
		<b>167,697</b>	108,997

The notes on page 39 and 74 form an integral part of this interim condensed consolidated financial information.



# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
<b>Balance as at 1 January 2015</b>	58,578	1,273,531	429,171	1,761,280	19,416	1,780,696
<b>Comprehensive income:</b>						
Profit for the period	-	-	116,678	116,678	49	116,727
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges (Note 17)	-	(10,489)	-	(10,489)	-	(10,489)
Reclassified from other comprehensive income to profit or loss – cash flow hedges (Note 17)	-	2,436	-	2,436	-	2,436
Currency translation differences	-	323	-	323	-	323
<b>Total comprehensive income</b>	-	(7,730)	116,678	108,948	49	108,997
<b>Transaction with owners:</b>						
Dividends (Note 25)	-	-	(94,648)	(94,648)	-	(94,648)
Share option scheme:						
– Value of services	-	7,253	-	7,253	-	7,253
– Issue of new shares from exercise of share options	2,006	29,058	-	31,064	-	31,064
Convertible bonds – equity component (Note 15)	-	116,541	-	116,541	-	116,541
<b>Total transactions with owners</b>	2,006	152,852	(94,648)	60,210	-	60,210
<b>Balance as at 30 June 2015</b>	60,584	1,418,653	451,201	1,930,438	19,465	1,949,903
<b>Balance as at 1 January 2016</b>	60,592	1,437,497	690,452	2,188,541	19,461	2,208,002
<b>Comprehensive income:</b>						
Profit for the period	-	-	240,018	240,018	-	240,018
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges (Note 17)	-	(70,791)	-	(70,791)	-	(70,791)
Reclassified from other comprehensive income to profit or loss – cash flow hedges (Note 17)	-	(592)	-	(592)	-	(592)
Currency translation differences	-	(938)	-	(938)	-	(938)
<b>Total comprehensive income</b>	-	(72,321)	240,018	167,697	-	167,697
<b>Transaction with owners:</b>						
Dividends (Note 25)	-	-	(111,201)	(111,201)	-	(111,201)
Share option scheme:						
– Value of services	-	1,244	-	1,244	-	1,244
– Issue of new shares from exercise of share options (Note 9(a))	1,686	23,802	-	25,488	-	25,488
Purchase of non-controlling interests (Note 10(a))	-	(39)	-	(39)	(19,461)	(19,500)
<b>Total transactions with owners</b>	1,686	25,007	(111,201)	(84,508)	(19,461)	(103,969)
<b>Balance as at 30 June 2016</b>	62,278	1,390,183	819,269	2,271,730	-	2,271,730

The notes on page 39 and 74 form an integral part of this interim condensed consolidated financial information.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
Profit after income tax		240,018	116,727
Adjustments for:			
– Depreciation		69,834	44,588
– Interest expenses		475,421	337,230
– Share-based payments		1,244	7,253
– Unrealised currency exchange gain		(1,264)	(1,811)
– Fair value (gain)/loss on currency swap		(4,083)	864
– Fair value loss on interest rate swap		10,540	1,271
– Interest income		(2,693)	(664)
		<b>789,017</b>	<b>505,458</b>
Changes in working capital:			
– Finance lease receivables – net		(201,436)	(1,864,155)
– Prepayments and other receivables		(71,916)	(38,877)
– Other payables and accruals		426,274	(17,778)
– Income tax payables		(3,897)	(2,368)
– Deferred income tax liabilities		78,146	30,767
Net cash flows generated from/(used in) operating activities		<b>1,016,188</b>	<b>(1,386,953)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,066,659)	(2,880)
Deposits paid for acquisition of aircraft		(285,919)	(139,787)
Purchase of non-controlling interests	10(a)	(19,500)	–
Interest received		2,693	664
Net cash flow used in investing activities		<b>(1,369,385)</b>	<b>(142,003)</b>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options	9(a)	25,488	31,064
Proceeds from bank borrowings		4,468,238	3,063,311
Repayments of bank borrowings		(3,064,588)	(2,319,589)
Proceeds from long-term borrowings		483,133	–
Repayments of long-term borrowings		(272)	(194)
Interest paid on bank borrowings		(434,584)	(357,592)
Interest paid on long-term borrowings		(26,730)	(19,144)
Interest paid on convertible bonds		(28,996)	–
(Increase)/decrease in deposits pledged in respect of borrowings		(252,820)	60,146
Increase in deposits pledged in respect of derivative financial instruments		(33,300)	(25,780)
Dividends paid to shareholders		(110,455)	(94,648)
Issue of convertible bonds, net of transaction costs	15	–	876,676
Issue of guaranteed bonds, net of transaction costs	16	2,301,168	–
Net cash flows generated from financing activities		<b>3,326,282</b>	<b>1,214,250</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,973,085</b>	<b>(314,706)</b>
Cash and cash equivalents at beginning of the period		1,389,289	1,425,570
Currency exchange difference on cash and cash equivalents		(9,725)	833
<b>Cash and cash equivalents at end of the period</b>		<b>4,352,649</b>	<b>1,111,697</b>

The notes on page 39 and 74 form an integral part of this interim condensed consolidated financial information.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION OF THE GROUP

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

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

The interim condensed consolidated financial information for the six months ended 30 June 2016 ("Interim Financial Information") is presented in Hong Kong Dollar ("HK\$"), unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

## 2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim financial reporting". The Interim Financial Information should be read in conjunction with the Group's financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and included in the 2015 annual report of the Company.

As at 30 June 2016, the Group had capital commitments amounting to HK\$38,649.4 million, mainly relating to acquisition of aircraft (Note 28(b)), of which HK\$5,190.0 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 Group uses short-term borrowings to finance the pre-delivery payments ("PDP") to the aircraft manufacturer when 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, repayable after the aircraft is delivered. As at 30 June 2016, PDP amounting to HK\$3,230.9 million had been paid (Note 8) and the balance of the corresponding PDP financing amounted to HK\$1,998.8 million (Note 12), of which HK\$1,110.0 million is repayable within one year and is related to aircraft to be delivered in the next twelve months from 30 June 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 industry practice and prior experience, long-term aircraft borrowings will be granted by the banks if the aircraft can be leased out to airline companies. For the majority of aircraft scheduled for delivery in the next twelve months from 30 June 2016, lease agreements or letters of intent have already been signed. 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 the next twelve months from 30 June 2016.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 2 BASIS OF PREPARATION *(continued)*

- According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 30 June 2016 amounted to HK\$1,213.4 million. As at the approval date of the consolidated financial statements, the Group had signed PDP financing agreements with various commercial banks which have agreed to provide financing of US\$111.4 million (equivalent to approximately HK\$864.7 million) to the Group in the next twelve months from 30 June 2016. The remaining balance of PDP amounting to HK\$348.7 million is to be funded by internally generated financial resources of the Group and additional financing expected to be obtained.
- The Group has entered into cooperative agreements with certain banks, pursuant to which these banks have 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 the required cash outflows for instalment repayments of the long-term aircraft borrowings over the entire lease term of the aircraft.
- On 6 May 2016, the Group issued three-year bonds due in 2019 amounted to US\$300.0 million (equivalent to approximately HK\$2,330.1 million). On 22 August 2016, the Group issued five-year bonds due in 2021 amounted to US\$300.0 million (equivalent to approximately HK\$2,327.6 million).

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 30 June 2016 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 majority of aircraft scheduled for delivery in the next twelve months from 30 June 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 and 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 30 June 2016. 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group's financial statements for the year ended 31 December 2015.

New standards, amendments and interpretations to the existing standards that are effective during the six months ended 30 June 2016 have been adopted by the Group consistently unless prohibited by the relevant standard from applying retrospectively.

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

	Effective for annual periods beginning on or after
HKFRS 15, "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9, "Financial Instruments"	1 January 2018
HKFRS 16, "Leases"	1 January 2019

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

## 4 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's financial statements for the year ended 31 December 2015.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2015.

There have been no significant changes in the risk management department or in any risk management policies since 31 December 2015.

#### 5.1.1 Market risk

##### (a) *Currency exchange risk*

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

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

The Group's interest rate risk mainly arises from finance lease receivables, bank borrowings, bonds and medium-term notes. Finance lease receivables and bank borrowings at floating rates expose the Group to cash flow interest rate risk. Finance lease receivables, bank borrowings, bonds and medium-term notes 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 30 June 2016, there are 34 aircraft where the effective interest rates implicit in leases and the associated bank borrowings do not match (31 December 2015: 30 aircraft). Given the above scenario, the Group has managed its cash flow interest rate risk by entering into 18 floating-to-fixed interest rate swaps for the associated bank borrowings for as at 30 June 2016 (31 December 2015: 13 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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT *(continued)*

### 5.1 Financial risk factors *(continued)*

#### 5.1.1 Market risk *(continued)*

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

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 30 June 2016. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax for the six months ended 30 June 2016 by approximately HK\$13,685,000 (six months ended 30 June 2015: HK\$3,729,000); and would also have increased/decreased the Group's reserves by approximately HK\$66,803,000 (31 December 2015: HK\$48,854,000) because of the impact of cash flow hedge interest derivatives.

The sensitivity analysis above indicates the 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.

#### 5.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in economy, or in the health of the industry segment that represents a concentration in the Group's portfolio (see (d) below), could result in losses that are different from those provided for at the balance sheets date. 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 (Note 18). 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 four 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 it may apply towards the payment or discharge of any obligation owed by the lessee.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT *(continued)*

### 5.1 Financial risk factors *(continued)*

#### 5.1.2 Credit risk *(continued)*

*(b) Risk limit control and mitigation policies*

The Group manages 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 regularly as circumstances require.

The lease rental receivables of the Group are neither past due nor impaired. The Group has not encountered any delay or default in the collection of lease rental receivables. No impairment allowance was made for lease rental receivables and financial assets of the Group as at 30 June 2016 (31 December 2015: Nil).

*(d) Concentration of credit risk*

During the six months ended 30 June 2016, the lessees of the Group are airline companies located in Europe, Mainland China and other countries or regions in Asia. Please see Note 7 and Note 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, management believes that the credit risk inherent in the Group's outstanding finance lease receivable balances from these airline companies is low.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT *(continued)*

### 5.1 Financial risk factors *(continued)*

#### 5.1.3 Liquidity risk

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

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Current assets		
Finance lease receivables – net	462,431	515,273
Prepayments and other receivables	232,323	114,563
Cash and cash equivalents	4,352,649	1,389,289
	<b>5,047,403</b>	2,019,125
Current liabilities		
Bank borrowings	3,976,780	3,411,695
Long-term borrowings	1,104	784
Convertible bonds	9,921	10,092
Income tax payables	33,757	37,654
Interest payable	112,042	73,303
Other payables and accruals	625,771	358,818
	<b>4,759,375</b>	3,892,346
<b>Net current assets/(liabilities)</b>	<b>288,028</b>	<b>(1,873,221)</b>

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT *(continued)*

### 5.2 Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, raise new debts, or adjust the amount of dividend paid to shareholders. No changes were made to the objectives, policies or processes for managing capital during the six months ended 30 June 2016.

### 5.3 Fair value estimation

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.3 Fair value estimation (continued)

#### Financial assets and financial liabilities measured at fair values

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 30 June 2016 – unaudited</b>				
Assets				
Currency swap	–	20,244	–	20,244
Liabilities				
Interest rate swaps for hedging	–	110,147	–	110,147
<b>As at 31 December 2015 – audited</b>				
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

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

#### Financial assets and financial liabilities carried at amortised cost

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.3 Fair value estimation (continued)

#### Financial assets and financial liabilities carried at amortised cost (continued)

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

	Unaudited As at 30 June 2016		Audited As at 31 December 2015	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Finance lease receivables	16,423,366	18,318,180	16,473,038	18,516,108
Bank borrowings	20,206,440	21,352,899	18,775,249	19,617,484
Long-term borrowings	1,277,682	1,349,891	794,221	887,854
Medium-term notes	392,355	392,355	400,547	400,547
Convertible bonds	816,667	816,667	796,506	796,506
Guaranteed bonds	2,300,129	2,300,129	–	–

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 bonds approximated to their carrying amounts. The fair values are considered to be of level 2 within the fair value hierarchy.

## 6 PROPERTY, PLANT AND EQUIPMENT

	Unaudited					Total HK\$'000
	Aircraft HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Construction in progress HK\$'000	
<b>Six months ended 30 June 2016</b>						
Opening net book amount	2,391,503	2,369	–	3,275	15,397	2,412,544
Additions	1,344,665	75	–	1,188	32,662	1,378,590
Depreciation	(68,781)	(370)	–	(683)	–	(69,834)
Currency translation difference	(3,952)	(1)	–	(3)	(993)	(4,949)
<b>Closing net book amount</b>	<b>3,663,435</b>	<b>2,073</b>	<b>–</b>	<b>3,777</b>	<b>47,066</b>	<b>3,716,351</b>
<b>Six months ended 30 June 2015</b>						
Opening net book amount	1,704,356	260	115	1,964	–	1,706,695
Additions	–	1,333	–	1,547	–	2,880
Depreciation	(43,484)	(619)	(87)	(398)	–	(44,588)
Currency translation difference	1,426	35	–	(6)	–	1,455
<b>Closing net book amount</b>	<b>1,662,298</b>	<b>1,009</b>	<b>28</b>	<b>3,107</b>	<b>–</b>	<b>1,666,442</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 7 FINANCE LEASE RECEIVABLES – NET

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Finance lease receivables	15,249,962	15,970,062
Guaranteed residual values	5,377,980	5,123,495
Unguaranteed residual values	6,433,973	6,142,055
Gross investment in leases	27,061,915	27,235,612
Less: unearned finance income	(10,638,549)	(10,762,574)
Net investment in leases	16,423,366	16,473,038
Less: accumulated allowance for impairment (a)	–	–
<b>Finance lease receivables – net</b>	<b>16,423,366</b>	<b>16,473,038</b>

(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 30 June 2016.

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

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Gross investment in finance leases	27,061,915	27,235,612
Less: unguaranteed residual values	(6,433,973)	(6,142,055)
Minimum lease payments receivable	20,627,942	21,093,557
Less: unearned finance income related to minimum lease payments receivable	(7,299,143)	(7,506,573)
<b>Present value of minimum lease payments receivable</b>	<b>13,328,799</b>	<b>13,586,984</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 7 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 each reporting period:

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
<b>Gross investment in finance leases</b>		
– Not later than 1 year	1,552,221	1,604,293
– Later than 1 year and not later than 5 years	6,454,779	6,879,054
– Later than 5 years	19,054,915	18,752,265
	<b>27,061,915</b>	<b>27,235,612</b>

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

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
<b>Present value of minimum lease payments receivable</b>		
– Not later than 1 year	683,251	720,090
– Later than 1 year and not later than 5 years	2,863,095	3,146,287
– Later than 5 years	9,782,453	9,720,607
	<b>13,328,799</b>	<b>13,586,984</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

	Unaudited		Audited	
	As at 30 June 2016	%	As at 31 December 2015	%
	HK\$'000		HK\$'000	
Categorised by customer in terms of lease receivables:				
Five largest airline companies	11,546,573	70%	11,288,283	69%
Other airline companies	4,876,793	30%	5,184,755	31%
	16,423,366	100%	16,473,038	100%

## 8 PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
PDP (a)	3,230,878	2,942,155
Interest capitalised	140,661	94,198
Prepayments and receivables relating to aircraft acquisition	62,809	98,184
Deposit for land use rights (b)	187,628	195,231
Deposits paid	6,123	5,142
Others (c)	231,779	109,422
	3,859,878	3,444,332

(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 and January 2016, the Group entered into agreements with Airbus S.A.S. for acquisition of additional 4 aircraft which were executed in a form of amendment agreements 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 Group 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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 9 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Par value of each share	Number of issued shares	Share capital in HK\$
<b>Issued:</b>			
<b>As at 1 January 2015</b>	HK\$0.1	585,781,000	58,578,100
Issue of new shares from exercise of share options (a)	HK\$0.1	20,142,800	2,014,280
<b>As at 31 December 2015 and 1 January 2016</b>	<b>HK\$0.1</b>	<b>605,923,800</b>	<b>60,592,380</b>
Issue of new shares from exercise of share options (a)	HK\$0.1	16,860,040	1,686,004
<b>As at 30 June 2016</b>	<b>HK\$0.1</b>	<b>622,783,840</b>	<b>62,278,384</b>

- (a) During the six months ended 30 June 2016, certain employees and consultants exercised share options granted under share option schemes, resulting in 16,860,040 (year ended 31 December 2015: 20,142,800) new shares being issued, with total exercise proceeds of HK\$25,488,000 (year ended 31 December 2015: HK\$31,474,000). The related weighted average price at the time of exercise was HK\$7.46 (year ended 31 December 2015: HK\$10.75) per share.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 9 SHARE CAPITAL (continued)

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

	Unaudited Six months ended 30 June 2016			Unaudited Six months ended 30 June 2015		
	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Total	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Total
Beginning of period	23,028,000	24,748,000	47,776,000	42,030,000	26,890,000	68,920,000
Exercised	(16,417,840)	(442,200)	(16,860,040)	(18,912,560)	(1,148,400)	(20,060,960)
Lapsed	(4,020)	(403,000)	(407,020)	(67,000)	(291,000)	(358,000)
<b>End of period</b>	<b>6,606,140</b>	<b>23,902,800</b>	<b>30,508,940</b>	<b>23,050,440</b>	<b>25,450,600</b>	<b>48,501,040</b>

The exercise price per share of Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme for the six months ended 30 June 2016 was US\$0.177 and HK\$6.38, respectively.

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the six months ended 30 June 2016 are as follows:

	Unaudited Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Directors and employee	655	1,819
Consultants	589	5,434
	<b>1,244</b>	<b>7,253</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 10 RESERVES

	Unaudited							Total HK\$'000
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Share- based payment HK\$'000	Cash flow hedges HK\$'000	Convertible bonds HK\$'000	Currency translation difference HK\$'000	
<b>Balance at 1 January 2015</b>	651,309	623,720	-	14,594	(19,441)	-	3,349	1,273,531
Convertible bonds – equity component (Note 15)	-	-	-	-	-	116,541	-	116,541
Share option scheme:								
– Value of services	-	-	-	7,253	-	-	-	7,253
– Issue of new shares from exercise of share options	31,584	-	-	(2,526)	-	-	-	29,058
Net effect of cash flow hedges:								
– Change in fair value of interest rate swaps (Note 17)	-	-	-	-	(10,489)	-	-	(10,489)
– Reclassified from other comprehensive income to profit or loss (Note 17)	-	-	-	-	2,436	-	-	2,436
Currency translation differences	-	-	-	-	-	-	323	323
<b>Balance as at 30 June 2015</b>	682,893	623,720	-	19,321	(27,494)	116,541	3,672	1,418,653
<b>Balance at 1 January 2016</b>	683,372	623,720	-	24,173	(12,863)	116,541	2,554	1,437,497
Share option scheme:								
– Value of services	-	-	-	1,244	-	-	-	1,244
– Issue of new shares from exercise of share options	25,338	-	-	(1,536)	-	-	-	23,802
Net effect of cash flow hedges:								
– Change in fair value of interest rate swaps (Note 17)	-	-	-	-	(70,791)	-	-	(70,791)
– Reclassified from other comprehensive income to profit or loss (Note 17)	-	-	-	-	(592)	-	-	(592)
Currency translation differences	-	-	-	-	-	-	(938)	(938)
Purchase of non-controlling interests (a)	-	-	(39)	-	-	-	-	(39)
<b>Balance as at 30 June 2016</b>	708,710	623,720	(39)	23,881	(84,246)	116,541	1,616	1,390,183



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 10 RESERVES (continued)

- (a) On 30 June 2016, the Group purchased the remaining 25% of equity interest in China Corporate Jet Investment Limited for an aggregate cash consideration of US\$2,500,000 (equivalent to approximately HK\$19,500,000), resulting in a reduction in non-controlling interests by HK\$19,461,000 and capital reserve by HK\$39,000.

## 11 DEFERRED INCOME TAX

The analysis of deferred tax liabilities is as follows:

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Deferred income tax liabilities:		
– To be settled after 12 months	199,669	122,132

The movement of the deferred income tax liabilities during the six months ended 30 June 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation of leased assets HK\$'000
<b>Deferred income tax liabilities</b>	
As at 1 January 2015	67,161
Charged to profit or loss (Note 24)	30,767
Currency translation difference	43
<b>As at 30 June 2015</b>	<b>97,971</b>
As at 1 January 2016	122,132
Charged to profit or loss (Note 24)	78,146
Currency translation difference	(609)
<b>As at 30 June 2016</b>	<b>199,669</b>

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 12 BANK BORROWINGS

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Secured bank borrowings for aircraft acquisition financing (a)	17,561,592	15,908,923
PDP financing (b)	1,998,833	2,063,645
Working capital borrowings (c)	646,015	802,681
	<b>20,206,440</b>	<b>18,775,249</b>

- (a) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating USD LIBOR rates. As at 30 June 2016, 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\$351,562,000 (31 December 2015: HK\$119,214,000).
- (b) As at 30 June 2016, 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\$2,429,000 (31 December 2015: HK\$6,356,000).
- (c) As at 30 June 2016, the Group had aggregate working capital borrowings of HK\$646,015,000 (31 December 2015: HK\$802,681,000) from four banks (31 December 2015: four banks) which were guaranteed by the Company and CALC (BVI) (31 December 2015: Same).

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Floating rate:		
– Expiring within one year	310,344	85,003
– Expiring beyond one year	2,140,027	865,365
	<b>2,450,371</b>	<b>950,368</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 13 LONG-TERM BORROWINGS

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Borrowings from trust plans (a)	1,122,510	794,221
Other borrowings (b)	155,172	–
	<b>1,277,682</b>	<b>794,221</b>

- (a) As at 30 June 2016, eleven borrowings (31 December 2015: seven borrowings) were provided by trust plans to eleven subsidiaries (31 December 2015: seven subsidiaries) of the Group. The effective average interest rates of the long-term borrowings range from 6.0% to 7.8% (31 December 2015: 6.2% to 7.8%) per annum for remaining terms of eight to eleven years (31 December 2015: same). These long-term borrowings are secured by the shares of, and the aircraft held by, the relevant subsidiaries and guaranteed by China Asset Leasing Company Limited. The trust plans are also counterparties to the disposal of finance lease receivable transactions entered into with the relevant subsidiaries.
- (b) As at 30 June 2016, two borrowings were obtained through a Japanese Operating Lease with a Call Option ("JOLCO") financing arrangement for two aircraft delivered to airlines. The borrowings bear an effective interest rate of 5.1% per annum for their remaining terms of eight years and are guaranteed by the Company.

## 14 MEDIUM-TERM NOTES

On 15 July 2015, a subsidiary of the Company issued five-year medium term notes in the aggregate principal amount of RMB340.0 million (equivalent to approximately HK\$406.0 million) in the PRC, net of transaction cost of HK\$5.5 million. The carrying amount of the notes as at 30 June 2016 was HK\$392,355,000 (31 December 2015: HK\$400,547,000). These notes bear coupon interest at 6.5% per annum and are due in 2020.

## 15 CONVERTIBLE BONDS

In April and May 2015, the Company completed the issue of convertible bonds at par values of HK\$387.9 million, HK\$116.4 million and HK\$387.9 million respectively to China Huarong International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited. These bonds bear coupon interest at 3.0% per annum and arrangement fees 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 between the 41st day from issue date and to the 10th day prior to maturity date. The conversion price is HK\$11.28 per share, subject to adjustment in accordance with the terms and conditions of the bonds.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 15 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 fees) 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.

Further to the above information disclosed in the notes to the consolidated financial statements of the annual report of the Company for the year ended 31 December 2015, the Company actually used the total net proceeds of approximately HK\$490,575,000 from issue of the convertible bonds to China Huarong International Holdings Limited and Great Wall Pan Asia International Investment Co., Limited under the general mandate for aircraft acquisition, including part of financing of the aircraft purchases contemplated under the two aircraft purchase agreements entered into by Airbus S.A.S. and CALC (BVI) on 1 December 2014 regulating the purchase of 100 Airbus A320 series aircrafts. The actual use of proceeds was the same as the intended use as announced by the Company on 26 March 2015.

Interest expenses (Note 21) on the carrying amount of the liability component are accrued at the effective interest rate of 11.8% to 14.1% (inclusive of arrangement fees) 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.

	Unaudited		
	As at 30 June 2016		
	Liability	Equity	Total
	HK\$'000	HK\$'000	HK\$'000
Par value of convertible bonds issued	773,456	118,714	892,170
Transaction costs	(13,321)	(2,173)	(15,494)
Carrying value on initial recognition	760,135	116,541	876,676
Accumulated interest accrued at effective interest rate	115,224	–	115,224
Accumulated interest paid (inclusive of arrangement fees)	(58,692)	–	(58,692)
<b>Carrying value as at 30 June 2016</b>	<b>816,667</b>	<b>116,541</b>	<b>933,208</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 15 CONVERTIBLE BONDS (continued)

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

## 16 GUARANTEED BONDS

On 6 May 2016, a subsidiary of the Company issued three-year US\$300.0 million (equivalent to approximately HK\$2,330.1 million) bonds due in 2019, net of transaction costs of US\$3.7 million (equivalent to approximately HK\$28.9 million) which were listed on The Stock Exchange of Hong Kong Limited and guaranteed by the Company. These bonds bear coupon interest at 5.9% per annum, payable semi-annually in arrears on 6 May and 6 November each year. As at 30 June 2016, the carrying amount of these bonds was HK\$2,300,129,000.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 17 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
<b>Derivative financial assets</b>		
– Currency swap (a)	20,244	16,148
– Interest rate swaps (b)	–	3,291
	<b>20,244</b>	<b>19,439</b>
<b>Derivative financial liabilities</b>		
– Interest rate swaps (b)	110,147	32,103

- (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 USD lease rentals received on behalf of the third party during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement included an embedded derivative – a currency swap contract. The notional principal of this embedded currency swap contract amounted to US\$15,684,296 (equivalent to approximately HK\$121,688,000). As at 30 June 2016, the fair value of this currency swap contract amounted to HK\$20,244,000 (31 December 2015: HK\$16,148,000) and the fair value gain of HK\$4,083,000 was recognised in other gains and losses for the six months ended 30 June 2016 (six months ended 30 June 2015: loss of HK\$864,000). As at 30 June 2016, this arrangement was secured by a pledge deposit of HK\$3,539,000 (31 December 2015: HK\$6,008,000).
- (b) As at 30 June 2016, the Group had 18 outstanding interest rate swap contracts (31 December 2015: 13 contracts) which will expire at various dates from 21 September 2018 to 21 December 2024 (31 December 2015: 21 September 2018 to 21 March 2024), to exchange floating interest rates from LIBOR into fixed interest rates in a range of 1.3% to 2.1% (31 December 2015: 1.5% to 2.1%). As at 30 June 2016, these interest rate swap contracts were secured by pledged deposits of HK\$85,573,000 (31 December 2015: HK\$52,254,000). Such pledged deposits can be used to settle the derivative financial liabilities under certain conditions.
- (i) 17 outstanding interest rate swap contracts were accounted for as cash flow hedges, which were virtually fully effective during the period ended 30 June 2016 (year ended 31 December 2015: 12 contracts).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 17 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

- (b) (ii) In December 2013, the Group terminated one interest rate swap contract with a realised gain of US\$1,947,000 (equivalent to approximately HK\$15,106,000). 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 six months ended 30 June 2016, the realised gain of HK\$592,000 (six months ended 30 June 2015: gain of HK\$592,000) was reclassified from cash flow hedges reserve to interest expense.
- (iii) In January 2015, CALC Jianqing Limited, a wholly-owned subsidiary of the Group, 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 was reclassified from cash flow hedges reserve to other gains and losses upon the repayment of bank borrowing on 4 January 2015. During the period ended 30 June 2016, total fair value loss of HK\$10,540,000 (six months ended 30 June 2015: loss of HK\$1,271,000) was charged to other gains and losses.

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>Recognised in other comprehensive income</b>		
– Change in fair value of interest rate swaps which qualified as cash flow hedges (b)(i)	(70,791)	(10,489)
– Reclassified from other comprehensive income to profit or loss (b)(ii) and (iii)	(592)	2,436
	<b>(71,383)</b>	<b>(8,053)</b>
<b>Recognised in profit or loss</b>		
– Unrealised gain/(loss) on currency swap (a)	4,083	(864)
– Fair value loss on interest rate swap (b)(iii)	(10,540)	(1,271)
	<b>(6,457)</b>	<b>(2,135)</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 18 OTHER PAYABLES AND ACCRUALS

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Deposits and fund received for lease and aircraft projects	764,589	424,386
Consultant and insurance premium payable	123,422	118,864
Business tax, value-added tax and withholding tax payables	171,908	90,293
Operating lease rentals received in advance	32,313	26,434
Amounts due to related parties	–	2,845
Others (include salary and bonus payable)	51,735	44,490
	<b>1,143,967</b>	<b>707,312</b>

## 19 LEASE INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2016, the Group was engaged in a single business segment, provision of aircraft leasing services to airline companies in Mainland China and other countries or regions in Europe and Asia. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

For the six months ended 30 June 2016, the Group leased aircraft to thirteen (six months ended 30 June 2015: ten) airline companies.

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

	Unaudited			
	Six months ended 30 June 2016		2015	
	HK\$'000	%	HK\$'000	%
Categorised by customer in terms of lease income:				
Five largest airline companies	485,020	61%	421,078	74%
Other airline companies	308,856	39%	149,194	26%
Total finance and operating lease income	<b>793,876</b>	<b>100%</b>	570,272	100%

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 20 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Gain from disposal of finance lease receivables (a)	145,060	–
Government subsidies (b)	81,859	64,115
Operating lease income on office premise from a related party (Note 27(a))	1,319	–
Others	4,523	1,347
	<b>232,761</b>	<b>65,462</b>

- (a) The Group signed separate contracts to transfer their future aircraft lease receivables under their separate aircraft lease agreements with certain airline companies. As the Group has transferred substantially all the risks and rewards related to the lease receivables, it de-recognised the corresponding finance lease receivable. For the six months ended 30 June 2016, the Group recognised a gain of HK\$145,060,000 (six months ended 30 June 2015: Nil), determined by comparing the net proceeds with the carrying amount of the finance lease receivable de-recognised, less transaction costs and related 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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 21 INTEREST EXPENSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	445,871	366,790
Interest expenses on long-term borrowings	28,101	22,695
Interest expenses on convertible bonds (a)	49,157	18,059
Interest expenses on medium-term notes	13,740	–
Interest expenses on guaranteed bonds	22,550	–
Less: interest expenses capitalised on qualifying assets (b)	(83,998)	(70,314)
	<b>475,421</b>	<b>337,230</b>

- (a) Interest expenses on convertible bonds consists of interest paid or payable of HK\$13,329,000 (six months ended 30 June 2015: HK\$4,537,000) which is calculated based on interest rate of 3.0% per annum. The remaining amount represents arrangement fee based on a rate of 3.5% per annum and the notional adjustment to accrete the carrying amount of liability component of convertible bonds to the present value of estimated future cash flows expected to be required for settlement up to maturity date.
- (b) Interest expenses 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 22 OTHER OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Employee benefit expenses	38,512	30,204
Professional service expenses	32,207	18,369
Business tax and surcharges	29,397	17,421
Rental and utilities expenses	11,745	8,571
Office and meeting expenses	4,751	4,930
Travelling and training expenses	7,212	7,710
Auditor's remuneration		
– Audit service	900	900
– Non-audit service	2,357	302
Others	10,751	7,233
	<b>137,832</b>	<b>95,640</b>

## 23 OTHER LOSSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Unrealised gain/(loss) on currency swap (Note 17)	4,083	(864)
Fair value loss on interest rate swap (Note 17)	(10,540)	(1,271)
Currency exchange (loss)/gain	(1,937)	1,669
	<b>(8,394)</b>	<b>(466)</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24 INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current income tax: Mainland China, Hong Kong and others	16,992	10,316
Deferred income tax	78,146	30,767
	<b>95,138</b>	<b>41,083</b>

### Mainland China

The subsidiaries incorporated in Mainland China are subject to the PRC corporate income tax ("CIT") at a rate of 25%. PRC CIT is calculated at 25% on taxable income for the six months ended 30 June 2015 and 2016. The leasing income is subject to business tax ("BT") at 5% or value added tax ("VAT") at 17% depending on when the leasing contracts were entered into between the subsidiaries and the customers.

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

### Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits.

### 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 a rate of 25% over its taxable income in excess of Euro 200,000.

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 25 DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend of HK\$0.14 (2015: HK\$0.04) per ordinary share	87,731	24,234

On 26 March 2015, the Company declared a final dividend of HK\$0.16 per ordinary share totalling HK\$94,648,000 for the year ended 31 December 2014 which was paid in May 2015.

On 22 March 2016, the Company declared a final dividend of HK\$0.18 per ordinary share totalling HK\$111,201,000 for the year ended 31 December 2015 which was paid in June 2016.

On 25 August 2016, the Board declared an interim dividend of HK\$0.14 (six months ended 30 June 2015: HK\$0.04) per ordinary share amounting to HK\$87,731,000 (six months ended 30 June 2015: HK\$24,234,000) which is calculated based on 626,646,640 issued shares as at 25 August 2016. The interim dividend is not reflected as a dividend payable in the consolidated financial information as at 30 June 2016, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

## 26 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six-month periods ended 30 June 2015 and 2016.

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company (HK\$'000)	240,018	116,678
Weighted average number of ordinary shares in issue (number of shares)	612,253,766	588,890,628
<b>Basic earnings per share (HK\$ per share)</b>	<b>0.392</b>	0.198

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 26 EARNINGS PER SHARE (continued)

### (b) Diluted earnings per share

Diluted earnings per share are 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.

	Unaudited	
	Six months ended 30 June	
	2016	2015
<b>Earnings</b>		
Profit attributable to owners of the Company(HK\$'000)	<b>240,018</b>	116,678
Adjustments for:		
– Interest expense net of tax on convertible bonds, excluding capitalised amount (HK\$'000)	<b>27,456</b>	5,847
	<b>267,474</b>	122,525
<b>Weighted average number of ordinary shares for diluted earnings per share</b>		
Weighted average number of ordinary shares in issue (number of shares)	<b>612,253,766</b>	588,890,628
Adjustments for:		
– Assumed conversion of convertible bonds	<b>79,093,083</b>	27,586,634
– Share options	<b>13,469,615</b>	16,372,917
Weighted average number of ordinary shares for diluted earnings per share	<b>704,816,464</b>	632,850,179
<b>Diluted earnings per share (HK\$ per share)</b>	<b>0.379</b>	0.194

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 27 RELATED PARTY TRANSACTIONS

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

- (a) Transactions with Friedmann Pacific Asset Management Limited (“FPAM”) and its subsidiaries (collectively as “FPAM Group”)

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Operating lease income on office premise receivable from: Friedmann Pacific Financial Service Limited	1,319	–
Operating lease expenses on office premises charged by: Friedmann Pacific Advisory Service Limited	–	1,344

- (b) Transactions with China Everbright Limited (“CEL”) and its subsidiaries

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Operating lease expenses on office premises charged by: CEL Venture Capital (Shenzhen) Limited	117	354

On 27 September 2013, CALC (BVI) and Ever Alpha Investment Limited (“Ever Alpha”), a subsidiary of China Everbright Limited, entered into a consultancy agreement pursuant to which Ever Alpha agreed to support the Group by providing onsite supporting services to facilitate Qingdao Airlines Co., Ltd. (“Qingdao Airlines”) to lease current generation of A320 aircraft from the Group. The onsite supporting services to be provided by Ever Alpha under the consultancy agreement included liaising and participating in preliminary discussion with Qingdao Airlines, providing relevant information to CALC (BVI) in respect of Qingdao Airlines and the leasing, providing strategic advice to CALC (BVI) to facilitate the leasing, assisting CALC (BVI) in negotiation, and contacting relevant government department and arranging for consultation when necessary. During the six months ended 30 June 2016, no supporting service fee was charged by Ever Alpha (six months ended 30 June 2015: HK\$23,400,000).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 27 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 34.77% equity interest in the Company as at 30 June 2016. Accordingly, CE Group is now a controlling shareholder of the Company, and thus CE Group and its subsidiaries, have become related parties of the Company upon completion of the restructuring of CE Group.

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

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 and guarantees to the Group through CE Bank and through the trustee of a trust plan of which CE Group is a beneficiary. Pursuant to the assignment of finance lease receivables framework agreement, the Group will assign the finance lease receivables to the trustee.

As at 30 June 2016, the balances of bank deposits placed in CE Group, borrowings, guarantees and undrawn facilities provided by CE Group amounted to HK\$1,699.3 million (31 December 2015: HK\$238.6 million), HK\$2,326.6 million (31 December 2015: HK\$2,096.2 million), HK\$174.6 million (31 December 2015: HK\$174.4 million) and HK\$426.3 million (31 December 2015: HK\$363.2 million). For the period ended 30 June 2016, interest income generated from, interest expense, loans upfront fee, transactions handling charges and guarantee issuing fee charged by CE Group amounted to HK\$265,000, HK\$44,298,000, HK\$20,532,000, HK\$1,069,000 and HK\$183,000 (for the period from 14 May 2015 (completion date of CE Group restructuring) to 30 June 2015: HK\$76,000, HK\$10,389,000, Nil, HK\$330,000 and HK\$472,000 respectively).

During the six months ended 30 June 2016, the Group transferred its future aircraft lease receivables under aircraft lease agreements to CE Group, for an aggregate cash consideration of US\$139.5 million, equivalent to approximately HK\$1,083.1 million (for the period from 14 May 2015 (completion date of CE Group restructuring) to 30 June 2015: Nil).

#### (ii) Compliance advisory service provided by CE Group

During the six months ended 30 June 2016, professional fee amounted to HK\$348,000 was charged by CE Group for the compliance advisory service rendered to the Group (for the period from 14 May 2015 (completion date of CE Group restructuring) to 30 June 2015: HK\$91,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 27 RELATED PARTY TRANSACTIONS *(continued)*

### (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 three years with interest rate of 3.0% per annum and arrangement fee of 3.5% per annum (Note 15). As at 30 June 2016, the liability value of such convertible bonds was HK\$357,859,000 (31 December 2015: HK\$350,490,000) and the interest expense incurred at an effective interest rate of 11.8% amounted to HK\$19,975,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$3,664,000). The convertible bonds were partially repurchased by the Company subsequent to 30 June 2016 (Note 29).

### (e) Amounts due to related parties

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
FPAM Group	–	2,845

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 28 CONTINGENT LIABILITIES AND COMMITMENTS

### (a) Contingencies

The Group had no material contingent liabilities outstanding as at 30 June 2016 (31 December 2015: Nil).

### (b) Capital commitments

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Contracted but not provided for:		
– Acquisition of aircraft	38,614,640	41,080,879
– Acquisition of property, plant and equipment excluding aircraft	34,738	10,398
	<b>38,649,378</b>	<b>41,091,277</b>

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

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

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Not later than one year	19,453	18,153
Later than one year and not later than five years	28,579	33,329
Later than five years	2,923	–
	<b>50,955</b>	<b>51,482</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 28 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:

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Not later than one year	2,398	2,398
Later than one year and not later than five years	2,656	3,855
	<b>5,054</b>	<b>6,253</b>

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

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Not later than one year	413,006	285,780
Later than one year and not later than five years	1,435,602	981,846
Later than five years	1,313,411	982,521
	<b>3,162,019</b>	<b>2,250,147</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 29 EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the report, the following significant events took place after 30 June 2016:

- (a) The Group further transferred its future aircraft lease receivables under aircraft lease agreements with airline companies, for an aggregate cash consideration of approximately US\$110.7 million (equivalent to approximately HK\$858.9 million).
- (b) On 6 July 2016, the Company entered into separate agreements with China Huarong International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited to repurchase issued convertible bonds in the aggregate principal amount of HK\$581,850,000 for an aggregate consideration of HK\$590,577,750 plus the relevant interests and fees, of which principal amount of HK\$77,580,000 will be repurchased by the Company from China Everbright Financial Investments Limited. Such repurchase was completed on 25 July 2016.
- (c) With the restructuring of Aircraft Recycling International Limited ("ARI") completed on 26 July 2016, the Group's share interest in ARI reduced from 100% to 48% through share allotment by ARI to the Group, China Aero Investment Limited, Sky Cheer International Limited and Neo Modern Limited. In addition, an option right was granted to the Group, at any time during the period of six years from the grant date, to subscribe 612,245 shares of ARI at US\$1.0 per share, subject to the condition that the total shares held by the Group after exercise the option would not exceed 50% of the enlarged issued share capital of ARI.
- (d) On 22 August 2016, a subsidiary of the Company issued five-year US\$300.0 million (equivalent to approximately HK\$2,327.6 million) bonds due in 2021 which were listed on The Stock Exchange of Hong Kong Limited and guaranteed by the Company. These bonds bear coupon interest at 4.9% per annum, payable semi-annually in arrears on 22 February and 22 August each year.