CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED
中國飛機租賃集團控股有限公司
(the "Company")
(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock code: 1848)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

MANAGEMENT DISCUSSION AND ANALYSIS

1 Business Result Overview

We focus on the aircraft leasing market in China. It is the strategy of our Group to keep in pace of the growing aircraft leasing market in China.

For the six months ended 30 June 2014, our Group delivered nine aircraft, which represented the full-year delivery in 2013. Revenues grew by 63.5% to HK$432.4 million and recurring net profit after tax excluding one-off IPO listing expenses, increased by 79.3% to HK$87.5 million, when comparing with the corresponding period of last year. Recurring net operating profit margin excluding one-off IPO listing expenses, was at 20%, or around 2% higher than that of the corresponding period of last year. The profit growth is mainly driven by the Group's expansion and business growth.

After deducting one-off IPO listing expenses, the net profit attributable to owners of the Company was HK$62.8 million (six months ended 30 June 2013: HK$44.1 million), or 42.4% higher than that of the corresponding period of last year.

Total assets, mainly include aircraft and finance lease receivables, amounted to HK$14.3 billion as at 30 June 2014, representing 11.6% increase from that as at 31 December 2013. As our aircraft acquisition is based on project financing, the borrowings increased to HK$12.9 billion correspondingly. The total liabilities increased in line with the assets growth.

Equity attributable to owners of the Company was HK$897.9 million as at 30 June 2014 (31 December 2013: HK$938.6 million). Including the non-controlling interests, the total equity is HK$917.3 million as at 30 June 2014 (31 December 2013: HK$958.1 million) and return on total equity maintained at 20.4%* as at 30 June 2014 (31 December 2013: 21.1%). Taking out the one-off IPO listing expenses, the return on total equity was 23.6% (31 December 2013: 22.3%).

* *For the purpose of calculating the 2014 first half year's return on total equity, the annual return is on rolling basis, ie, the sum of 2014 first half actual + 2013 second half actual profit after tax. The total equity is the average of opening and closing balances of total equity*

2 Analysis of Profit and Loss

For the six months ended 30 June 2014, the Group had a healthy and rapid growth in its business. Comparing with the corresponding period of last year, revenues was HK$432.4 million, increased by 63.5%; recurring net profit after tax was HK$87.5 million, increased by 79.3%; and the net profit after one-off IPO listing expenses was HK$62.8 million, increased by 42.4%:

	For the six months ended 30 June		
	2014	2013	Change
	HK$'million	*HK$'million*	
	Unaudited	Unaudited	
Revenues	**432.4**	264.5	63.5%
Recurring* profit before tax	**111.0**	69.5	59.7%
Income tax	**(23.5)**	(20.7)	13.5%
Recurring* net profit after tax	**87.5**	48.8	79.3%
Recurring* net profit margin %	**20%**	18%	2.0%
IPO listing expenses	**(24.7)**	(4.7)	425.5%
Net profit after IPO listing expenses	**62.8**	44.1	42.4%

* *Recurring net profit does not include one-off IPO listing expenses*

2.1 Revenues

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

For the six months ended 30 June 2014, revenues amounted to HK$432.4 million, or 63.5% increased from that in the corresponding period of last year, mainly due to the increase in the finance lease income.

	For the six months ended 30 June		
	2014	2013	Change
	HK$'million	*HK$'million*	
	Unaudited	Unaudited	
Finance lease income	**342.0**	189.6	80.4%
Operating lease income	**73.8**	72.6	1.7%
Other income	**16.6**	2.3	621.7%
Total revenues	**432.4**	264.5	63.5%

The growth in finance lease income during the six months ended 30 June 2014 was principally attributable to the increase in our fleet size. During the six months ended 30 June 2014, seven additional aircraft were delivered and classified under finance lease and two aircraft under operating lease (six months ended 30 June 2013: 2 aircraft under finance lease), making the fleet size to 34 aircraft as at 30 June 2014 from 25 aircraft as at 31 December 2013.

In addition to the lease incomes, we recorded other income of HK$16.6 million (six months ended 30 June 2013: HK$2.3 million), which mainly consisted of interest income and other sundry income of HK$0.8 million (six months ended 30 June 2013: HK$0.5 million) and VAT tax refund of HK$15.8 million (six months ended 30 June 2013: HK$1.8 million).

2.2 Expenses

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

	For the six months ended 30 June		
	2014	2013	Change
	HK$'million	*HK$'million*	
	Unaudited	Unaudited	
Recurring			
Interest expense	**237.6**	139.5	70.3%
Depreciation	**27.5**	27.0	1.9%
Other operating expenses (without IPO listing expenses)	**71.6**	27.7	158.5%
Non-recurring			
IPO listing expenses	**24.7**	4.7	425.5%

(a) Interest expense

For the six months ended 30 June 2014, the interest expense on borrowings for the acquisition of aircraft amounted to HK$237.6 million, or 70.3% increase from the corresponding period of last year, mainly due to the increase in the aircraft fleet size. The interest rates were in the range of 2.65% to 6.72% per annum.

(b) Depreciation

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

	For the six months ended 30 June		
	2014	2013	Change
	HK$'million	*HK$'million*	
	Unaudited	Unaudited	
Aircraft under operating lease	**27.1**	26.7	1.5%
Leasehold improvements	**0.1**	0.1	–
Office equipment	**0.2**	0.1	100%
Motor vehicles	**0.1**	0.1	–
Total	**27.5**	27.0	1.9%

(c) Other operating expenses

During the six months ended 30 June 2014, our other operating expenses were incurred as follows:

	For the six months ended 30 June		
	2014	2013	Change
	HK$'million	*HK$'million*	
	Unaudited	Unaudited	
Employee benefit expenses	**18.8**	7.7	144.2%
Business tax and VAT	**23.1**	4.3	437.2%
Professional fees	**12.2**	3.7	229.7%
Office and travelling expenses	**7.7**	6.2	24.2%
Rental and utilities expenses	**4.5**	3.2	40.6%
Others	**5.3**	2.6	103.8%
Other operating expenses (without IPO listing expenses)	**71.6**	27.7	158.5%
IPO listing expenses	**24.7**	4.7	425.5%

To cope with our Group's business expanding, new talents were recruited and the staff number increased to 72 as at 30 June 2014 from last year end's 64 (six months ended 30 June 2013: 59). In view of the completion of the IPO, an incentive bonus of HK$12.3 million was paid to various levels of staff and management for recognising their effort and contribution. Moreover, the aircraft delivery was nine aircraft in the first half of 2014 versus only two aircraft in the corresponding period of last year, which led to the increased VAT and increased use of professional services. All these factors resulted in the significant increase in the other operating expenses.

On 11 July 2014, our Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). One-off IPO listing expenses amounting to HK$24.7 million were incurred up to 30 June 2014. As the IPO was completed in July 2014, our Group is still in the process of finalising the final sum of the IPO listing expenses with the relevant professional firms.

2.3 Income tax

The income tax for the six months ended 30 June 2014 was HK$23.5 million (six months ended 30 June 2013: HK$20.7 million). The change resulted from the increased profits following the business growth. The effective tax rate of 27.2% (six months ended 30 June 2013: 32.0%) was mainly due to the fact that, in the six months ended 30 June 2013, some aircraft were still registered overseas which led to higher withholding tax but they have been novated to China since the second half of 2013 and the tax benefit was thus reflected in the first half of 2014.

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$62.8 million (six months ended 30 June 2013: HK$44.1 million). Net profit margin was 14.5% (six months ended 30 June 2013: 16.7%).

3 Analysis of Financial Position

3.1 Assets

As at 30 June 2014, the Group's total assets increased by HK$1.5 billion, or 11.6%, to HK$14.3 billion as compared with that as at 31 December 2013:

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Finance lease receivables, net	**9,566.5**	7,678.9	24.6%
Property, plant and equipment	**1,758.2**	1,487.1	18.2%
Prepayments and other receivables			
• *Pre-delivery payments ("PDP")*	**2,448.4**	2,078.0	17.8%
• *Other receivable*	**194.3**	105.6	84.0%
Derivative financial assets	**7.5**	13.6	(44.9%)
Restricted cash	**121.6**	102.4	18.8%
Cash on hand	**230.1**	1,367.3	(83.2%)
Total assets	**14,326.6**	12,832.9	11.6%

3.1.1 Finance lease receivables

According to our accounting policies, there are 30 aircraft which were leased and classified under finance lease while 4 aircraft were leased and classified under operating lease, included under the heading of property, plant and equipment. The increase in finance lease receivables was due to the delivery of 7 aircraft during the six months ended 30 June 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 lease.

3.1.3 Prepayments and other receivables

PDP

PDP is part of the terms of the Aircraft Purchase Agreement with Airbus. PDP paid by us increased from HK$2.1 billion as at 31 December 2013 to HK$2.4 billion as at 30 June 2014. The increase is commensurated with the aircraft delivery schedule as specified in the Aircraft Purchase Agreement with Airbus.

Other receivable

Increase in other receivable 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 the derivative financial assets of HK$7.5 million (31 December 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 the six months ended 30 June 2014 and one currency swap. The interest rate swap contracts were entered into for the purpose of exchanging our exposure to floating interest rates with reference to LIBOR under eight long-term bank borrowings agreements into fixed interest rate in the range between 1.55% and 2.15%.

As at 31 December 2013, the Group entered into 5 interest rate swap contracts which will expire on 21 September 2018, 21 September 2018, 21 September 2018, 19 September 2019, and 21 March 2024, respectively. The contracts were to exchange floating interest rates from LIBOR into fixed interest rates of 1.55%, 1.75%, 1.95%, 2.00% and 2.15%, respectively. During the six months ended 30 June 2014, the Group entered into 3 new interest rate swap contracts which will expire on 21 December 2018, 21 March 2019 and 21 June 2019, respectively. The contracts are to exchange floating interest rates form LIBOR into fixed interest rates of 1.98%, 2.00% and 1.86%, respectively.

The above interest rate swap contracts were accounted for as cash flow hedges, which were virtually effective in the six months ended 30 June 2014 and 2013.

As at 30 June 2014, the notional principal of the 8 (31 December 2013: 5) outstanding interest rate swap contracts amounted to US$309.5 million (equivalent to HK$2,414.2 million) (31 December 2013: US$187.3 million (equivalent to HK$1,460.8 million)). These interest rate swap contracts were secured by pledged deposits of HK$17.1 million as at 30 June 2014 (31 December 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 as PDP financing is short term of approximately two years.

3.1.5 Restricted cash

The analysis of restricted cash is shown as follows:

	30 June 2014 ***HK$'million*** **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Pledged for bank borrowings	**74.2**	70.6	5.1%
Pledged for letter of guarantee issued by a bank	**16.2**	19.4	(16.5%)
Pledged for aircraft acquisition	**7.8**	6.1	27.9%
Pledged for interest rate swap contracts	**17.1**	–	not applicable
Pledged for a currency swap contract	**6.3**	6.3	–
Total	**121.6**	102.4	18.8%

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 aircraft leased, pledge of shares of the SPCs owning the related aircraft, and corporate guarantees from certain members of our Group.

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

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

3.1.6 Cash on hand

The analysis of cash on hand is shown as follows:

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
US$	**120.0**	452.3	(73.5%)
RMB	**106.7**	909.2	(88.3%)
HK$	**3.0**	5.4	(44.4%)
Others	**0.4**	0.4	–
Total	**230.1**	1,367.3	(83.2%)

Upon the completion of realisation of finance lease receivable for one aircraft, total amount of HK$851.7 million was received in December 2013 and such amount included in cash balance as at 31 December 2013. The said amount was subsequently used to repay the relevant bank borrowings of HK$769.1 million during the six months ended 30 June 2014. During the six months ended 30 June 2014, after the payments for dividend of HK$69.0 million, PDP of HK$112.0 million (net), aircraft purchase and delivery of HK$103.1 million (net), working capital loan repayment of HK$56.4 million and pledged deposit increase of HK$19.2 million, the cash balance decreased by HK$1.1 billion.

3.2 Liabilities

As at 30 June 2014, the Group's total liabilities increased by HK$1.5 billion, or 12.9% to HK$13.4 billion as compared with that as at 31 December 2013. The increase was principally due to business expansion and the increase in our fleet size. The analysis is shown as follows:

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Bank borrowings	**12,868.9**	11,436.4	12.5%
Long-term borrowing	**154.6**	155.2	(0.4%)
Derivative financial liabilities	**28.3**	7.5	277.3%
Others	**357.5**	275.7	29.7%
Total	**13,409.3**	11,874.8	12.9%

3.2.1 Bank borrowings

As at 30 June 2014, a significant portion of the balance of bank borrowings was relating to the long-term bank borrowings for aircraft acquisition and PDP financing. The increase in our balance of bank borrowings was due to our business expansion and the increase in our fleet size. We had banking facilities for general working capital purpose amounting to HK$448.5 million as at 30 June 2014.

The analysis of bank borrowings is shown as follows:

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Secured bank borrowings for aircraft acquisition	**10,387.4**	9,195.7	13.0%
PDP financing	**2,111.5**	1,820.1	16.0%
Working capital borrowings	**370.0**	420.6	(12.0%)
Total bank borrowings	**12,868.9**	11,436.4	12.5%

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Current portion (due within 12 months)	**3,061.2**	2,821.0	8.5%
Non-current portion	**9,807.7**	8,615.4	13.8%
Total bank borrowings	**12,868.9**	11,436.4	12.5%

The bank borrowings for aircraft acquisition are secured bank borrowings mainly subject to fixed or floating three-month or six-month US$ LIBOR. The bank borrowings are secured by, in addition to the legal charges on our aircraft leased to airline companies under either finance lease or operating lease, pledge of the shares of the subsidiaries which are the registered owner of the related aircraft, corporate guarantees from certain members of our Group, and pledged deposits amounting to HK$70.6 million and HK$74.2 million as of 31 December 2013 and 30 June 2014, respectively.

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

As at 30 June 2014, we have entered into 32 long-term bank borrowings agreements for 33 aircraft acquisition, of which 15 bank borrowings agreements are under fixed interest rate between 4.5% and 6.5% and the remaining 17 loan agreements are under floating interest rate with margin in the range between 2.6% and 4.6% with reference to three-month or six-month US$ LIBOR 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 3 to 5 years or over 5 years.

PDP 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 PDP for the aircraft committed to be purchased and delivered to us under the Aircraft Purchase Agreement with Airbus. As at 30 June 2014, we have 6 aircraft to be delivered before the end of 2014 under Aircraft Purchase Agreement with Airbus, where PDP were fully paid for.

As of 31 December 2013 and 30 June 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$7.8 million, respectively.

As at 30 June 2014, we also had short-term working capital financing from banks amounting to HK$370.0 million and HK$78.0 million undrawn facility.

3.2.2 Long-term borrowing

CALC (Tianjin) entered into a loan agreement with an independent third party for the loan amount of RMB122.0 million as part of the arrangement for the realisation of the finance lease receivables in respect of one aircraft completed in December 2013. The term of the loan, with an annual interest rate of 6.43%, is 12 years. The loan was pledged by the aircraft held by the Group. The proceeds of the loan has been used for the repayment of the relevant long-term bank borrowings for the aircraft in 2014.

3.2.3 Derivative financial liabilities

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

3.3 Equity

As at 30 June 2014, the equity of our Group was HK$917.3 million, a decrease of HK$40.8 million from that as at 31 December 2013, mainly due to the net effect of comprehensive income for the six months ended 30 June 2014 and the dividend payment of HK$69.0 million, which was declared and paid in the six months ended 30 June 2014.

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Issued capital	**46.9**	–	not applicable
Reserves	**850.9**	938.6	(9.3%)
Non-controlling interests	**19.5**	19.5	–
Total equity	**917.3**	958.1	(4.3%)

Upon listing on 11 July 2014, the Group issued 116,800,000 new ordinary shares of HK$0.1 each at offer price of HK$5.53 per share. The net proceeds obtained were HK$591.1 million.

4 Analysis of Cash Flow Statement

The following table illustrates the cash position and cash flow for the six months ended 30 June 2014:

	For the six months ended 30 June	
	2014	2013
	HK$'million	*HK$'million*
I. Aircraft in operation		
Lease income	**573.6**	316.1
Bank repayment	**(478.7)**	(282.9)
	94.9	33.2
II. New aircraft purchase and delivery		
Capital expenditure	**(2,327.5)**	(755.6)
Bank borrowings	**2,224.4**	711.6
	(103.1)	(44.0)
III. New aircraft not yet delivered		
PDP	**(966.1)**	(616.6)
PDP financing	**837.3**	592.2
PDP refund	**595.7**	12.6
Repayment of PDP financing	**(578.9)**	(37.9)
	(112.0)	(49.7)
IV. Net capital movement	**(1,012.1)**	168.2
Net (decrease)/increase in cash and cash equivalents	**(1,132.3)**	107.7
Cash and cash equivalents at beginning of the period	**1,367.3**	73.5
Foreign exchange difference on cash and cash equivalents	**(4.9)**	1.7
Cash and cash equivalents at end of the period	**230.1**	182.9

Our business operation requires a significant amount of financing for aircraft acquisition. Before IPO, we principally use the cash generated from our business operations, long-term bank borrowings, and PDP financing to satisfy our liquidity needs. Following completion of 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, and the proceeds from realisation of finance lease receivables as part of our financing strategies.

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 maximize shareholder value. For the six months ended 30 June 2014, the objective, policies or processes for managing capital remained largely unchanged.

The Group monitors capital by gearing ratio:

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Total assets	**14,326.6**	12,832.9	11.6%
Total liabilities	**13,409.3**	11,874.8	12.9%
Borrowings (included in the total liabilities)	**13,023.5**	11,591.6	12.4%
Total equity	**917.3**	958.1	(4.3%)
Gearing ratio (Borrowings vs total assets)	**91%**	90%	1%

For the six months ended 30 June 2014, the Group made full use of capital leverage to keep in pace of aircraft delivery.

6 Capital Expenditure

During the six months ended 30 June 2014, our capital expenditure was principally used for business expansion purpose including the purchase of aircraft to generate lease income. The primary source of financing for our capital expenditure was our bank borrowings. The following table sets forth our capital expenditure during the six months ended 30 June 2014:

	For the six months ended		
	2014 *HK$'million* **Unaudited**	2013 *HK$'million* Unaudited	Change
Acquisition of aircraft	**2,327.5**	755.6	208.0%
Acquisition of property, plant and equipment	**0.1**	0.2	(50.0%)
Total	**2,327.6**	755.8	208.0%

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 the foreign exchange risk and the interest rate risk), credit risk, and liquidity risk. We intend to achieve an appropriate balance between the risks and the investment returns so as to minimize the potential adverse impact on our business and financial condition.

Foreign exchange risk

We are exposed to foreign exchange risks as certain portion 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 function currency, primarily with respect to RMB and US dollars. We currently do not have a foreign currency hedging policy as we consider that our exposure to foreign exchange risk is insignificant. However, we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when it is necessary and appropriate.

Interest rate risk

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

We manage the interest rate risk by the way of matching the interest rates of the finance lease receivables with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the finance lease receivables and the corresponding bank borrowings cannot be matched. As at 30 June 2014, there were 16 aircraft lease agreements with the 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 short term of approximately two years.

As at 30 June 2014, out of the 34 aircraft (including one aircraft under the realisation arrangement) currently owned by us, only 8 aircraft has floating interest rate without any interest hedge. The following table sets forth 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 repayment	15
Aircraft with fixed rental and floating interesting repayment (with hedging)	8
Aircraft with floating rental and floating interesting repayment (with hedging)	1
Aircraft with floating rental and floating interesting repayment (without hedging)	1
Aircraft under realisation arrangement	1
Aircraft with fixed rental and floating interest (without hedging)	8
Total	34

Given the availability of the US$ interest rate swap, we will continue to use interest rate swap arrangement for the aircraft with interest rate mismatch.

Credit risk

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

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

Late payment risk — in the event of late payment, we are entitled to charge interest at the default rate on any part of lease rental not paid when due until the same shall be paid. Such interest will accrue on a day to day basis. In addition, we may request for a security deposit where 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' 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 lease and operating lease) and financial assets of our Group are neither past due nor impaired. We have not encountered any delay or default in the collection of lease receivables. No impairment allowance was made for our finance lease receivables and financial assets of our Group as of 30 June 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 our Group's financial assets and liabilities based on the contractual undiscounted cash flows.

	Less than 1 year *HK$'million*	1 to 5 years *HK$'million*	Over 5 years *HK$'million*	Total *HK$'million*
As at 30 June 2014				
PDP	**1,484.7**	**963.7**	**–**	**2,448.4**
Total financial assets	**1,463.2**	**4,798.9**	**8,504.7**	**14,766.8**
Total financial liabilities	**(3,826.8)**	**(4,926.6)**	**(8,125.3)**	**(16,878.7)**
Net	**(878.9)**	**836.0**	**379.4**	**336.5**
As at 31 December 2013				
PDP	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, pledge 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$74.2 million as at 31 December 2013 and 30 June 2014, respectively. Bank borrowings for deposits placed for purchase 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$7.8 million as at 31 December 2013 and 30 June 2014, respectively.

The Group had lease receivables in the amount of HK$9,566.5 million and cash in the amount of HK$98.2 million pledged to the bank as at 30 June 2014 in order to secure the bank borrowings.

9 Material Investment, Acquisition and Disposal

As at 30 June 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 six months ended 30 June 2014, the Group incurred employee benefit expenses of HK$18.8 million (six months ended 30 June 2013: HK$7.7 million), representing approximately 4.3% of the Group's total revenue for the period (six months ended 30 June 2013: 2.9%).

Our Group believes it has a high quality work force with specialised aircraft industry expertise. They are located in Hong Kong, China and oversea. Approximately 75% of the Group's employees had bachelor's degrees and above.

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

Employee benefits

As at 30 June 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 PRC, Hong Kong and overseas in all material aspects.

11 Circumstances Including Contractual Obligations, Contingent Liabilities and Capital Commitments

11.1 Contingent liabilities

As at 30 June 2014, no legal proceedings were initiated by any of the third parties against the Group as defendant, or any outstanding claims.

11.2 Capital commitments

The following table sets forth our capital commitment contracted for as at 30 June 2014, but not yet incurred by us:

	30 June 2014 *HK$'million* **Unaudited**	31 December 2013 *HK$'million* Audited	Change
Acquisition of aircraft	**7,779.0**	10,162.5	(23.5%)

In October 2012, we entered into the Aircraft Purchase Agreement with Airbus for the purchase of 36 current generation of A320 family aircraft which are currently planned to be delivered to us before the end of 2016, out of which six aircraft have been delivered as at 30 June 2014. Our agreement to purchase these aircraft has 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 amount of aircraft purchase commitment of HK$7,779.0 million as at 30 June 2014 represented 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 PDP paid as at 30 June 2014. The prices are not fixed at the time of entering into the relevant agreement and can only be determined upon the final specifications of the aircraft. The final purchase prices paid by us will be lower than the listed prices because of different aircraft specifications and various price concessions, credits or discounts that may be provided by the aircraft manufacturer. These concessions take the form of credit memoranda, which we may apply towards the purchase of goods and services. These credit memoranda are generally incorporated into the final aircraft invoices and thus reduce the amount to be paid by us for each aircraft. As a result, the final purchase prices of the aircraft purchased by us are expected to be substantially less than the manufacturer's listed prices.

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

12 Unaudited Interim Results

The board of directors of the Company (the "Board") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2014, together with comparative amounts as follows. The Company's auditor has reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014, and issued the relevant review report, details of which are set out in the interim report.

13 Prospects

In the second half of 2014, the Chinese government will continue with placing emphasis on stable growth, actively expanding internal demand and guiding investments to develop the real economy. Current and future economic development will be balanced through reforms and innovation.

According to Ascend China Holding Limited, a Flightglobal advisory service and part of Reed Business Information Limited, the demand for aircraft in China market will continue to grow and the total number of leased commercial aircraft in China will increase by 262 aircraft to 1061 aircraft during the three years ending 31 December 2016.

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

Lease agreements are signed for aircraft to be delivered in the second half of 2014 under the Aircraft Purchase Agreement with Airbus. For 2015, under Aircraft Purchase Agreement, we have entered into aircraft lease agreements for six aircraft to be delivered and leased in China, five aircraft to an airline operator in Asia, as well as entered into a binding letter of intent for two aircraft to be delivered and leased in China. Purchase agreements of four aircraft were signed on 25 August 2014 as well as their respective lease agreements. The delivery is expected to be in the second half of 2014.

Following with our first realisation of finance lease receivables in respect of one aircraft completed in December 2013, we completed another aircraft realisation transaction in July 2014, and the financial impact would be reflected in the annual results of 2014.

After considering the acquisition of additional four aircraft in the second half of 2014, the fleet size is expected to grow to 68 at the end of 2016.

We believe that our fleet expansion plan is reasonable in light of the prevailing demand and supply condition of the China aircraft leasing industry.

After successful listing in Hong Kong, the Group has started its planning in two important projects in China, namely, a RMB debt issuance and a new business in aircraft disassembly plant respectively. The implication of RMB debt issuance will positively confirm the Group's capability and qualification of fund raising in the PRC debt market as well as its credit rating in China. The aircraft disassembly plant will further demonstrate the Group's capability in providing full aircraft solutions to airlines.

OTHER INFORMATION

1 Corporate Governance Practices

The Board has committed to maintaining good corporate governance standards. The Group acknowledges the vital importance of good corporate governance to the Group's success and sustainability. We are committed to achieving a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

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 and accountability.

The Company's corporate governance practices are based on 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 on the Stock Exchange (the "Listing Rules").

The Company has complied with all the Code Provisions set out in the CG Code since 11 July 2014 (the "Listing Date") and up to the date of this announcement.

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

2 Directors' Securities Transactions

The Company has devised its own code of conduct regarding directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Code of conduct since the Listing Date and up to the date of this announcement.

3 Audit Committee

The Audit Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system and to provide advice and comments to the Board. The Audit Committee consists of Mr. NG Ming Wah, Charles, Mr. ZHANG Chongqing, Mr. SUN Quan and Mr. GUO Zibin. The chairman of the Audit Committee is Mr. NG Ming Wah, Charles.

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the condensed consolidated financial statements for the six months ended 30 June 2014.

4 Remuneration Committee

The Remuneration Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The Remuneration Committee consists of Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles, Mr. ZHANG Chongqing and Mr. SUN Quan. Mr. FAN Yan Hok, Philip has been appointed as the chairman of the Remuneration Committee. The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by us to the Directors and senior management. The remuneration of all the Directors and senior management is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate.

5 Nomination committee

The Nomination Committee was established by the Board in September 2013 with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 to the Listing Rules. The Nomination Committee consists of Mr. ZHANG Chongqing, Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles and Mr. SUN Quan. Mr. ZHANG Chongqing has been appointed as the chairman of the Nomination Committee. The Nomination Committee considers and recommends to the Board suitably qualified persons to become the Board members and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

6 Use of Proceeds from the Company's Initial Public Offering

On 11 July 2014, the shares of the Company were listed on the Main Board of the Stock Exchange. Net proceeds from the global offering were approximately HK$591.1 million. The Company intends to use the net proceeds in accordance with the proposed applications set out in the section headed "Futures Plans and Proposed Use of Net Proceeds from the Global Offering" contained in the prospectus of the Company dated 30 June 2014.

7 Public Float

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

8 Interim Dividend

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2014.

9 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 to the date of this announcement.

INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30 June 2014 HK$'000	Audited As at 31 December 2013 HK$'000
ASSETS			
Property, plant and equipment		**1,758,244**	1,487,127
Finance lease receivables — net	*4*	**9,566,531**	7,678,876
Derivative financial assets		**7,499**	13,620
Prepayments and other receivables		**2,642,656**	2,183,474
Restricted cash		**121,634**	102,411
Cash and cash equivalents		**230,072**	1,367,344
Total assets		**14,326,636**	12,832,852
EQUITY			
Equity attributable to owners of the Company			
Share capital		**46,895**	78
Reserves		**656,856**	737,727
Currency translation differences		**4,902**	5,372
Retained earnings		**189,248**	195,421
		897,901	938,598
Non-controlling interests		**19,472**	19,500
Total equity		**917,373**	958,098
LIABILITIES			
Deferred income tax liabilities		**33,990**	26,267
Bank borrowings	*5*	**12,868,851**	11,436,394
Long-term borrowing	*6*	**154,623**	155,172
Derivative financial liabilities		**28,339**	7,488
Income tax payables		**15,066**	8,613
Interest payable		**33,493**	34,547
Other payables and accruals		**274,901**	206,273
Total liabilities		**13,409,263**	11,874,754
Total equity and liabilities		**14,326,636**	12,832,852

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Unaudited Six months ended 30 June **2014** ***HK$'000***	 2013 *HK$'000*
Revenues			
Finance lease income	*7*	**342,031**	189,567
Operating lease income	*7*	**73,742**	72,641
Other income		**16,636**	2,292
		432,409	264,500
Expenses			
Interest expense		**(237,625)**	(139,470)
Depreciation		**(27,521)**	(27,001)
Other operating expenses	*8*	**(96,257)**	(32,417)
		(361,403)	(198,888)
Operating profit		**71,006**	65,612
Other gains/(losses)		**15,283**	(780)
Profit before income tax		**86,289**	64,832
Income tax expense	*9*	**(23,490)**	(20,747)
Profit for the period		**62,799**	44,085
Profit for the period attributable to:			
Owners of the Company		**62,827**	44,085
Non-controlling interests		**(28)**	–
		62,799	44,085

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2014 HK$'000	2013 HK$'000
Profit for the period		**62,799**	44,085
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of interest rate swaps — cash flow hedges		**(33,458)**	32,349
Effect of termination of interest rate swap — cash flow hedges		**(596)**	–
Currency translation differences		**(470)**	2,506
Total other comprehensive income for the period, net of tax		**(34,524)**	34,855
Total comprehensive income for the period		**28,275**	78,940
Total comprehensive income for the period attributable to:			
Owners of the Company		**28,303**	78,940
Non-controlling interests		**(28)**	–
		28,275	78,940
Earnings per share for profit for the period attributable to owners of the Company (expressed in HK$ per share)			
— Basic earnings per share	*11*	**0.134**	0.098
— Diluted earnings per share	*11*	**0.134**	0.098

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of the Company						
	Share capital	Reserves	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2013	–	618,716	72	75,921	694,709	–	694,709
Comprehensive income							
Profit for the period	–	–	–	44,085	44,085	–	44,085
Other comprehensive income							
Change in fair value of interest rate swaps — cash flow hedges	–	32,349	–	–	32,349	–	32,349
Currency translation differences	–	–	2,506	–	2,506	–	2,506
Total comprehensive income	–	32,349	2,506	44,085	78,940	–	78,940
Transactions with owners							
Employee share option scheme:							
— Value of employee services	–	577	–	–	577	–	577
Total transactions with owners	–	577	–	–	577	–	577
Balance at 30 June 2013	–	651,642	2,578	120,006	774,226	–	774,226
Balance at 1 January 2014	**78**	**737,727**	**5,372**	**195,421**	**938,598**	**19,500**	**958,098**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**62,827**	**62,827**	**(28)**	**62,799**
Other comprehensive income							
Change in fair value of interest rate swaps — cash flow hedges	**–**	**(33,458)**	**–**	**–**	**(33,458)**	**–**	**(33,458)**
Effect of termination of interest rate swap — cash flow hedges	**–**	**(596)**	**–**	**–**	**(596)**	**–**	**(596)**
Currency translation differences	**–**	**–**	**(470)**	**–**	**(470)**	**–**	**(470)**
Total comprehensive income	**–**	**(34,054)**	**(470)**	**62,827**	**28,303**	**(28)**	**28,275**
Transaction with owners							
Issue of shares	**1**	**(1)**	**–**	**–**	**–**	**–**	**–**
Share repurchase and cancellation	**(78)**	**78**	**–**	**–**	**–**	**–**	**–**
Capitalisation of shares	**46,894**	**(46,894)**	**–**	**–**	**–**	**–**	**–**
Dividend	**–**	**–**	**–**	**(69,000)**	**(69,000)**	**–**	**(69,000)**
Total transactions with owners	**46,817**	**(46,817)**	**–**	**(69,000)**	**(69,000)**	**–**	**(69,000)**
Balance at 30 June 2014	**46,895**	**656,856**	**4,902**	**189,248**	**897,901**	**19,472**	**917,373**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Profit after income tax		**62,799**	44,085
Adjustments for:			
— Depreciation of property, plant and equipment		**27,521**	27,001
— Interest expense of bank borrowings		**237,625**	137,849
— Interest expense of borrowings from related parties		**–**	1,621
— Share-based payments		**–**	577
— Unrealised foreign exchange losses/(gain)		**4,017**	(2,463)
— Fair value gain on currency swap		**(6,487)**	–
		325,475	208,670
Changes in working capital:			
— Finance lease receivables – net		**(1,887,655)**	(691,522)
— Prepayments and other receivables		**(88,755)**	50,139
— Other payables and accruals		**68,628**	127,490
— Income tax payables		**6,453**	7,982
— Deferred income tax liabilities		**7,723**	2,509
Net cash flows used in operating activities		**(1,568,131)**	(294,732)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(298,677)**	(183)
Deposits paid for acquisition of aircraft		**(370,427)**	(603,989)
Net cash flows used in investing activities		**(669,104)**	(604,172)
Cash flows from financing activities			
Proceeds from bank borrowings		**3,198,205**	1,593,994
Proceeds from borrowings from related parties		**–**	93,600
Repayments of bank borrowings		**(1,765,748)**	(440,291)
Repayments of borrowings from related parties		**–**	(93,600)
Repayments of long-term borrowing		**(38)**	–
Interest paid on bank borrowings		**(235,206)**	(152,486)
Interest paid on borrowings from related parties		**–**	(1,621)
Interest paid on long-term borrowing		**(4,068)**	–
Deposits pledged in respect of bank borrowings		**(2,151)**	1,326
Deposits pledged in respect of derivative financial instruments		**(17,072)**	5,696
Dividend paid to shareholders	*10*	**(69,000)**	–
Net cash flows generated from financing activities		**1,104,922**	1,006,618
Net (decrease)/increase in cash and cash equivalents		**(1,132,313)**	107,714
Cash and cash equivalents at beginning of the period		**1,367,344**	73,499
Foreign exchange difference on cash and cash equivalents		**(4,959)**	1,671
Cash and cash equivalents at end of the period		**230,072**	182,884

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

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

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

The consolidated balance sheet as at 30 June 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes of the Group have been approved by the Board of Director on 26 August 2014.

The interim condensed consolidated financial information for the six months ended 30 June 2014 ("Interim Financial Information") is presented in Hong Kong Dollar ("HK$"), unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim financial reporting". The Interim Financial Information should be read in conjunction with the Group's financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and included in the accountant's report of the Company.

The Group's current liabilities exceeded its current assets by HK$2,769,448,000 as at 30 June 2014 (31 December 2013: HK$1,421,421,000). As at 30 June 2014, the Group had capital commitments amounting to HK$7,779,003,000 (31 December 2013: HK$10,162,469,000) in relation to the acquisition of aircraft. The Directors of the Company have given due consideration to the liquidity of the Group and adopted a going concern basis in preparing the Interim Financial Information based on the following assessments:

— For the aircraft under lease contracts, under the business model of the Group, the expected cash inflows from lease receivables generally match the required cash outflows for installment repayments of the bank borrowings for aircraft acquisition over the entire lease term of the aircraft.

— The net current liabilities position of the Group is mainly due to the fact that the Group used short-term borrowings to finance its aircraft acquisition and pre-delivery payments ("PDP") made to the aircraft manufacturer when the new aircraft ordered by the Group are being built. As at 30 June 2014, PDP amounting to HK$2,448,446,000 (31 December 2013: HK$2,078,019,000) had been paid. According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next 12 months from 30 June 2014 amounted to HK$1,137,795,000. As at the date of this report, the Group had already signed PDP financing agreements with banks to secure funding commitments for the PDP for 34 aircraft. Based on the PDP financing agreements signed, the funding of HK$898,379,000 will be provided by banks to pay part of the PDP to be paid in the next 12 months from 30 June 2014. The remaining balance of PDP amounting to HK$239,416,000 will be funded by internally generated financial resources of the Group and additional PDP financing which are expected to be obtained in the second half of 2014.

— As at 30 June 2014, the balance of PDP financing amounted to HK$2,111,488,000 (31 December 2013: HK$1,820,074,000). The Group will replace PDP financing with long-term bank borrowings upon the delivery of aircraft as scheduled, which includes 12 aircraft in the next 12 months from 30 June 2014. As at 30 June 2014, the Group has entered into lease agreements with 5 airlines for the leasing of 11 aircraft expected to be delivered in the next 12 months.

— The Company raised additional share capital through an initial public offering of shares ("IPO") in July 2014.

— The Group has entered into a cooperative agreement with a bank, pursuant to which the bank provides a comprehensive loan facility amounting to US$1,500,000,000 to the Group during the period between 2013 and 2018. The granting of each specific loan will be subject to the credit assessment to be performed by the bank and the finalisation of the terms and conditions of the loan agreements, which will only be confirmed shortly before the delivery of aircraft.

Accordingly, the Group expects to have sufficient working capital for its present requirements for at least the next 12 months from 30 June 2014. Based on the above considerations, the Directors of the Company are of the opinion that the Group will be in a position to continue as a going concern and have prepared the financial statements on a going concern basis.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group's financial statements for the year ended 31 December 2013.

New standards, amendments and interpretation to the existing standards that are effective during the six months ended 30 June 2014 have been adopted by the Group consistently unless prohibited by the relevant standard to apply retrospectively.

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

	Effective for annual periods beginning on or after
Annual improvements 2012," Changes from the 2010–2012 cycle of the annual improvements project"	1 July 2014
Annual improvements 2013, "Changes from the 2011–2013 cycle of the annual improvements project"	1 July 2014
Amendment to HKFRS 11, "Accounting for acquisitions of interests in joint operation"	1 January 2016
Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016
HKFRS15, "Revenue from Contracts with Customers"	1 January 2017
HKFRS 9, "Financial Instruments"	1 January 2018

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

4 FINANCE LEASE RECEIVABLES — NET

	30 June 2014 *HK$'000*	31 December 2013 *HK$'000*
Finance lease receivables	**10,315,720**	8,586,841
Guaranteed residual values	**2,339,579**	1,800,365
Unguaranteed residual values	**3,494,137**	2,880,398
Gross investment in leases	**16,149,436**	13,267,604
Less: unearned finance income	**(6,582,905)**	(5,588,728)
Net investment in leases	**9,566,531**	7,678,876
Less: accumulated allowance for impairment [(i)]	**–**	–
Finance lease receivables — net	**9,566,531**	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 30 June 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 lease at the end of each reporting period is set out below.

	30 June 2014 *HK$'000*	31 December 2013 *HK$'000*
Gross investment in finance leases	**16,149,436**	13,267,604
Less: Unguaranteed residual values	**(3,494,137)**	(2,880,398)
Minimum lease payments receivable	**12,655,299**	10,387,206
Less: Unearned finance income related to minimum lease payments receivable	**(4,600,094)**	(3,894,212)
Present value of minimum lease payments receivable	**8,055,205**	6,492,994

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

	30 June 2014 *HK$'000*	31 December 2013 *HK$'000*
Gross investment in finance leases		
— Not later than 1 year	**1,013,031**	797,122
— Later than 1 year and not later than 5 years	**4,038,508**	3,149,314
— Later than 5 years	**11,097,897**	9,321,168
	16,149,436	13,267,604

5 BANK BORROWINGS

	30 June 2014 HK$'000	31 December 2013 HK$'000
Secured bank borrowings for aircraft acquisition financing	**10,387,413**	9,195,670
PDP financing	**2,111,488**	1,820,074
Working capital borrowings	**369,950**	420,650
	12,868,851	11,436,394

6 LONG-TERM BORROWING

	30 June 2014 HK$'000	31 December 2013 HK$'000
Borrowing from an independent third party	**154,623**	155,172

The borrowing of RMB121,970,000 (equivalent to HK$154,623,000) (31 December 2013: RMB122,000,000 (equivalent to HK$155,172,000)) was provided by an independent third party to the Group at a fixed interest rate of 6.43% per annum for a term of 12 years from 30 December 2013 with an aircraft held by the Group being pledged as security.

7 LEASE RENTAL INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2014, the Group was engaged in a single business segment, i.e. provision of aircraft leasing services to airline companies within Mainland China. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

For the six months ended 30 June 2014, the Group leased aircraft to 8 (six months ended 30 June 2013: 5) airline companies.

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

	Six months ended 30 June			
	2014		2013	
	HK$'000	*%*	*HK$'000*	*%*
Customer:				
Airline Company–A	**106,175**	**26%**	67,434	26%
Airline Company–B	**68,524**	**17%**	57,752	22%
Airline Company–C	**68,240**	**16%**	57,584	22%
Airline Company–D	**111,410**	**27%**	72,641	28%
Airline Company–E	**25,873**	**6%**	6,797	2%
Airline Company–F	**24,788**	**6%**	–	–
Airline Company–G	**8,746**	**2%**	–	–
Airline Company–H	**2,017**	**–**	–	–
Total finance and operating lease income	**415,773**	**100%**	262,208	100%

8 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Key management and employee expenses	**18,819**	7,749
Listing expenses	**24,695**	4,661
Business tax and surcharges	**23,128**	4,263
Professional service expenses	**12,157**	3,728
Rental and utilities expenses	**4,534**	3,202
Office and meeting expenses	**3,346**	3,174
Travelling and training expenses	**4,341**	3,047
Others	**5,237**	2,593
	96,257	32,417

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current income tax: Mainland China, Hong Kong and others	**15,767**	18,238
Deferred income tax	**7,723**	2,509
	23,490	20,747

Mainland China

For the six months ended 30 June 2014, the subsidiaries incorporated in Mainland China were subject to the PRC corporate income tax ("CIT") at a rate of 25%. The leasing income was subject to business tax ("BT") at 5% or value added tax ("VAT") at 17% depending on when the leasing contracts were entered into between the subsidiaries and the customers. The comparative tax rates for the six months ended 30 June 2013 were same.

For the six months ended 30 June 2014, 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. Interest payable to the Group companies incorporated in Hong Kong was subject to BT at 5% and CIT at 7%. The comparative tax rates for the six months ended 30 June 2013 were same.

Hong Kong

For the six months ended 30 June 2014, the subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% (six months ended 30 June 2013: 16.5%).

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 to be taxed at Malaysian Ringgit 20,000 if annual election is made.

10 DIVIDENDS

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: HK$53,000,000).

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 dividends was paid in June 2014.

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 Relevant Periods. In determining the weighted average number of ordinary shares, the increase of ordinary shares of 468,941,929 due to the capitalisation of shares have been adjusted retrospectively to the numbers of ordinary shares for the six months ended 30 June 2014 and 2013.

	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company (HK$'000)	**62,827**	44,085
Weighted average number of ordinary shares in issue	**468,951,929**	450,841,955
Basic earnings per share (HK$ per share)	**0.134**	0.098

(b) Diluted

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares as the performance-based share options could not be exercised until the Company has completed its IPO. As at 30 June 2014, such contingent event had not taken place.

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

Hong Kong 26 August 2014

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. Sun Quan.