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CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED
中國飛機租賃集團控股有限公司

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

(Stock code: 1848)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

(in million Hong Kong dollars, unless otherwise stated)

	For the year ended 31 December		
	2014	2013	% Change
Revenues	**1,145**	687	66.7%
Recurring profit before income tax *(Note 1)*	**422**	221	91.0%
Non-recurring expenses *(Note 2)*	**41**	11	276.0%
Profit attributable to owners of the Company	**303**	173	75.5%
EPS (Basic) (HK cents)	**57.7**	37.6	53.5%
Net assets per shares (HK$) *(Note 3)*	**3.04**	2.09	45.6%
Gearing ratios (Borrowings vs total assets)	**87%**	90%	(3%)
Return on average shareholders' equity	**22.4%**	21.1%	1.3%
Interest coverage *(Note 4)*	**187%**	180%	7%

Note:

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

(2) Non-recurring expenses include IPO listing and share option expenses.

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

(4) Interest coverage = EBITDA/Interest expense

CHAIRMAN'S STATEMENT

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

BUSINESS REVIEW

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

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

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

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

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

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

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

The net profit attributable to shareholders was HK$302.8 million for the year, representing a year-on-year increase of 75%. As at the end of 2014, total assets of the Group increased by 43% from the beginning of the year to HK$18.3 billion. Gearing ratio (borrowings vs total assets) was maintained at a level of 90% as the aircraft project financing strategy continued.

DIVIDEND

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

CORPORATE SUSTAINABILITY

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

PROSPECTS

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

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

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

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

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

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

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

ACKNOWLEDGEMENT

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1 Business Result Overview

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

1.1 Business Model

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

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

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

1.1.1 Fleet size

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

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

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

1.1.2 Realisation of lease receivables

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

1.2 China Aircraft Disassembly Centre

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

1.3 Results

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

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

As an operating lessor, owning the aircraft and leasing them to airline operators, the Group reports all its aircraft at the Group level in accordance with Hong Kong Accounting Standards HKAS 16 and HKAS17, classifying them as "Property, Plant and Equipment" and "Finance Lease Receivables" respectively. Total assets amounted to HK$18.3 billion as at 31 December 2014, representing a 42.7% increase from that at 31 December 2013. As our aircraft acquisition is funded largely by project financing, the borrowings increased to HK$16.0 billion correspondingly. Total liabilities increased in line with the assets growth.

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

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

2 Analysis of Profit and Loss

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

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

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

2.1 Revenues

Our revenues are generated principally from the lease income of aircraft leases, which may broadly be classified under finance lease income and operating lease income according to our accounting policies in line with the HKAS17.

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

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

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

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

2.2 *Expenses*

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

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

(a) *Interest expenses*

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

(b) *Depreciation*

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

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

(c) *Operating expenses*

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

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

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

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

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

2.3 Income Tax

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

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

2.4 Profit Attributable to Owners of the Company

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

3 Analysis of Financial Position

3.1 Assets

We are an operating lessor, owning the aircraft and leasing them to airline operators. The Group reports all its aircraft on the Group level in accordance with the Hong Kong Accounting Standards HKAS 16 and HKAS17, classifying aircraft into "Property, Plant and Equipment" and "Finance Lease Receivables" respectively.

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

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

3.1.1 Finance leases receivables – net

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

3.1.2 Property, plant and equipment

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

3.1.3 Prepayment and other receivables

Pre-delivery payments ("PDPs")

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

Other receivables

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

3.1.4 Derivative financial assets

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

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

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

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

3.1.5 Cash and bank balances

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

Restricted cash

The analysis of restricted cash is shown as follows:

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

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

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

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

Cash on hand

The analysis of cash is shown as follows:

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

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

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

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

3.2 Liabilities

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

The analysis is shown as follows:

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

3.2.1 Bank borrowings

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

The analysis of bank borrowings is shown as follows:

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

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

The bank borrowings for aircraft acquisition are secured bank borrowings mainly subject to fixed or floating three-month or six-month USD LIBOR terms. The bank borrowings are secured, in addition to the legal charges on our aircraft leased to airline companies under either finance leases or operating leases, by pledges of the shares of the subsidiaries which are the registered owners of the related aircraft, corporate guarantees from certain members of our Group, and pledged deposits amounting to HK$89.9 million and HK$176.5 million as of 31 December 2013 and 2014, respectively.

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

As at 31 December 2014, 37 aircraft were financed by long-term bank borrowing, of which 16 aircraft are under fixed interest rates of between 4.5% and 6.5% and the remaining 21 aircraft are under floating interest rates with margins in the range between 2.0% and 4.6% with reference to three-month or six-month USD LIBOR rates adjusted on a regular basis and the Renminbi benchmark loan interest rate published by the People's Bank of China applicable to loan with terms of three to five years or over five years.

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

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

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

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

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

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

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

3.2.2 Long-term borrowings

As at 31 December 2014, the Group entered into 5 (2013: 1) loan agreements with two independent third parties for a total loan amount of HK$642.1 million (2013: HK$155.2 million as part of the arrangement for the realisation of the finance lease receivables in respect of four and one aircraft completed in 2014 and 2013 respectively. The terms of the loans, with annual interest rates ranging from 6.43% to 7.80% (2013: 6.43%), are nine years to twelve years. The loans were pledged by the aircraft held by the Group. The proceeds of the loans have been used for the repayment of the relevant long-term bank borrowings for the aircraft in 2014 and 2015.

3.2.3 Derivative financial liabilities

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

3.3 Convertible Bond

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

The 2014 balance sheet did not include the convertible bond transaction.

3.4 Equity

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

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

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

3.4.1 Use of IPO proceeds

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

4 Analysis of Cashflow

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

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

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

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

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

5 Capital Management

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

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

The Group monitors capital by gearing ratio:

	31 December 2014 *HK$'million* **Audited**	31 December 2013 *HK$'million* Audited	Change %
Total assets	**18,313.0**	12,832.9	42.7%
Total liabilities	**16,532.3**	11,874.8	39.2%
Total equity	**1,780.7**	958.1	85.9%
Borrowings (included in the total liabilities)	**15,984.7**	11,591.6	37.9%
Gearing ratio (Borrowings vs total assets)	**87.3%**	90.3%	(3.3%)

6 Capital Expenditure

During the year ended 31 December 2014, our capital expenditure was principally used for business expansion purposes including the purchase of aircraft to generate lease income. The primary source of financing for our capital expenditure was bank borrowings.

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

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

7 Risk Management

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

Foreign exchange risk

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

Interest rate risk

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

We manage interest rate risk by way of matching the interest rates of the finance lease receivables with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the finance lease receivables and the corresponding bank borrowings cannot be matched. As at 31 December 2014, there were 20 aircraft lease agreements with rentals fixed for the whole lease term while the associated bank borrowings bear floating rates. Given the above scenario, we have managed our cash flow interest rate risk by entering into floating-to-fixed interest rate swaps for the associated floating-rate bank borrowings for nine aircraft lease projects. Such interest rate swaps have the economic effect of converting bank borrowings from floating rates to fixed rates. Under the interest rate swaps, we agree with other parties to exchange, at specified intervals (primarily quarterly), the difference in amounts between the fixed leg and the floating leg calculated by reference to the agreed notional amounts. For the remaining cases of interest rate mismatch, management monitors the interest rate exposure closely and will consider hedging the exposure where necessary and appropriate. We are not engaged in any interest hedging activity for the PDP financing and working capital facilities, as PDP financing is under short terms of approximately two years.

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

	Number of aircraft
Aircraft with fixed rental and fixed interest rate repayments	16
Aircraft with fixed rental and floating interest rate repayments (with hedging)	8
Aircraft with floating rental and floating interest rate repayments	3
Aircraft under realisation arrangements	5
Aircraft with fixed rental and floating interest rate repayments (without hedging)	12
Total	44

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

Credit risk

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

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

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

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

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

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

Lease receivables (both finance leases and operating leases) and financial assets of our Group are neither past due nor impaired. We have not encountered any delay or default in the collection of lease receivables. No impairment allowance was made for our finance lease receivables and financial assets of our Group as of 31 December 2014.

Liquidity risk

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

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

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

	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
As of 31 December 2014				
PDPs	**2,294.3**	**828.4**	**118.5**	**3,241.2**
Total financial assets	**2,879.0**	**5,362.1**	**9,926.6**	**18,167.7**
Total financial liabilities	**(5,638.8)**	**(5,378.1)**	**(9,637.2)**	**(20,654.1)**
Net	**(465.5)**	**812.4**	**407.9**	**754.8**
As of 31 December 2013				
PDPs	1,337.7	740.3	–	2,078.0
Total financial assets	2,322.5	3,728.3	7,350.0	13,400.8
Total financial liabilities	(3,791.0)	(3,999.3)	(7,841.7)	(15,632.0)
Net	(130.8)	469.3	(491.7)	(153.2)

8 Charge on Assets

The long-term bank borrowings for aircraft acquisition are secured by legal charges over the leased aircraft; pledges of the shares of the relevant subsidiaries, as the registered owners of the aircraft; corporate guarantees provided by certain members of our Group (including China Aircraft Leasing Company Limited (BVI)); and pledged deposits amounting to HK$70.6 million and HK$158.3 million as at 31 December 2013 and 2014 respectively. Bank borrowings for deposits placed for purchases of aircraft were secured by our Group companies' rights and benefits in respect of the purchase of aircraft and pledged deposits of HK$6.1 million and HK$10.3 million as at 31 December 2013 and 2014, respectively.

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

9 Material Investment, Acquisition, and Disposal

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

10 Human Resources

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

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

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

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

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

11 Contractual Obligations, Contingent Liabilities and Capital Commitments

11.1 Contingent Liabilities

As at 31 December 2014, no legal proceedings were initiated by any third party against the Group as defendant, nor were there any outstanding claims.

11.2 Capital Commitments

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

In December 2014, we entered into another Aircraft Purchase Agreement with Airbus for the purchase of 100 aircraft of the A320 family which are planned to be delivered to us mainly between 2016 and 2022.

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

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

The contracted capital commitment for the purchase of aircraft are as at 31 December 2014 was HK$45.9 billion (2013: HK$10.2 billion), approximately increased 351.7% compared with last year.

The total aircraft purchase commitment of HK$45.9 billion as at 31 December 2014 represents our estimated total purchase costs of the aircraft, which are contracted to be purchased and delivered to us under the Aircraft Purchase Agreement, net of PDPs paid as at 31 December 2014.

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

12 Audited Annual Results

The Board of Directors of the Company (the "Board") is pleased to announce the audited annual results of the Group for the year ended 31 December 2014, together with comparative amounts as follows. The Company's auditor has audited the annual consolidated financial statements of the Group for the year ended 31 December 2014, and issued the relevant audit report, details of which are set out on pages 36 to 55 of this announcement.

FINAL DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

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

The final dividend is subject to the approval of the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 14 May 2015 to 15 May 2015, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the proposed final dividend is 15 May 2015. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 13 May 2015.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the period from the listing date of 11 July 2014 to 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

Audit Committee comprises four members, namely Mr. Ng Ming Wah, Charles (Chairman of the Audit Committee), Mr. Zhang Chongqing, Mr. Nien Van Jin, Robert and Mr. Guo Zibin, among whom, three are independent non-executive Directors (including one independent non-executive Director who holds appropriate professional qualifications or expertise in accounting or relevant finance management). The Committee has reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2014.

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

AGM AND PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.calc.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The AGM is scheduled to be held on 8 May 2015. The notice of the AGM and the 2014 annual report will be dispatched to the shareholders of the Company and available on the same websites in due course.

CONSOLIDATED BALANCE SHEETS

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

CONSOLIDATED STATEMENTS OF INCOME

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Revenues			
Finance lease income	*8*	**714,724**	477,966
Operating lease income	*8*	**182,127**	145,359
Other income		**248,114**	63,610
		1,144,965	686,935
Expenses			
Interest expense		**(520,532)**	(329,906)
Depreciation		**(71,312)**	(54,147)
Operating expenses	*9*	**(199,886)**	(90,437)
		(791,730)	(474,490)
Operating profit		**353,235**	212,445
Foreign exchange gains/(losses)		**27,480**	(2,485)
Profit before income tax		**380,715**	209,960
Income tax expense	*10*	**(78,049)**	(37,460)
Profit for the year		**302,666**	172,500
Profit attributable to:			
Owners of the Company		**302,750**	172,500
Non-controlling interests		**(84)**	–
		302,666	172,500
Earnings per share for profit attributable to owners of the Company (expressed in HK$ per share)			
– Basic earnings per share	*11*	**0.577**	0.376
– Diluted earnings per share	*11*	**0.545**	0.376
Dividends	*12*	**93,725**	122,000

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2013	–	618,788	75,921	694,709	–	694,709
Comprehensive income						
Profit for the year	–	–	172,500	172,500	–	172,500
Other comprehensive income						
Change in fair value of interest rate swaps – cash flow hedges	–	13,538	–	13,538	–	13,538
Effect of termination of interest rate swap – cash flow hedges	–	15,187	–	15,187	–	15,187
Currency translation differences	–	5,300	–	5,300	–	5,300
Total comprehensive income	–	34,025	172,500	206,525	–	206,525
Transactions with owners						
Issue of ordinary shares	78	89,132	–	89,210	–	89,210
Contribution by non-controlling interests	–	–	–	–	19,500	19,500
Employee share option scheme:						
– Value of employee services	–	1,154	–	1,154	–	1,154
Dividends	–	–	(53,000)	(53,000)	–	(53,000)
Total transactions with owners	78	90,286	(53,000)	37,364	19,500	56,864
Balance at 31 December 2013	78	743,099	195,421	938,598	19,500	958,098

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit after income tax	**302,666**	172,500
Adjustments for:		
– Depreciation of property, plant and equipment	**71,312**	54,147
– Interest expense of bank borrowings	**520,532**	328,022
– Interest expense of borrowings from related parties	**–**	1,884
– Share-based payments	**12,006**	1,154
– Unrealised foreign exchange loss/(gain)	**4,260**	(3,641)
– Fair value (gain)/loss on currency swap	**(15,935)**	968
– Interest income	**(1,376)**	(679)
	893,465	554,355
Changes in working capital:		
– Finance lease receivables – net	**(3,806,252)**	(3,290,501)
– Prepayments and other receivables	**(156,748)**	(12,343)
– Other payables and accruals	**176,383**	153,878
– Income tax payables	**13,378**	2,712
– Deferred income tax liabilities	**40,894**	12,301
Net cash flows used in operating activities	**(2,838,880)**	(2,579,598)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(299,017)**	(425)
Deposits paid for acquisition of aircraft	**(1,173,953)**	(1,363,281)
Interest received	**1,376**	679
Net cash flows used in investing activities	**(1,471,594)**	(1,363,027)

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cash flows from financing activities		
Proceeds from issuance of new shares	**620,677**	89,210
Capital contribution by non-controlling interests	**–**	19,500
Proceeds from bank borrowings	**7,832,293**	6,092,551
Proceeds from borrowings from related parties	**–**	120,120
Proceeds from long-term borrowings	**492,423**	155,172
Repayments of bank borrowings	**(3,867,049)**	(743,319)
Repayments of borrowings from related parties	**–**	(120,120)
Repayments of long-term borrowings	**(116)**	–
Interest paid on bank borrowings	**(501,077)**	(315,331)
Interest paid on borrowings from related parties	**–**	(1,884)
Interest paid on long-term borrowings	**(12,953)**	–
Proceeds from disposal of a derivative financial instrument	**–**	15,187
Deposits pledged in respect of bank borrowings	**(91,419)**	(23,056)
Deposits pledged in respect of derivative financial instruments	**(25,764)**	(664)
Dividend paid to shareholders	**(69,000)**	(53,000)
Net cash flows generated from financing activities	**4,378,015**	5,234,366
Net increase in cash and cash equivalents	**67,541**	1,291,741
Cash and cash equivalents at beginning of the year	**1,367,344**	73,499
Foreign exchange difference on cash and cash equivalents	**(9,315)**	2,104
Cash and cash equivalents at end of the year	**1,425,570**	1,367,344

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

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

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

2 REORGANISATION

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

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

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

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

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

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

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

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

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

3 BASIS OF PREPARATION

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

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

As at 31 December 2014, the Group's current liabilities exceeded its current assets by HK$3,238 million. The Group had capital commitments amounting to HK$45,902 million in relation to acquisition of aircraft, of which HK$5,836 million is payable within one year. In view of such circumstance, the Directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil these commitments and continue as a going concern. The Directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

– The net current liabilities position of the Group is mainly because the Group uses short-term borrowings to finance the pre-delivery payments ("PDPs") to the aircraft manufacturer when the new aircraft ordered by the Group are being built. PDP represents approximately 30% to 40% of the purchase consideration of the aircraft. The Group normally uses PDP financing for settlement of PDPs and PDP financing is repayable after the aircraft is delivered. As at 31 December 2014, PDPs amounting to HK$3,241 million had been paid and the balance of corresponding PDP financing amounted to HK$2,305 million, of which HK$1,937 million is related to the 19 aircraft to be delivered in 2015 and repayable within one year. The Group uses long-term aircraft borrowings for the repayment of PDP financing and the settlement of the balance payments of aircraft acquisition costs. However, the long-term aircraft borrowings can only be confirmed shortly before delivery of the relevant aircraft. Based on the industry practice and prior experience, long-term aircraft borrowings would be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or irrevocable letters of intent have already been signed for the aircraft scheduled for delivery in 2015 and thus the Directors of the Company believe that long-term aircraft borrowings can be obtained to repay PDP financing and the balance payments of the aircraft acquisition costs due in 2015.

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

– In June 2013, the Group entered into a cooperative agreement with China Development Bank, Hong Kong Branch, pursuant to which the bank agrees to provide to the Group a conditional loan facility amounting to USD1.5 billion (equivalent to approximately HK$11.7 billion) during the period of 2013 to 2018 for the purpose of purchasing aircraft. The granting of each specific loan under this facility will be subject to the credit assessment and approvals to be performed by the bank and the agreement of terms and conditions of the respective loan agreements, which will only be confirmed shortly before the delivery of the relevant aircraft. The Group also entered into a framework strategic cooperative agreement with The Export-Import Bank of China on 4 November 2014, pursuant to which the bank agrees to provide the Group with a credit facility of no more than RMB10 billion (equivalent to approximately HK$12.5 billion). The term of the framework agreement is three years from the date of signing of the framework agreement. The granting of each specific loan under this facility will be subject to the credit assessment and approvals to be performed by bank subject to the agreement of detailed terms and arrangements.

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

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

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

On this basis, the Directors of the Company are of the opinion that, taking into account the Group's operating performance and business prospects, internal resources, available banking facilities that have been granted or will be granted as detailed above and the convertible bonds to be issued as mentioned above, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those committed capital commitments in the next twelve months from 31 December 2014. Accordingly, the Directors consider that the Group will be in a position to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

4 ACCOUNTING POLICIES

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

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

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

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

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

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

New standards and interpretations not yet adopted

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

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

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

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

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

New Hong Kong Companies Ordinance (Cap.622)

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

5 FINANCE LEASE RECEIVABLES – NET – GROUP

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

(i) The Directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from airline companies is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 31 December 2014.

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

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

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

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

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

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

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

6 BANK BORROWINGS – GROUP

	31 December 2014 HK$'000	2013 HK$'000
Secured bank borrowings for aircraft acquisition financing *(Note (i))*	**12,262,667**	9,195,670
PDP financing *(Note (ii))*	**2,304,913**	1,820,074
Working capital borrowings *(Note (iii))*	**775,068**	420,650
	15,342,648	11,436,394

(i) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating USD LIBOR rates. As at 31 December 2014, the bank borrowings were secured by, in addition to other legal charges, all of the Group's aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain of the Group companies and CALC (BVI) and pledge of deposits amounting to HK$158,285,000 (2013: HK$70,579,000).

(ii) As at 31 December 2014, bank borrowings for PDPs for the acquisition of aircraft amounting to HK$2,304,913,000 (2013: HK$1,820,074,000) were secured by certain rights and benefits in respect of the acquisition of the aircraft, guarantees from the Company and CALC (BVI), pledge of the shares in CALC Asset Limited and China Aircraft Purchase Limited and pledge of deposits of HK$10,344,000 (2013: HK$6,110,000).

As at 31 December 2013, PDP financing of HK$740,435,000 was granted by China Development Bank ("CDB") under a facility agreement ("CDB Facility Agreement"). The Group obtained a standby loan facility of USD40,000,000 from China Everbright Finance Limited in 2012 for the sole purpose of paying CDB in satisfaction of the indebtedness outstanding under the CDB Facility Agreement. The revolving loan facility agreement was terminated on 25 April 2014.

(iii) As at 31 December 2014, the Group borrowed an aggregate amount of USD100,000,000 (equivalent to HK$775,770,000) (2013: USD54,000,000, equivalent to HK$421,200,000) from three banks (2013: two banks) which was guaranteed by the Company and CALC (BVI) (2013: guaranteed by CALC (BVI) and China Aircraft Assets Limited).

The borrowings are repayable as follows:

	31 December 2014 HK$'000	2013 HK$'000
Within 1 year	**4,689,521**	2,820,997
Between 1 and 2 years	**993,735**	1,406,198
Between 2 and 5 years	**2,448,475**	1,505,101
Over 5 years	**7,210,917**	5,704,098
	15,342,648	11,436,394

7 LONG-TERM BORROWINGS – GROUP

	31 December	
	2014	2013
	HK$'000	*HK$'000*
Borrowings from trust plans	**642,116**	155,172

As at 31 December 2014, five borrowings (2013: one borrowing) were provided by trust plans to five subsidiaries (2013: one subsidiary) of the Group. The effective interest rates of long-term borrowings are from 6.43% to 7.80% (2013: 6.43%) per annum for terms of nine years to twelve years. These long-term borrowings were secured by aircraft held by each subsidiary and the shares in China Asset Leasing Company Limited ("CALCL"), and guaranteed by CALCL. The trust plans are also counterparties to the transfer of finance lease receivable transactions entered into with each subsidiary.

8 LEASE RENTAL INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2014, the Group was engaged in a single business segment, i.e. provision of aircraft leasing services to airline companies principally in China. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

The Group leased aircraft to nine airline companies during the year ended 31 December 2014 (2013: six).

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

	Year ended 31 December			
	2014		2013	
	HK$'000	***%***	*HK$'000*	*%*
Customer:				
Airline Company – A	**215,682**	**24%**	153,511	25%
Airline Company – B	**142,434**	**16%**	124,403	20%
Airline Company – C	**128,653**	**14%**	127,654	20%
Airline Company – D	**202,760**	**23%**	192,333	31%
Airline Company – E	**51,304**	**6%**	23,165	4%
Airline Company – F	**89,844**	**10%**	2,259	–
Airline Company – G	**31,938**	**3%**	–	–
Airline Company – H	**33,631**	**4%**	–	–
Airline Company – I	**605**	**–**	–	–
Total finance and operating lease income	**896,851**	**100%**	623,325	100%

9 OPERATING EXPENSES

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Key management and employee expenses	**55,607**	18,574
Listing expenses	**29,119**	9,783
Business tax and surcharges	**33,571**	21,376
Professional service expenses	**35,649**	9,132
Auditors' remuneration	**5,288**	2,891
Rental and utilities expenses	**8,775**	7,149
Office and meeting expenses	**8,411**	7,071
Travelling and training expenses	**9,383**	5,948
Others	**14,083**	8,513
	199,886	90,437

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Current income tax:		
Mainland China, Hong Kong and others	**37,155**	25,159
Deferred income tax	**40,894**	12,301
	78,049	37,460

Mainland China

The subsidiaries incorporated in Mainland China are subject to the PRC corporate income tax ("CIT") at a rate of 25%. PRC CIT is calculated at 25% on the taxable income for the year ended 31 December 2014. The leasing income is subject to business tax ("BT") at 5% or value added tax ("VAT") at 17% depending on when the leasing contracts were entered into between the subsidiaries and the customers.

BT at 5% and CIT at 10% or 6% (tax treaty rate) are withheld on lease rental income payable by lessees in Mainland China to non-Mainland China tax resident subsidiaries of the Group for the year ended 31 December 2014. Interest payable to the group companies incorporated in Hong Kong is subject to BT at 5% and CIT at 7%.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2014.

Others

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

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

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

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

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% during the year ended 31 December 2014, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**380,715**	209,960
Tax calculated at a tax rate of 25%	**95,179**	52,490
Effects of:		
– Different tax rates applicable to different subsidiaries of the Group	**(8,160)**	(6,541)
– Income not subject to tax	**(25,998)**	(15,536)
– Non-deductible expenses	**261**	304
– Tax losses for which no deferred income tax assets were recognised	**16,767**	6,743
Tax charge	**78,049**	37,460

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2013 and 2014. In determining the weighted average number of ordinary shares:

(i) the 20 ordinary shares of the Company issued to CALH during the Reorganisation were treated as if they had been in issue since 1 January 2013; and

(ii) of the 9,980 ordinary shares of the Company issued to CALH on 23 July 2013 for a consideration of HK$89,610,300, 388 ordinary shares were treated as being issued on 23 July 2013 at fair value and 9,592 ordinary shares were treated as if they were bonus shares that had been in issue since 1 January 2013; and

(iii) the additional 468,941,929 ordinary shares of the Company issued on 23 June 2014 and the capitalisation issue of 29,071 ordinary shares issued on 11 July 2014 have been adjusted retrospectively to the numbers of ordinary shares issued under (i) and (ii) above as if the proportionately higher numbers of shares had been in issue since the relevant dates indicated.

(iv) the 116,800,000 ordinary shares offered to the public were issued on 11 July 2014.

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company (HK$'000)	**302,750**	172,500
Weighted average number of ordinary shares in issue (number of shares)	**524,661,000**	458,908,253
Basic earnings per share (HK$ per share)	**0.577**	0.376

(b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at the fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for diluted earnings per share.

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company (HK$'000)	**302,750**	172,500
Weighted average number of ordinary shares in issue (number of shares)	**524,661,000**	458,908,253
Adjustment for:		
– Share options	**30,526,027**	–
Weighted average number of ordinary shares for diluted earnings per share	**555,187,027**	458,908,253
Diluted earnings per share	**0.545**	0.376

12 DIVIDENDS

Pursuant to the resolutions passed by the Board of Directors on 22 November 2013, an interim dividend amounting to HK$53,000,000 in respect of the year ended 31 December 2013 was declared by the Company and paid in cash to its shareholder in 2013.

On 19 May 2014, the Company proposed to declare a final dividend of HK$69,000,000 for the year ended 31 December 2013. Such dividend was paid in June 2014.

At a meeting held on 26 March 2015, the Board of Directors recommended a final dividend for the year ended 31 December 2014 of HK$0.16 per ordinary share, amounting to a total dividend of HK$93,725,000. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2014, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2015. The proposed final dividend is calculated based on the number of shares in issue as at 31 December 2014.

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Interim dividend paid of HK$nil (2013: HK$5,300) per ordinary share	–	53,000
Proposed final dividend of HK$0.16 (2013: HK$6,900) per ordinary share	**93,725**	69,000
	93,725	122,000

The aggregate amounts of the dividends paid and proposed during 2013 and 2014 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

By order of the Board
China Aircraft Leasing Group Holdings Limited
POON HO MAN
Executive Director and Chief Executive Officer

Hong Kong 26 March 2015

As at the date of this announcement, (i) the executive Directors are Mr. Poon Ho Man and Ms Liu Wanting; (ii) the non-executive Directors are Mr. Chen Shuang, Mr. Tang Chi Chun and Mr. Guo Zibin; and (iii) the independent non-executive Directors are Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Zhang Chongqing and Mr. Nien Van Jin, Robert.