CALC

China Aircraft Leasing Group Holdings Limited

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

Stock code : 01848

LEADING THE WAY

Annual Report 2016

CONTENTS

ABOUT CALC

China Aircraft Leasing Group Holdings Limited ("CALC", SEHK stock code: 1848.HK) is the first full value-chain aircraft solutions provider in Asia. Together with its member company Aircraft Recycling International Limited ("ARI"), Asia's first provider of total aircraft solutions for aging aircraft, CALC provides customers with aircraft full life-cycle solutions, covering aircraft leasing, fleet planning consultation, structured financing, sale and leaseback, fleet replacement package deals, third party aircraft resale as well as aircraft recycling services. With a professional team that has extensive international aviation market experience and its globalised sources of financing, CALC is currently the largest independent aircraft operating lessor in China in terms of the total number of aircraft under ownership plus new aircraft in its order book, and has successfully expanded to the Asia, European and American markets.

Listed on the main board of the Stock Exchange of Hong Kong on 11 July 2014, CALC is the first aircraft lessor listed in Asia. CALC is currently a constituent stock of the Hang Seng Global Composite Index, the Hang Seng Composite Index, MSCI China Small Cap index, and an eligible stock under southbound trading of Shenzhen-Hong Kong Stock Connect. CALC was named "Aircraft Lessor of the Year" 2015 and 2016 respectively by Global Transport Finance for its expertise in delivering outstanding services and providing effective financing solutions to a diverse range of customers.

LEADING THE WAY

China's first aircraft operating lessor

China's largest independent aircraft lessor

Asia's first listed aircraft lessor

Asia's first aircraft full life-cycle solutions provider

Asia's first and largest aircraft recycling facility operator

First to introduce various innovative aircraft financing solutions into China

VISION

To become a top-tier aircraft service provider with a global presence

MISSION

To be a full value-chain aircraft solutions provider, utilising our expertise to create innovative, value-added fleet management solutions for airlines worldwide

AT A GLANCE

As at 24 March 2017

83
aircraft fleet

90
aircraft on order with Airbus

173
aircraft in 2022 (base case, firmed order)

As at 31 December 2016

3.7 yrs
average fleet age

9 yrs
average remaining lease term

HK$ **30.9** b
total assets

1 st
listed aircraft lessor in Asia

1 st
aircraft recycling facility in China (held under ARI)

> **130** staff with
10 offices worldwide

FULL VALUE-CHAIN AIRCRAFT SOLUTIONS

CALC provides airline customers with full value-chain aircraft solutions, including aircraft leasing, fleet planning consultation, structured financing, sale and leaseback, fleet replacement package deals, third party aircraft resales and aircraft recycling.

As part of CALC's effort to complete its aviation value-chain, it founded Aircraft Recycling International Limited ("ARI") to build and operate the first purpose-built aircraft recycling centre in Harbin, China. ARI is now an associate company of CALC, in which it holds a 48% equity interest. With ARI, CALC is the only group in Asia, and one of the few globally, that provides complete full life-cycle aircraft solutions.

EVOLVING FINANCING APPROACH

DIVERSIFIED FINANCING CHANNELS

CALC has explored a variety of financing channels, both onshore and offshore, to enhance its ability to create sustainable growth as part of its globalisation strategy. Since introducing the first batch of aircraft lease receivables realisations to Chinese investors, CALC has continued to deliver innovative financial products to the market, demonstrating its capacity for innovation, which is an integral part of the Company's DNA.

EXPANDING GLOBAL PRESENCE

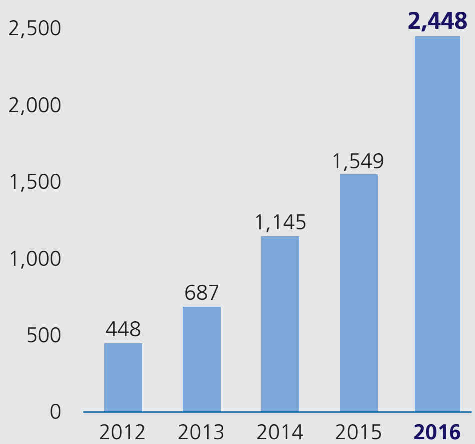
As its position in China's aircraft leasing industry strengthens, CALC continues to expand its global footprint and client base. As at the end of 2016, the Group's clientele includes 16 airlines in five countries and regions. The Group is committed to becoming a top-tier international aircraft service provider and is on schedule to expand its fleet size to at least 173 aircraft by 2022.


CALC
CALC
Harbin, China
Beijing, China
Tianjin, China
Shanghai, China
Shenzhen, China
HONG KONG, CHINA (HQ)
Labuan, Malaysia
Head Office
Office

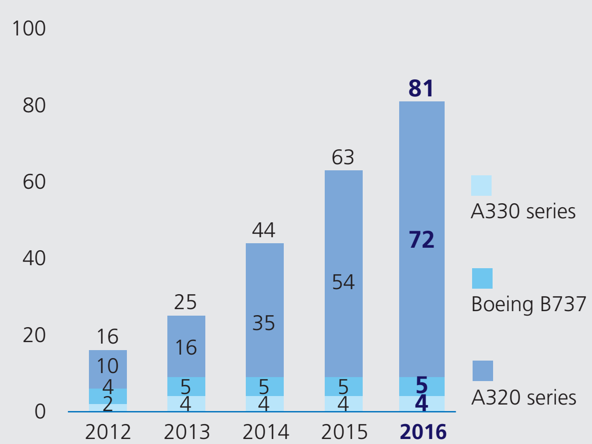
FINANCIAL HIGHLIGHTS AND FIVE-YEAR FINANCIAL SUMMARY

REVENUE AND OTHER INCOME

(HK$ million)

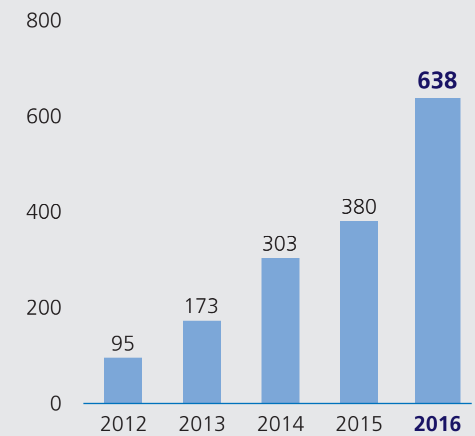


AIRCRAFT DELIVERED

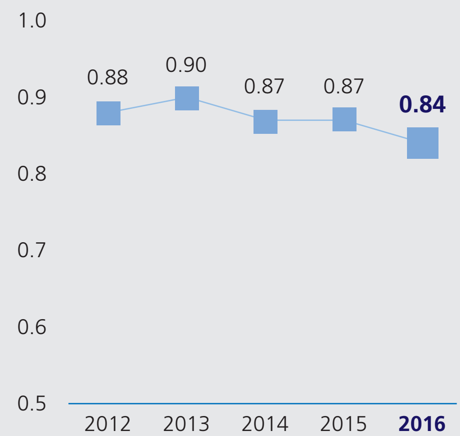


PROFIT FOR THE YEAR

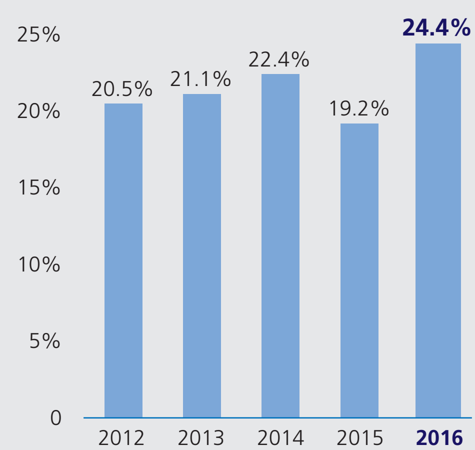
(HK$ million)



GEARING

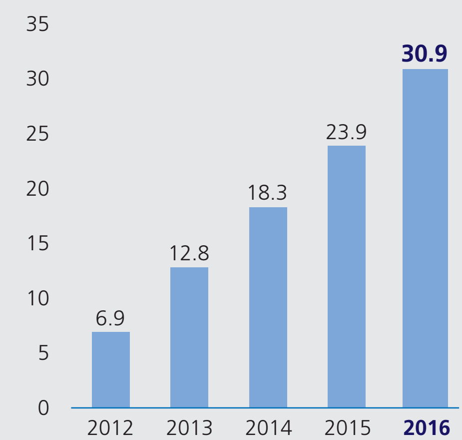


RETURN ON EQUITY



TOTAL ASSETS

(HK$ billion)



CONSOLIDATED RESULTS

	Year ended 31 December				
	2012 HK$'m	2013 HK$'m	2014 HK$'m	2015 HK$'m	**2016 HK$'m**
Revenue and other income	448	687	1,145	1,549	**2,448**
Profit attributable to owners of the Company	95	173	303	380	**638**

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2012 HK$'m	2013 HK$'m	2014 HK$'m	2015 HK$'m	**2016 HK$'m**
ASSETS					
Property, plant and equipment	1,541	1,487	1,707	2,413	**6,214**
Interests in and loans to an associate	–	–	–	–	**444**
Finance lease receivables – net	4,388	7,679	11,443	16,473	**15,031**
Derivative financial assets	–	14	15	19	**131**
Prepayments and other receivables	808	2,183	3,503	3,444	**3,063**
Cash and bank balances	152	1,470	1,645	1,598	**6,017**
Total assets	6,889	12,833	18,313	23,947	**30,900**
LIABILITIES					
Total borrowings	6,087	11,592	15,985	20,767	**25,826**
Other liabilities	107	283	547	972	**2,031**
Total liabilities	6,194	11,875	16,532	21,739	**27,857**
Net assets	695	958	1,781	2,208	**3,043**

Per-Share-Basis	2012	2013	2014	2015	**2016**
Basic earnings per share (HK cents)	25.3	37.6	57.7	63.6	**100.9**
Net asset value per share (HK$) (Note 1)	1.9	2.1	3.0	3.6	**4.5**

Financial Ratios	2012	2013	2014	2015	**2016**
Gearing ratio (borrowings vs total assets)	88.4%	90.3%	87.3%	86.7%	**83.6%**
Return on average shareholders' equity	20.5%	21.1%	22.4%	19.2%	**24.4%**
Interest coverage (Note 2)	163.8%	180.1%	186.8%	175.8%	**202.6%**

Note:

(1) Per-share-basis calculation is based on the number of shares as at 31 December; The number of shares as at 31 December 2014 is adjusted to Post-IPO's number of shares of 586 million.

(2) Interest Coverage = EBITDA/Interest expense

MAJOR ACHIEVEMENTS IN 2016

GROWING THE FLEET

- Delivered 18 aircraft and increased our fleet size to 81 aircraft
- Client base increased by five airlines to 16
- 92 aircraft on order with Airbus

RECEIVING RECOGNITIONS FOR PROFESSIONALISM

- Awarded "Aircraft Lessor of the Year" by Global Transport Finance for the second consecutive year
- Completed the first-ever JOLCO deal, which was named "Asia Pacific Deal of the Year for Innovation" by Airline Economics
- Received Hong Kong Economic Journal's "Listed Company Award of Excellence 2016"
- Received Capital Weekly's "The Listed Enterprise Excellence Award 2016"

CAPITAL WEEKLY
The Listed Enterprise Excellence Awards
傑出上市企業大獎2016

EXPANDING CALC'S GLOBAL FOOTPRINT

- Delivered two aircraft to the Group's first European client, Pegasus Airlines
- Delivered four aircraft to Jetstar Pacific Airlines, CALC's first client in Southeast Asia
- Entered the Japanese market by signing an aircraft lease agreement with ANA Holdings
- Expanded into the US market with an aircraft lease agreement with Hawaiian Airlines

ADVANCING FINANCING STRUCTURE

- Issued the first and second US dollar bonds with an aggregate principal amount of US$600 million
- Debuted an approximately US$195 million syndicated loan facility with a consortium of six financial institutions
- Closed its first JOLCO financing deal in relation to two new Airbus A320 delivered to Pegasus Airlines
- Launched its first senior and junior tranches structured lease receivable realisation products in China
- Completed a share placement of 40,000,000 new shares at HK$8 per share
- Issued medium-term notes in China of RMB330 million which was rated AA+ by China Cheng Xin International Credit Rating Co. Ltd.

CHAIRMAN STATEMENT

Mr. CHEN Shuang

Chairman of the Board

On behalf of China Aircraft Leasing Group Holdings Limited ("CALC" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2016.

RESULTS

During the year, total revenue and other income of the Group's main business amounted to HK$2,448.1 million, a year-on-year increase of 58.0%, while net profit was HK$638.4 million, soaring 67.9% year-on-year.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.39 (2015: HK$0.18) per share to the shareholders whose names appear on the register of members of the Company on 31 May 2017. Together with the interim dividend of HK$0.14 (2015: HK$0.04) per share paid in September 2016, total dividend amounts to HK$0.53 per share for 2016 (2015: HK$0.22).

BUSINESS REVIEW

Over the years, CALC has built up a team of experienced aviation and financing professionals. The team is able to respond diligently to market developments and adapt business strategies accordingly, which has made significant contribution to the Group's business growth and performance.

During the year, the Group expanded its fleet and focused on implementing its globalisation strategy. It delivered 18 aircraft in 2016, increasing the fleet size to 81 aircraft, and expanded its client base by five airlines to 16. Having started from its home base in China, CALC's global footprint now covers Asia, Europe and the Americas. Going forward, the Group will look to support the development of both domestic and overseas airlines, and achieve a 50-50 split between both types of commercial airline within its fleet portfolio by 2020.

During the year, the Group completed the disposal of finance lease receivables of 14 aircraft, which constitutes a recurrent part of the Group's business. Meanwhile, the Group enhanced its financial flexibility by exploring a number of onshore and offshore financing channels in support of its sustainable development and globalisation strategy. In 2016, the Group successfully completed a number of financing deals, including the launch of two batches of US dollar bonds in the aggregate principal amount of US$600 million, arranging its first syndicated loan for pre-delivery payment worth US$195 million, and medium-term notes of RMB330 million – all of which further diversified the Group's financing channels. Furthermore, the Group placed a total of 40,000,000 new shares at HK$8.00 per share and repurchased convertible bonds with an aggregate principal amount of HK$581.9 million as part of a wider push to optimise its financial position.

In 2016, the Group also completed the restructuring of Aircraft Recycling International Limited ("ARI"), Asia's first provider of total aircraft solutions for aging aircraft, in which it holds a 48% equity interest. Among its many developments, ARI has started purchasing mid-to-old aged aircraft and commencing its sale and leaseback service during the year. And it targets to open its aircraft recycling centre in Harbin in the second half of 2017. As part of its mission to create global state-of-the-art life cycle solutions, ARI, in March 2017, completed the acquisition of a 100% equity interest in Universal Asset Management, Inc. ("UAM"), a global provider of aircraft solutions headquartered in the United States. This was another step forward for CALC as it aims to become a world-class full value-chain aircraft solutions provider.

AWARDS

As a testament to CALC's remarkable achievements in 2016, the Group was pleased to be named "Aircraft Lessor of the Year" for the second consecutive year by Global Transport Finance ("GTF"). CALC is the only aircraft leasing company in China to win such an award. Elsewhere, the Group's first Japanese Operating Lease with Call Option ("JOLCO") financing deal was named "Asia Pacific Deal of the Year for Innovation" by Airline Economics magazine and "Aircraft Lessor JOLCO Finance Deal of the Year" by GTF. The Group was also delighted to receive Hong Kong Economic Journal's "Listed Company Award of Excellence 2016" and was honored to be a recipient of "The Listed Enterprise Excellence Award 2016" from Capital Weekly. These accolades are a tribute to the Group's excellent track record of outstanding performance and management.

ACKNOWLEDGEMENT

The year 2016 was a very successful year for CALC thanks to the support from its shareholders, business partners, management and staff all over the world. On behalf of the Board, I extend my gratitude to all of them. We look forward to taking CALC to the next level together.

CHEN Shuang
Chairman of the Board
Hong Kong, 24 March 2017

CEO STATEMENT

Mr. POON Ho Man
Executive Director and Chief Executive Officer

As China's first operating lessor, CALC has dedicated itself to being one of the industry's most innovative players since 2006. Thanks to the vision and hard work of our team of aviation and financing professionals, we have developed a unique business model that has transformed CALC into a full life-cycle aircraft solutions provider for global airlines in the past decade. Building on our success, we have started to develop a platform to create further value for our stakeholders by uncovering potential at every stage of the aircraft value-chain.

CALC: A full value-chain aircraft solutions provider

CALC is not a traditional aircraft leasing company: we are a full value-chain aircraft solutions provider with a unique operating and revenue model. While others primarily derive their revenues from the leasing and financing of aircraft and earn the spread between their funding costs and leasing yields, we go beyond the traditional business model of purchasing and leasing aircraft by offering our services at every stage of the asset life cycle and capturing the asset value of an aircraft fleet by proactively managing aircraft assets, including their residual value.

This unique business model distinguishes CALC from other lessors, and has fueled its excellent business performance.

2016 Business Review

Fleet Portfolio and Globalisation

During the year, the Group delivered a total of 18 aircraft, increasing its fleet size to 81 aircraft as of the end of 2016. Its fleet is modern with an average age and average remaining lease term of less than four and nine years respectively as at 31 December 2016. Meanwhile, its aircraft lease occupancy rate for the year remained unchanged at 100%, the same as 2015.

CEO STATEMENT

As of the end of 2016, CALC expanded its clientele to 16 airlines as a result of its growing relations with existing clients and the establishment of partnerships with new airline partners. During the year, the Group commenced business ties with Pegasus Airlines, its first European client, and Jetstar Pacific Airlines, Vietnam's leading low-cost carrier, delivering two and four aircraft respectively. In addition, it entered the Japanese and US markets as a result of lease agreements with All Nippon Airways Group and Hawaiian Airlines. Out of the 18 aircraft delivered in 2016, eight (i.e. approximately 45%) were leased to non-mainland Chinese carriers. By the end of 2016, non-mainland Chinese carriers had received 15 aircraft, approximately 20% of CALC's total fleet, an eloquent testimony of the Group's globalisation strategy since 2015. Furthermore, in January 2017, the Group signed lease agreements with Thai AirAsia and AirAsia for the lease of one Airbus for each airline, further cementing its presence in the high-growth aircraft leasing market in Asia.

Disposal of Finance Lease Receivables

As market pioneer, CALC has succeeded in introducing a number of innovative aircraft financing models into China, including the first batch of aircraft finance lease receivables products in 2013. Market demand for such investment products has been on the increase since, mainly driven by investors' huge appetite for US dollar-denominated aircraft finance products for long-term and fixed returns. During 2016, the Group completed the disposal of finance lease receivables for 14 aircraft. Such arrangements constitute a recurrent part of the Group's businesses, which we will expand in the future depending on market conditions.

Financing Channels

We have continued to explore a variety of onshore and offshore financing channels as a means to ensure flexibility for the Group's sustainable growth. Together with the disposal of finance lease receivables, we roll over our debt and equity, and in doing so, we are able to expand without putting much pressure on our equity and debt. As a result, we have a relatively high return on equity compared with traditional lessors.

In May 2016, the Group issued its first three-year US$300 million senior unsecured bonds, extending its source of financing from traditional banks to bond investors, as part of a wider push to diversify its financing channels. The subsequent second issuance of five-year US$300 million bonds in August 2016 attracted a more diversified base of investors. Such fixed-rate bonds enable the Group to alleviate the impact brought about by imminent US interest rate hikes.

Also in May 2016, the Group launched its first syndicated loan with a principal amount of approximately US$195 million, making its debut in the syndicated loan market. The landmark arrangement, which attracted a number of financial institutions new to the aviation finance sector to initiate their partnership with CALC.

In July 2016, as a means of optimising its financial position, the Group repurchased convertible bonds with an aggregate principal amount of HK$581.9 million. In September 2016, CALC issued a total of 40,000,000 new shares at HK$8.00 per share, introducing long-term investors to further improve CALC's shareholding and financial structure. In addition, in November 2016, the Group issued five-year medium-term notes of RMB330 million in China. The medium-term notes received an AA+ rating from China Cheng Xin International Credit Rating Co. Ltd., one notch higher than its rating in 2015.

After the fiscal year end date, the Group further strengthened its position in long-term senior unsecured bonds by issuing five-year US$300 million bonds and seven-year US$200 million bonds in March 2017. These bonds extended the maturity period and earned overwhelming support from investors on a more diversified base, further enhancing the Group's debt profile.

Development of Aircraft Recycling International Limited

As part of its effort to complete CALC's aviation value-chain, the Group completed the restructuring of Aircraft Recycling International Limited ("ARI") in 2016. ARI is Asia's first provider of total aircraft solutions for aging aircraft and is now an associate company of CALC, in which it holds a 48% equity interest. With ARI, CALC is the only aviation service provider in Asia, and one of the few globally, that provides complete full life-cycle aircraft solutions.

In 2016, ARI completed its first large-scale aircraft leasing transaction since its establishment through entering into a long-term sale and leaseback agreement with Sichuan Airlines. The four A319 ceo aircraft (one of which is under a joint venture) aged at approximately 12 years. Furthermore, ARI successfully purchased six B737-700 aircraft aged between 16 and 18 years from Xiamen Airlines in late 2016 and the deal was closed in March 2017. Such projects mark a major milestone and lay a solid foundation for ARI's future development. ARI's aircraft recycling facility in Harbin, which will be the first of its kind in Asia, is expected to commence operations in the second half of 2017.

In March 2017, ARI completed the acquisition of a 100% equity interest in Universal Asset Management, Inc. ("UAM"), a provider of commercial aviation asset management, aircraft recycling services and component sales based in Tennessee in the United States. ARI will leverage the immediate access to UAM's strong brand, track record of disassembling over 300 aircraft for 1,000 clients in 150 countries, and professional team to forge ahead with the Group's globalisation strategy, making it a true one-stop aircraft solution provider on a global scale.

Prospects

Looking ahead to 2017, a plethora of political uncertainties is set to cast a shadow over the world economy development, marked by the new US administration and its global ramifications, as well as upcoming elections in several European countries. The expectation of a series of interest rate hikes in the US and fluctuations in oil prices also weigh on the economic outlook.

In the meantime, emerging and developing economies are poised to have the greatest impact on global economic activity. China, in particular, is optimistic about its economic growth outlook, backed by policy stimulus measures and the prospects for stronger global demand, which is buoying sentiment. The IATA has forecasted that China will replace the US as the world's largest aviation market by around 2024. With regards to the aircraft leasing industry, the growth streak is expected to extend into 2017, driven by an emerging middle class that favors air travel.

Hong Kong to develop into an aviation leasing and finance center

The Hong Kong SAR Government announced in January 2017 that it plans to offer tax concessions to aircraft leasing businesses and aspires to become an aviation leasing and finance center, presenting a favorable outlook for the development of the sector in the region. This is welcome news for the industry. Hong Kong has well-developed and sound financial infrastructure with relatively transparent and simple tax filing procedures. We believe the proposed tax regime will help boost the aircraft leasing business in Hong Kong and will attract leasing-related companies and professionals to set up business in the market. Hong Kong has signed mutual recognition and double taxation arrangements with a number of jurisdictions, and we hope that the government will continue to increase its ties with even more markets. We believe that the above arrangements would create a financing ecosystem that is more conducive to the industry.

CEO STATEMENT

CALC is a supporter of the proposed tax scheme, and more importantly, the Group is also ready and willing to leverage its previous experience working with governments in Tianjin and Harbin to assist the Hong Kong SAR's ongoing effort to develop itself into an aircraft leasing hub and aviation financing center.

Corporate Strategy

CALC is off to a very strong start in 2017. Based on its current order of commitments, the Group's fleet size is set to grow by at least 19 new aircraft in 2017, firmly placing it on a trajectory to expand its fleet to no fewer than 173 aircraft by 2022. At the same time, we will continue to explore aircraft sources, including new order books with manufacturers, secondary markets, sales and leasebacks, and portfolio trading, to actively grow our fleet. Our growing sales and marketing team will help us to capture overseas opportunities and diversify our global footprint.

The demand for full value-chain aircraft solutions increases as airline fleets continue to expand, age and retire. With ARI and UAM in our value-chain, we have further enhanced our position as a leading full value-chain aircraft solutions provider for global airlines.

Furthermore, we will be able to differentiate ourselves from other lessors with our unique aviation financing solutions, which will be a driving force behind our value-added services. In addition to the continued advancement of our finance lease receivables products, we are looking at developing asset-backed securities products. We are also seeking to build a China Aircraft Global Venture to serve as a new platform to focus on aircraft leasing and transactions incidental to trading and the financing of aircraft.

Over the past decade, CALC has become a dynamic and scalable public company with operations spanning across the globe. Built upon a solid foundation, we will continue to uphold our core values of innovation, commitment to high quality services and a global vision, while at the same time creating greater value for our customers, business partners and shareholders.

POON Ho Man
Executive Director and Chief Executive Officer
Hong Kong, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

For the year ended 31 December 2016, the Group delivered 18 aircraft, building its fleet size to 81. Revenue and other income was HK$2,448.1 million, an increase of HK$898.8 million or 58.0% compared with HK$1,549.3 million in 2015. Profit attributable to owners of the Company in 2016 amounted to HK$638.4 million, an increase of HK$258.2 million or 67.9% compared with HK$380.2 million in 2015. The main reasons for the increase in revenue and net profit were an increase in lease income, which resulted from continued expansion of the scale of the aircraft leasing business and gain from disposal of finance lease receivables. The Group completed disposal of finance lease receivables for 14 aircraft in 2016, compared with two aircraft in 2015.

Total asset value was HK$30,900.2 million as at 31 December 2016, compared with HK$23,947.0 million as at 31 December 2015, an increase of HK$6,953.2 million or 29.0%. The increase in assets was mainly due to addition of aircraft during the year. Total liabilities as at 31 December 2016 amounted to HK$27,856.8 million, an increase of HK$6,117.8 million or 28.1%. The increase in liabilities was because the Company's aircraft acquisitions were mainly funded through aircraft financing and it issued two USD bonds with a total amount of US$600.0 million (equivalent to approximately HK$4,657.7 million) during the year.

Equity attributable to owners of the Company was HK$3,043.3 million as at 31 December 2016 compared with HK$2,188.5 million in 2015, an increase of HK$854.8 million or 39.1%.

2. ANALYSIS OF INCOME AND EXPENSES

	Year ended 31 December		
	2016 **HK$'Million**	2015 HK$'Million	Change
Finance lease income	**1,163.1**	1,015.4	14.5%
Operating lease income	**416.1**	223.9	85.8%
Gain from disposal of finance lease receivables	**562.0**	54.1	938.8%
Government grants	**260.7**	242.6	7.5%
Operating lease income on office premises from a related party	**2.6**	1.1	136.4%
Interest income from loans to an associate	**18.8**	–	N/A
Sundry income	**24.8**	12.2	103.3%
Revenue and other income	**2,448.1**	1,549.3	58.0%
Total expenses and other gains/losses	**(1,556.0)**	(1,069.1)	45.5%
Profit before income tax	**892.1**	480.2	85.8%
Income tax expenses	**(253.7)**	(100.0)	153.7%
Profit for the year	**638.4**	380.2	67.9%

2.1 Revenue and Other Income

For the year ended 31 December 2016, revenue and other income amounted to HK$2,448.1 million compared with HK$1,549.3 million in 2015, an increase of HK$898.8 million or 58.0%. This was mainly due to an increase in lease income and the gain from disposal of finance lease receivables.

Lease income from finance leases and operating leases for the year totalled HK$1,579.2 million, compared with HK$1,239.3 million in 2015, an increase of HK$339.9 million or 27.4%. The growth in lease income during the year was principally attributable to the Group's increased fleet size by 18 from 63 as at 31 December 2015 to 81 aircraft as at 31 December 2016. As at 31 December 2016, including the aircraft under the disposal of finance lease receivables, total fleet size increased to 81 aircraft, of which 63 aircraft were classified as finance lease and 18 aircraft as operating lease. As at 31 December 2015, including the aircraft under the disposal of finance lease receivables, total fleet size was 63 aircraft, of which 57 were classified as finance lease and six as operating lease.

In addition, the Group realised a total gain of HK$562.0 million from disposal of finance lease receivables during the year (2015: HK$54.1 million), an increase of HK$507.9 million or 938.8%. In 2016, the Group completed disposal of finance lease receivables for 14 aircraft (2015: two aircraft). The rise in the number of disposal transactions underlines the ever–growing knowledge and confidence in the aircraft leasing industry, as well as the increasing demand of USD–denominated aircraft finance products with stable return. Such transactions have played an important part in the Group's regular business and financing strategies, and it intend to continue pursuing them.

Government grants for the year amounted to HK$260.7 million, compared with HK$242.6 million in 2015, an increase of HK$18.1 million or 7.5%. This was mainly due to the increase in fleet size.

2.2 Total Expenses and Other Gains/Losses

During the year ended 31 December 2016, the Group had the following operating expenses.

	Year ended 31 December		
	2016	2015	Change
	HK$'Million	HK$'Million	
Interest expenses	**1,029.3**	753.7	36.6%
Depreciation	**164.0**	91.3	79.6%
Other operating expenses	**399.4**	223.3	78.9%
Other (gains)/losses	**(44.1)**	0.8	–5,612.5%
Share of loss of an associate	**7.4**	–	N/A
Total expenses and other gains/losses	**1,556.0**	1,069.1	45.5%

(a) *Interest Expenses*

For the year ended 31 December 2016, interest expenses incurred by the Group amounted to HK$1,029.3 million compared with HK$753.7 million in 2015, an increase of HK$275.6 million or 36.6%. This was mainly due to an increase in total borrowings as a result of expanding the aircraft fleet size by 18; interest expenses from the two bonds issued in May 2016 and August 2016 respectively; and the full period effect of interest expenses from medium–term notes in 2016.

(b) *Depreciation*

Depreciation on the Group's leasehold improvements, motor vehicles, office equipment and aircraft under operating leases for the year was HK$164.0 million compared with HK$91.3 million in 2015, an increase of HK$72.7 million or 79.6%. This was mainly because the number of aircraft under operating leases was increased from six as at 31 December 2015 to 18 as at 31 December 2016.

(c) *Other Operating Expenses*

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

(d) *Other (Gains)/Losses*

Other gains for 2016 mainly represent fair value gains from interest rate and currency swaps and currency exchange gains.

2.3 Income Tax Expenses

Income tax for the year ended 31 December 2016 was HK$253.7 million (2015: HK$100.0 million), resulting mainly from the increased profits achieved through growth in the leasing business and the gain from disposal of finance lease receivables.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 31 December 2016, the Group's total assets amounted to HK$30,900.2 million compared with HK$23,947.0 million as at 31 December 2015, an increase of HK$6,953.2 million or 29.0%.

	As at 31 December		
	2016 **HK$'Million**	2015 HK$'Million	Change
Finance lease receivables, net	**15,031.0**	16,473.0	–8.8%
Property, plant and equipment	**6,214.1**	2,412.5	157.6%
Interests in and loans to an associate	**444.4**	–	N/A
Cash and bank balances	**6,016.8**	1,597.7	276.6%
Pre–delivery payments ("PDP") and other receivables	**3,062.8**	3,444.4	–11.1%
Derivative financial assets	**131.1**	19.4	575.8%
Total assets	**30,900.2**	23,947.0	29.0%

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

The majority of total assets as at 31 December 2016 represented finance lease receivables and property, plant and equipment. Finance lease receivables, net represented the present value of minimum lease payments receivable from aircraft classified as finance leases and their residual values. Property, plant and equipment included the cost of aircraft classified as operating leases, net of their accumulated depreciation. As at 31 December 2016, including the aircraft under the disposal of finance lease receivables, total fleet size increased to 81 aircraft, of which 63 were classified as finance leases and 18 as operating leases. As at 31 December 2015, including the aircraft under the disposal of finance lease receivables, total fleet size was 63 aircraft, of which 57 were classified as finance leases and six as operating leases.

3.1.2 Cash and Bank Balances

Cash and bank balances increased by HK$4,419.1 million or 276.6% from HK$1,597.7 million as at 31 December 2015 to HK$6,016.8 million as at 31 December 2016, following the issuance of two bonds in May 2016 and August 2016 respectively with total amount of US$600.0 million (equivalent to approximately HK$4,657.7 million); share placement of 40 million shares at HK$8.0 per share in September 2016 with proceeds of HK$320.0 million; issuance of medium–term notes of RMB330.0 million (equivalent to approximately HK$385.6 million) in November 2016; and net proceeds received from the disposal of finance lease receivables for 14 aircraft in 2016.

3.1.3 Derivative financial instruments

	As at 31 December 2016 HK$'Million	2015 HK$'Million	Change
Derivative financial assets			
– Currency swap	**24.2**	16.1	50.3%
– Interest rate swaps	**106.9**	3.3	3,139.4%
	131.1	19.4	575.8%
Derivative financial liabilities			
– Interest rate swaps	**15.0**	32.1	–53.3%

As at 31 December 2016, the Group had 26 outstanding interest rate swap contracts (2015: 13 contracts) which will expire at various dates from 21 September 2018 to 21 December 2024 (2015: 21 September 2018 to 21 March 2024), to exchange floating interest rates from LIBOR into fixed interest rates in a range of 1.1% to 2.1% (2015: 1.5% to 2.1%).

During the year ended 31 December 2016, the fair value gains of derivative financial instruments recognised in reserves was HK$100.3 million (2015: gains of HK$6.6 million) and fair value gains recognised in other gains/(losses) was HK$27.9 million (2015: loss of HK$2.0 million).

3.2 Liabilities

As at 31 December 2016, the Group's total liabilities amounted to HK$27,856.8 million compared with HK$21,739.0 million as at 31 December 2015, an increase of HK$6,117.8 million or 28.1%. This was principally attributable to an increase in long-term borrowings, issuance of bonds and medium–term notes due to business expansion through the increase in fleet size in 2016.

An analysis is given as follows:

	As at 31 December 2016 HK$'Million	2015 HK$'Million	Change
Bank borrowings	**17,834.7**	18,775.2	–5.0%
Bonds	**4,611.9**	–	N/A
Long–term borrowings	**2,346.1**	794.2	195.4%
Medium–term notes	**740.1**	400.5	84.8%
Deferred income tax liabilities	**332.8**	122.1	172.6%
Convertible bonds	**292.7**	796.5	–63.3%
Interest payables	**153.4**	73.3	109.3%
Income tax payables	**43.3**	37.7	14.9%
Derivative financial liabilities	**15.0**	32.1	–53.3%
Other payables and accruals	**1,486.8**	707.4	110.2%
Total liabilities	**27,856.8**	21,739.0	28.1%

3.2.1 Bank Borrowings

The analysis of bank borrowings is as follows:

	As at 31 December		
	2016	2015	Change
	HK$'Million	HK$'Million	
Secured bank borrowings for aircraft acquisition financing	**15,131.6**	15,908.9	–4.9%
PDP financing	**2,236.9**	2,063.6	8.4%
Working capital borrowings	**466.2**	802.7	–41.9%
Total bank borrowings	**17,834.7**	18,775.2	–5.0%

Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating US dollar ("US$") London Interbook Offered Rate ("LIBOR") rates. As at 31 December 2016, the bank borrowings were secured by, in addition to other legal charges, all of the Group's aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group; and pledge of deposits amounting to HK$51.7 million (2015: HK$119.2 million).

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

As at 31 December 2016, PDP financing was secured by rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group. There was no pledged deposit for PDP financing as at 31 December 2016 (2015: HK$6.4 million).

As at 31 December 2016, the Group had aggregate unsecured working capital borrowings of HK$466.2 million (2015: HK$802.7 million) from five banks (2015: four banks) which were guaranteed by certain companies of the Group.

During the period under review, the Group completed disposal of finance lease receivables for 14 aircraft and used the proceeds for repayment of bank borrowings. Thus, the Group's financial position has remained strong despite the increase in fleet size in 2016.

The Group's financial resources, including cash on hand, banking facilities and bond issues, will provide sufficient financial resources for its operating activities and its current and potential investment opportunities.

3.2.2 Bonds

In May 2016, the Group issued three–year US$300.0 million (equivalent to approximately HK$2,330.1 million) senior unsecured bonds due in 2019 which were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and guaranteed by the Company. These bonds bear coupon interest at 5.9% per annum, payable semi–annually.

In August 2016, the Group issued five–year US$300.0 million (equivalent to approximately HK$2,327.6 million) senior unsecured bonds due in 2021, which were listed on the Stock Exchange and guaranteed by the Company. These bonds bear coupon interest at 4.9% per annum, payable semi–annually.

As at 31 December 2016, the carrying amount of these bonds was HK$4,611.9 million.

3.2.3 Long–term Borrowings

As at 31 December 2016, 21 borrowings (2015: seven borrowings) were provided by trust plans to 21 subsidiaries (2015: seven subsidiaries) of the Group. The long–term borrowings have remaining terms of seven to 11 years (2015: eight to 11 years). These long–term borrowings are secured by the shares of, and the aircraft held by, the relevant subsidiaries and guaranteed by certain companies of the Group. The trust plans are also counterparties to the disposal of finance lease receivable transactions entered into with the relevant subsidiaries.

As at 31 December 2016, two borrowings (2015: Nil) were obtained through a structured financing arrangement for two aircraft delivered to airlines. The borrowings with remaining terms of eight years are guaranteed by the Company.

3.2.4 Medium–term Notes

In July 2015 and November 2016, a subsidiary of the Company issued five–year unsecured medium–term notes in a principal amount of RMB340.0 million (equivalent to approximately HK$406.0 million) due in 2020 and five–year unsecured medium–term notes in a principal amount of RMB330.0 million (equivalent to approximately HK$385.6 million) due in 2021 respectively. These notes bear coupon interest at 6.50% and 4.19% per annum respectively. As at 31 December 2016, the total carrying amount of these notes was HK$740.1 million.

3.2.5 Convertible Bonds

On 6 July 2016, the Company entered into separate agreements with China Huarong International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited to repurchase issued convertible bonds in the aggregate principal amount of HK$581.9 million for an aggregate consideration of HK$590.6 million plus the relevant interest and fees, of which the principal amount of HK$77.6 million was repurchased by the Company from China Everbright Financial Investments Limited. After the repurchase, the principal amount of convertible bonds held by China Everbright Financial Investments Limited was HK$310.3 million.

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the year ended 31 December 2016:

		Year ended 31 December	
		2016	2015
		HK$'Million	HK$'Million
I:	Aircraft in operation		
	Lease income	**2,029.9**	1,535.6
	Bank repayment	**(1,633.5)**	(1,390.1)
		396.4	145.5
II:	Aircraft purchase and delivery		
	Capital expenditure	**(5,911.9)**	(6,474.5)
	Bank borrowings	**4,461.6**	5,626.3
		(1,450.3)	(848.2)
III:	New aircraft not yet delivered		
	PDP paid	**(1,730.8)**	(1,998.2)
	PDP refunded	**2,015.3**	2,495.1
	PDP financing	**1,758.4**	1,768.1
	Repayment of PDP financing	**(1,686.2)**	(2,126.4)
		356.7	138.6
IV:	Net capital movement		
	Proceeds from issue of new shares	**390.9**	31.5
	Purchase of non–controlling interests	**(19.5)**	–
	Dividends paid	**(204.2)**	(118.9)
	Disposal of finance lease receivables and proceeds from long–term borrowings	**5,494.3**	616.6
	Early loan repayment on disposal of finance lease receivables	**(4,107.3)**	(1,190.9)
	Proceeds from issuance of convertible bonds, net of transaction costs	**–**	876.7
	Proceeds from issuance of bonds, net of transaction costs	**4,608.6**	–
	Proceeds from issuance of medium–term notes, net of transaction costs	**384.7**	422.7
	Proceed from disposal of ARI Group	**322.8**	–
	Payments relating to interests in and loans to an associate	**(469.6)**	–
	Repurchase of convertible bonds, including transaction costs	**(591.0)**	(29.7)
	Working capital loan net repayment and net cash generated from other operating activities	**(626.6)**	(63.7)
		5,183.1	544.3
Net increase/(decrease) in cash and cash equivalents		**4,485.9**	(19.8)
Cash and cash equivalents at beginning of the year		**1,389.3**	1,425.6
Currency exchange difference on cash and cash equivalents		**(34.5)**	(16.5)
Cash and cash equivalents at end of the year		**5,840.7**	1,389.3

5. CAPITAL MANAGEMENT

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

Operations and capital expenditure requirements are funded by a combination of cash generated from operating activities, bank borrowings, long–term borrowings, PDP financing, issuance of bonds and medium–term notes, proceeds from share placement and disposal of finance lease receivables. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities.

For the year ended 31 December 2016, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

	As at 31 December		
	2016	2015	Change
	HK$'Million	HK$'Million	
Interest–bearing debts included in total liabilities	**25,825.6**	20,766.5	24.4%
Total assets	**30,900.2**	23,947.0	29.0%
Gearing ratio	**83.6%**	86.7%	–3.1p.p.

The gearing ratio was improved from 86.7% to 83.6% as at 31 December 2016.

6. CAPITAL EXPENDITURE

During the year ended 31 December 2016, our capital expenditure was principally the purchase of aircraft to generate lease income. The primary source of financing for our capital expenditure was bank borrowings and bonds issuance.

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

	Year ended 31 December		
	2016	2015	Change
	HK$'Million	HK$'Million	
Acquisition of aircraft (for finance and operating leases)	**5,911.9**	6,474.5	–8.7%

7. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

7.1 Contingent Liabilities

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

7.2 Capital Commitments for Aircraft Acquisition

In October 2012, we entered into an aircraft acquisition agreement with Airbus for the purchase of 36 aircraft of the A320 family. All the 36 aircraft had been delivered by 31 December 2016.

In December 2014, we entered into another aircraft acquisition agreement with Airbus for the purchase of 100 aircraft of the A320 family, of which eight aircraft have been delivered up to 31 December 2016, with the rest planned for delivery between 2017 and 2022.

In December 2015 and January 2016, we entered into aircraft acquisition agreements with Airbus for the purchase of four additional aircraft of the A320 family, executed in the form of an amendment to the purchase agreement signed in 2014. All four of these aircraft had been delivered by 31 December 2016.

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

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

The Group's total aircraft purchase commitment amounted to HK$35.4 billion as at 31 December 2016 (2015: HK$41.1 billion), representing our estimated total purchase costs of the aircraft contracted to be purchased and delivered to us, net of PDP paid.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the third Environmental, Social and Governance Report ("ESG Report") issued by China Aircraft Leasing Group Holdings Limited ("CALC" or the "Group"). It sets out the Group's actions and performance on sustainability issues in a transparent and open manner with the intention of increasing stakeholders' confidence in and understanding of the Group. The report also indicates the road to sustainable development strategies and commitments.

The Group appointed an independent professional consultant to undertake the report. During the report preparation, the consultant assisted the Group in measuring the performance of environmental management and social responsibility and in identifying the most important issues that the Group will need to focus on as a basis for continuous improvement and performance improvement.

CALC wishes to strengthen communication with stakeholders through this report and the document, therefore also serves as a platform for communication. The term "stakeholders" refers to groups or individuals that have a significant impact on the Group's business or are affected by the Group's business. The Group's stakeholders include staff, management and directors, as well as external stakeholders including clients, business partners, investors, regulators and various community groups. The report presents the Group's present situation and future goals, and discloses its non-financial performance and overall development strategies to stakeholders. The Group expects stakeholders to give feedback on the Group's information disclosure, and the Group will respond to the views of its stakeholders in a timely manner to ensure it is an efficient channel for information exchange.

Reporting Year

Information in the report reflects the performance of CALC in environmental stewardship and social responsibility from 1 January 2016 to 31 December 2016. In future, the Group will publish the ESG Report on an annual basis and make it available to the public at any time to enhance transparency and accountability.

Reporting Boundary

The report focuses on CALC's operations in Hong Kong. The Group will expand the scope of disclosures and even extend reporting to all operations of the Group when the data collection system is better established and the environmental, social and governance work is strengthened. The key performance indicators ("KPIs") are shown in the report as well as supplemented by explanatory notes to establish benchmarks and facilitate comparison.

Reporting Guideline

The report is published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The report outlines the environmental, social and governance performance of CALC in a concise manner. Information contained herein is sourced from the official documents and statistical data of the Group, and is aggregated from the monitoring, management and operational information provided by the subsidiaries in accordance with the relevant rules of the Group. A complete index is inserted in the last chapter of the report for reference. The report is written in the Chinese and English languages and both are uploaded onto the Group's website at www.calc.com.hk. In case of any conflict or inconsistency between the Chinese version and the English version, the English version shall prevail.

CALC will consider, as far as practicable, the GRI standard developed by the Global Reporting Initiative ("GRI") for future reporting. This is the world's most widely used framework for sustainability reporting. The Group intends to cover the substantive issues in a more comprehensive manner through this move and to demonstrate the Group's determination to follow international best practices.

We Value Your Feedback

Our continuous improvement relies on your valuable feedback on both the content and the form of this report. If you have any questions or comments, please send us your views via **feedback@calc.com.hk** to help with our continued improvement in environmental, social and governance performance.

MESSAGE FROM THE MANAGEMENT

Positioning as a pioneer and a market leader in China's aircraft leasing industry, CALC has developed into a full value-chain aircraft solution provider in a series of steady steps. In the rapidly evolving market, we see the opportunity of boosting the sustainable growth of the airline business and we are committed to further integrate the concept of sustainability into our business model and lead the way towards the Green Aviation economy.

Our dedicated team is the key driver of our long-term success. We endeavor to provide a safe and healthy working environment with equal opportunities for all our staff. Competence enhancement is also our focus. With systematic staff training and development programmes, we aim to keep inspiring our people to achieve sustainable development.

By establishing sustainable business strategies and joining hands with our business partners, we are confident we provide our clients with high-quality aircraft which ensure aviation safety and we deliver outstanding services along with effective financing solutions. Through efficient channels for interaction and communication, we will continue to keep close contact with all stakeholders to ensure we stay focused on their priorities.

As a responsible company, we are very concerned about the impact of the Group's business activities on the environment, and we are committed to taking actions to manage our environmental footprint. Our staff have actively participated in various charitable events supported by the Group.

In our pathway to sustainable development, we are well aware that the risks we face stem not only from the challenges of financing, operations and technology, but also from environmental and social issues. With effective internal systems, we can manage the risks with our best governance practices, and in the long run, we hope to seize the opportunities arising from the journey to achieve sustainable growth, which balances various stakeholders' expectations and benefits society as a whole.

POON Ho Man
Executive Director and Chief Executive Officer
China Aircraft Leasing Group Holdings Limited

REPORTING PRINCIPLES AND STAKEHOLDER ENGAGEMENT

Reporting Principles

The Stock Exchange has developed four reporting principles in the ESG Reporting Guide: materiality, quantitative, balance and consistency. These serve as the basis for the preparation of the ESG Report. Throughout the preparation of the report, CALC has applied these reporting principles.

The following table presents the Group's understanding of and response to these reporting principles.

Reporting Principle	Meaning	CALC's responses
Materiality	The threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.	The report particularly addresses topics most relevant to the core business and stakeholders.
Quantitative	KPIs need to be measurable.	Wherever possible, the Group endeavours to present quantified information with interpretation.
Balance	The ESG Report should provide an unbiased picture of the issuer's performance.	The report identifies and addresses the Group's accomplishments and challenges.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	The Group will continue to use the existing statistical and disclosure methods in the future so that stakeholders can compare the performance of the Group year on year.

Stakeholder Engagement

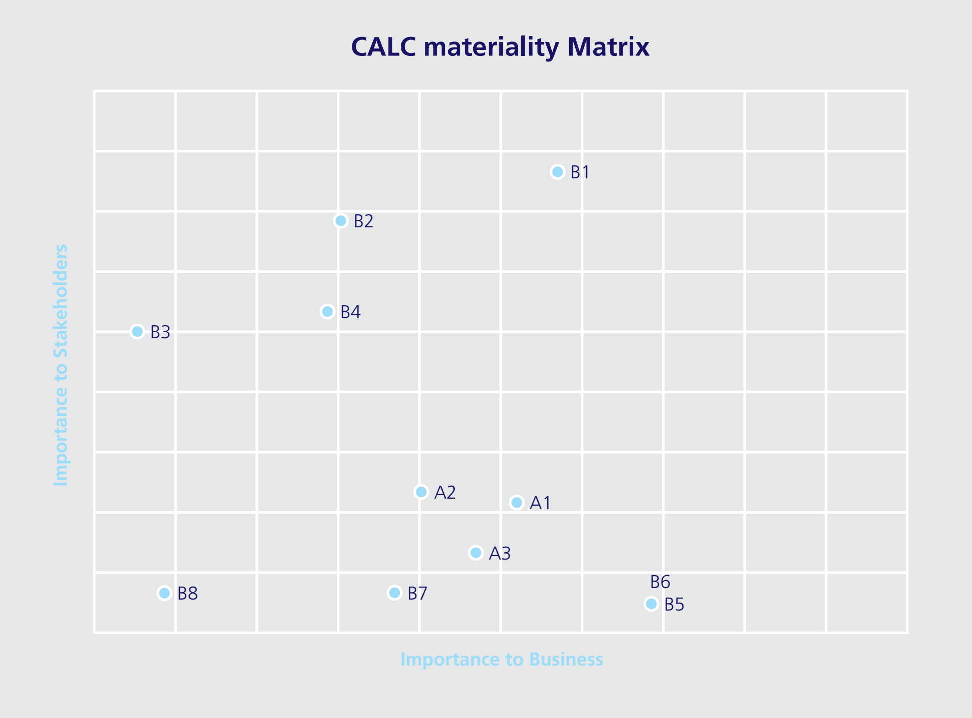
Stakeholder engagement is the most effective way to assess materiality and the important aspects of the other principles. Therefore the consultant has communicated with key stakeholders through different channels to better understand their expectations, identify opportunities for business and meet operational challenges. In the past year, CALC communicated with key stakeholders in several different ways.

Methods of Stakeholder Engagement in the Reporting Period

Internal Stakeholders	External Stakeholders
• Board of Directors • Management • Administration Executives • General Staff	• Shareholders • Investors • Airlines • The Government • Industry Association • Suppliers • Media • Non-government organisations (NGOs)

Method of Engagement
Meeting, E-mail, Interview, Workshop, Site Visit, Seminar, Exhibition, Announcements, Briefing, and Events

During the preparation of this report, the consultant sought views from stakeholders to help the Group identify substantive issues in a fair and balanced manner. The consultant first conducted an in-depth interview with the Group's senior management to understand the Group's vision and its policy direction for sustainable development. An internal focus group was then organised, providing the opportunity for various departments to comment on the Group's sustainability performance and share their expectations to the Group.



The materiality matrix above shows the stakeholders' feedback from the focus group. With expert advice, CALC's management reviewed the materiality matrix and set the threshold for materiality. The Group's business nature is taken into account in the validation process, and thus priority was given to aviation safety under Product Responsibility and Supply Chain Management. The table below presents the validated and prioritised material issues.

Material Issues of CALC (in descending order of importance)

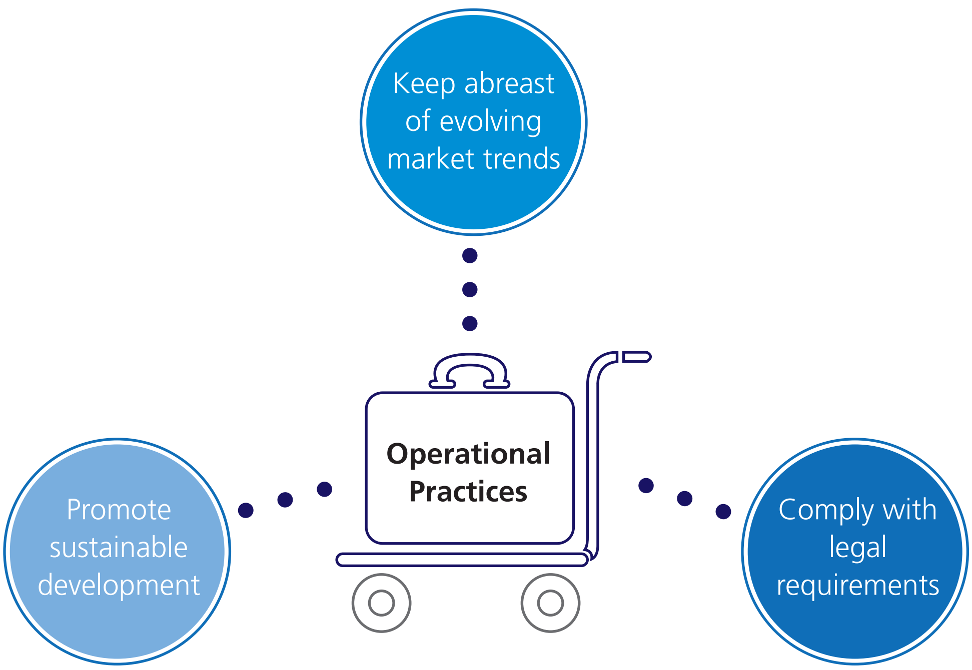
Number	Issues
B6	**Product Responsibility**
B5	**Supply Chain Management**
B1	**Employment**
B2	**Health and Safety**
B4	**Labour Standards**
A1	**Emissions**
A2	Use of Resources
A3	Environment and Natural Resources
B3	Development and Training
B7	Anti-corruption
B8	Community Investment

Remarks: Items highlighted in blue are identified as material issues.

CALC affects different stakeholders, and these stakeholders have various expectations of the Group. The Group hopes that the breadth and depth of stakeholder engagement will be enhanced going forward. The Group will not only invite more internal stakeholders to participate in the process, but will also expand communication with external stakeholders such as customers, business partners, investors, regulators and a range of community groups, giving them the opportunity to participate. The Group will also use a variety of communications methods, such as focus groups and workshops, to facilitate in-depth exchange with stakeholders and make the substantive analysis more complete.

RESPONSIBLE OPERATION

CALC is committed to invest time and resources in sustainable business growth and development. The Group's ESG Policy sets out the core principles and objectives of Operational Practices.



Product Responsibility

In today's competitive market environment, the quality of products and services that customers demand continues to increase. CALC knows that the Group can only gain and maintain the customers' trust and support by creating the most value for customers.

Airlines are CALC's major customers. Aircraft safety is the primary consideration for the Group's customers, as airline reputation depends overwhelmingly on aircraft safety. The Group has been implementing a set of pre-sale and after-sale quality control systems to ensure the provision of high quality products and services.

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

CALC's commitment to environmental and social responsibility means that the Group not only works to ensure its products are safe and reliable, but also includes positive environmental and social impacts throughout their lifecycle.

Up to 75% of the total weight of most aircraft is made up of aluminum. Upholding a responsible business attitude, the Group is investing in establishing the most sizeable aircraft recycling facility in China, in order to provide a proper aircraft end-of-life solution. With this facility, metallic components from aircraft can be recycled or reused either in the aviation industry or in other industries.

Securing customer information is also important in building long-term trust with CALC's customers. The Group adheres to applicable laws and regulations in the protection of customer data when conducting its leasing business activities. During the reporting period, the Group did not find any non-compliance with laws and regulations related to customer privacy.

Supply Chain Management

In global business, business outsourcing is a common practice. However, outsourcing does not mean that companies can avoid responsibility for or risk of poor ESG performance.

CALC offers full value-chain aircraft solutions covering aircraft leasing, fleet planning consultation, structured financing, fleet replacement package deals, third party aircraft resale as well as aircraft recycling services. CALC keeps expanding its fleet from various aircraft sources, including new order books with manufacturers, secondary markets, sales and leasebacks, and portfolio trading.

As part of CALC's Sustainability Steering Committee, the Supplier Focus Group not only focuses on ordinary procurement criteria such as technical capabilities, delivery times and price competitiveness, but also extends the focus to environmental and safety concerns of the products, especially aircraft. The Group conducts periodic performance reviews of its suppliers. Through effective communication and interaction with manufacturers and relevant service providers, the Group keeps improving the sustainability performance of its supply chain, in order to create more value for various stakeholders.

Anti-corruption

As a listed company, CALC regards honesty, integrity and fair play as the Group's core values to be upheld by all directors and employees at all times. The Group is committed to preventing corruption, fraud, bribery, extortion, money laundering and any other malpractice or unethical activity.

CALC's Code of Conduct sets out the basic standard of conduct expected of all directors and employees when dealing with the Group's business. From acceptance and offer of advantage, entertainment, and conflict of interest to relationship with suppliers, contractors and customers, the Code of Conduct specifies the requirements and clearly defines the value cap of gifts and souvenirs.

During the reporting period, there were no cases of corruption litigation against the Group and its employees.

The international organisation Transparency International defines corruption as the abuse of entrusted power by clients to seek personal gain. Anti-corruption has been one of the basic elements of the international community's definition of corporate social responsibility. The United Nations Convention against Corruption, which was introduced in 2005, was the first global convention to cover all aspects of corruption. Many countries have enacted relevant laws in accordance with the Convention and have taken measures to enforce these laws. In recent years, the Chinese government has been actively pursuing anti-corruption measures. The UN Convention is effective in China, including Hong Kong.

PEOPLE DEVELOPMENT

Employment

Employees are the most valuable asset and the cornerstone of CALC's business growth. The Group believes that every employee should be respected and treats all employees on an equal footing in matters related to recruitment and promotion.

During the recruitment process, CALC forbids any discrimination against any person because of race, age, gender, language or religion. The Group believes that people with different cultures, backgrounds and experiences can add valuable diversity and understanding and bring new ideas to its work. The Group provides employees with a competitive remuneration and benefit system to attract and retain talent and provide the driving force for the sustainable development of the Group. The Group also offers recruitment bonus to encourage employees to propose potential candidates for the Group.

CALC aims to provide career advancement opportunities for employees to develop and utilize their potential whenever possible, while at the same time recognizing their outstanding performance. The basic principles of promotion in the Group are equal opportunities, non-discrimination and appointing the best person for the job. Therefore, the Group has developed a performance-based salary assessment system and conducts annual performance reviews with clear assessment standards matching individual goals. Performance is the main factor enabling staff promotion, while other factors, such as marital status, pregnancy, family status or disability, are not considered.

CALC believes that a good working environment will not only improve work efficiency, but also enhance employees' sense of belonging to the enterprise. In order to integrate new employees into the corporate culture more quickly, a one-to-one orientation program has been developed to provide new employees with assistance, to shorten the learning time, and to help new employees receive timely and appropriate support during their initial period at the company.

Overview of Employment Performance Indicators

Staff size (Hong Kong)	Age	Below 30	30-50	Over 50	Overall staff size	Ratio of male to female employees
	Male	3	13	3	20	1:1.55
	Female	9	21	1	31	

Ratio of average staff salary (Hong Kong)	Age	Below 30	30-50	Over 50	Average salary
	Male	1	1	1	1
	Female	1.05	1.01	0.78	0.84

New staff (Hong Kong)	Age	Below 30	30-50	Over 50	Total number of new staff	Percentage of new staff over total number of staff
	Male	2	6	1	9	39.2%
	Female	5	6	0	11	

Loss of staff (Hong Kong)	Age	Below 30	30-50	Over 50	Total number of loss of staff	Staff turnover rate
	Male	2	7	0	9	33.3%
	Female	2	5	1	8	

Health and Safety

Regulatory authorities have established basic requirements for health and safety in the workplace, both in terms of national laws and international standards. However, the effectiveness of supervision depends heavily on the establishment and implementation of internal systems within each organisation.

Due to the nature of CALC's business, no work position is identified as high risk within CALC's operations in Hong Kong. Nevertheless, the Group is committed to provide a safe and healthy working environment, and encourages employees to strike a good work-life balance. The Group not only strictly abides by the Occupational Safety and Health Ordinance, but also actively develops internal policies and practices beyond basic requirements and relevant to its particular business sector.

The Group provides new employees comprehensive medical plans with coverage including medical checkup, physiotherapy, chiropractic and gynecology services. Before termination of services with the Group, those employees who have participated in the old medical plan for more than 6 months can opt at their own expense to extend and join the aforesaid medical coverage with the former insurance company. In addition to medical insurance protection, the Group also keeps promoting the "Eat and Drink Healthily" concept by providing breakfast, lemon water and fruit to employees every day. In the future, the Group will consider monitoring its indoor air quality to maintain a healthier environment for employees. During the reporting period, the Group did not encounter any health and safety related cases, nor any work injury cases.

Labour Standards

CALC is fully aware that child labour and forced labour violate fundamental human rights, International Labour Conventions and also pose a threat to sustainable social and economic development. Therefore, the Group strictly complies with the relevant laws and regulations. The Group prohibits the use of child labour by reviewing the interviewees' valid documents such as identity documents in original copies. The Group only carries out the requirements of the standard labour contract and will not use any means to unfairly restrict the employment relationship between the employee and the enterprise. In accordance with the law, employees have the freedom to terminate their labour contracts. During the reporting period, the Group did not find any cases related to child labour or forced labour.

The International Labour Organisation ("ILO") is the United Nations specialized agency that promotes working and living standards around the world through the promulgation of labour standards in a range of International Labour Conventions and Recommendations. China is a founding member of the ILO and a permanent member. Hong Kong has currently adopted 41 International Labour Conventions which therefore apply to working conditions and employment policies.

Development and Training

CALC values the development of employees' key competencies, which enables them to perform current or future job duties more successfully. From basic training of new recruits to the management skills training of senior management, the Group provides different types of capacity building according to the real needs of different departments and functions. Thus, the employees can continuously improve their work skills and professional abilities. Staff training and development activities can be initiated by the Group or by employees themselves, and all employees are eligible to apply for the Group's sponsorship. During the reporting period, 100% of employees have attended some forms of training activity. Total time in training reached 48 hours.

ENVIRONMENTAL MANAGEMENT

Emissions

Climate change poses unprecedented challenges to global economic development. Extreme weather brought about by climate change directly or indirectly affects the ability of different institutions to access resources and sustain operations. The Paris Agreement entered into force in November 2016, aiming to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

At the United Nations (UN) Sustainable Development Summit in 2015, 17 sustainable development goals were officially adopted by all UN members. "Taking urgent action to address climate change and its impacts" is one of these goals.

In line with the global commitment to tackle climate change, the Chinese Government has been actively promoting climate mitigation programmes. The Government has a target of reducing national carbon intensity by between 60% and 65% in 2030 from the level in 2005. The Hong Kong Government has also proposed a plan to develop Hong Kong into a low-carbon economy with low energy consumption and low pollution. With reference to China's carbon reduction target, the Hong Kong Government has set a target to reduce Hong Kong's carbon intensity by between 50% and 60% by 2020 from the carbon intensity level of 2005. The 2017 Hong Kong Policy Address also proposed reducing Hong Kong's carbon intensity in 2030 by between 65% and 70% from 2005 levels.

CALC believes in the Green Economy concept and has been working to reduce the impact of its business on the environment as it develops its business. Since 2014, the Group has started to assess its Greenhouse Gas ("GHG") emissions and disclose these in the ESG Report. This year, the Group formally commissioned an independent consultant to conduct the quantification in accordance with the guidelines[1] issued by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department, with reference to international standards such as ISO 14064-1. Another new initiative related to carbon management is to expand the scope when assessing Scope 3 Other Indirect Emissions. Besides office paper consumption, the Group has assessed the impacts of financial reports printing and air travel due to business trips in order to present its emission profile in a more comprehensive manner. The Group will continue to review its GHG emissions every year and to improve the implementation of mitigation methods adopted. The amount of GHG emissions in 2016 of the Group is 165.90 tonnes Carbon Dioxide equivalent (CO_2-e).

More detailed data for carbon emissions is as follows:

	GHG emission (tonnes CO_2-e)		
	2016	2015	2014
Scope 1 Direct Emissions	**8.76**	6.95	5.43
Scope 2 Energy Indirect Emissions	**74.33**	72.67	115.93
Scope 3 Other Indirect Emissions	**82.81 (4.69*)**	1.25	0.24
Total	**165.90 (87.78*)**	80.87	121.60
Carbon Intensity (tonnes per employee)	**3.25 (1.72*)**	1.93	2.90

Remarks: * If scope 3 emissions exclude financial reports printing and air travel due to business trips, the data for 2016 can be compared with data for the years 2014 & 2015.

Scope 1 Direct Emissions include fuels consumed by the Group's owned vehicles.

Scope 2 Indirect Emissions include electricity consumption.

Scope 3 Other Indirect Emissions include waste paper disposal and air travel.

Excluding the contribution of printed reports and air travel, the carbon emissions of CALC in 2016 increased by 8.5% versus those of 2015, and reduced 27.8% versus emissions in 2014. The emission increase compared to 2015 may result from the expansion of its team (from 42 staff to 51 staff). When looking at carbon intensity, in terms of staff size, the figure steadily decreased by 10.9% and 40.7% compared to the figures for the previous two years, which indicates an improvement of operational efficiency. The quantification process gives the Group a better understanding of its resource usage, helping it to develop specific implementation plans to further improve efficiency and to set carbon reduction targets.

1 "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong"

Items	Measures implemented	Measures in Plan
Electricity consumption	• Zoning controls for lighting systems • Tips on energy saving	• To replace current lighting with energy-saving LED lights
Paper consumption	• Reduced printing for financial reports • Adoption of an online Office Administration system to decrease printing demand	• To conduct a survey on the feasibility of replacing printed reports with digital copies
Waste generation	• Tips on proper recycling	• To increase the amount of recycling bins • To avoid unnecessary packaging of procured goods
Air travel due to business trips	• Adoption of tele-conferencing to reduce business travelling	• To increase the use of tele-conferencing • To strengthen the Group's tele-conferencing system

In CALC's business operations, the waste generated can be divided into general waste, recyclable waste and waste paper. General waste is collected by professional cleaning companies. Due to the low volume, the recyclables and waste paper are currently directly handled by the cleaning service providers. The Group will review the current recycling arrangements, and will explore the feasibility of tracking the flow of waste disposal as well as strengthening recycling.

Use of Resources

To enhance efficient use of resources, CALC has implemented a Green Office program and introduced various energy-saving measures and activities. The Group will gradually replace the old office lighting with energy-saving LED lights and set an appropriate indoor temperature. To effectively incorporate environmental measures into business operations, the Group needs the support and cooperation of employees. The Group will frequently circulate environment-related information to employees through different kinds of internal communication channels and educational materials to incrementally enhance staff awareness of the benefits of resource conservation.

Type of Resource	Quantity	Unit
Petrol consumption	3,233	litre
Electricity consumption	95,290	kWh
Paper usage	1,956	kg

Environment and Natural Resources

Beyond carbon emissions, waste generation and resource use discussed above, the nature of CALC's business means that it does not have a significant direct impact on the environment and natural resources in the normal course of its operations. Nevertheless, the Group still adheres strictly to environmental laws and regulations in its daily operations.

CALC budgets each year to support of a wide range of environmental activities, so as to promote the concept of environmental protection throughout the organise and to encourage the employees' participation. The Group will also regularly organise training workshops to raise employees' awareness of environmental protection, especially on conservation and protection of biodiversity, prevention of water and soil erosion, as well as other important environmental issues.

COMMUNITY INVESTMENT

The awareness of corporate social responsibility has been increasing in the market, along with the related concept of the need to maintain a social license to operate. This makes clear that long-term social well-being should be the goal for enterprises rather than the sole pursuit of short-term financial return for shareholders. As a progressive enterprise, CALC realises the importance of different stakeholders' expectations, and believes that only by balancing the interests between shareholders and other stakeholders can the business prosper in a long-term, stable and healthy manner.

CALC is always dedicated to implement its corporate social responsibility for the communities where it serves. Its commitment can be shown through involvement ranging from charitable activities, environmental protection initiatives and volunteer engagement.

Whenever CALC believes it can act effectively contribute to help with unmet social problems, the Group responds positively with a charitable donation programme. During the reporting period, the Group has donated approximately HK$200,000 and the employees have contributed almost 400 volunteering hours in support of different environmental and social activities.

As a commitment to social responsibility, CALC will strive to understand the needs of the communities in which it operates, and will further encourage and mobilise the employees to volunteer in charitable community activities to contribute more to the sustainable development of society.

CALC has been awarded World Green Organisation's Green Office Label and United Nations Millennium Development Goals (UNMDG) Better World Company Label for two consecutive years, recognising its achievement in establishing a green office.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group joined as a Silver Member in WWF's Corporate Membership Program, to encourage staff to join various activities in order to promote a more environmental lifestyle.

The Group contributed to the society by volunteering.

The Group was awarded a "CarbonCare® ESG Label" by Carbon Care Asia as recognition of its commitment for high standard of reporting.

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	40-42
A1.1	The types of emissions and respective emissions data.	40-42
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	40-42
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Applicable
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Available
A1.5	Description of measures to mitigate emissions and results achieved.	41-42
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	41-42
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	42
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A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not Applicable
A2.3	Description of energy use efficiency initiatives and results achieved.	42
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not Applicable
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	42
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	42

Material Aspect	Content	Page Index
B. Social		
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	38
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B1.2	Employee turnover rate by gender, age group and geographical region.	39
B2 Health and Safety		
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B2.2	Lost days due to work injury.	39
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	39
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	40
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	40
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	40
B4.1	Description of measures to review employment practices to avoid child and forced labour.	40
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	37

Material Aspect	Content	Page Index
B. Social (cont'd)		
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	37
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	38
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	38
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	38
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	43
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	43-44
B8.2	Resources contributed (e.g. money or time) to the focus area.	43

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board") is pleased to present this corporate governance report in the annual report for the year ended 31 December 2016 of the Company and its subsidiaries (the "Group").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

The Company has adopted the principles 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 Company has complied with all Code Provisions as set out in the CG Code during the year ended 31 December 2016 with the exception of Code Provision A.2.1 due to the overlapping roles of Chairman and Chief Executive Officer of the Company (the "CEO") performed by Mr. CHEN Shuang. The Board considered that the balance of power and authority of the Board were not impaired even though the roles of the Chairman and the CEO were performed by the same individual.

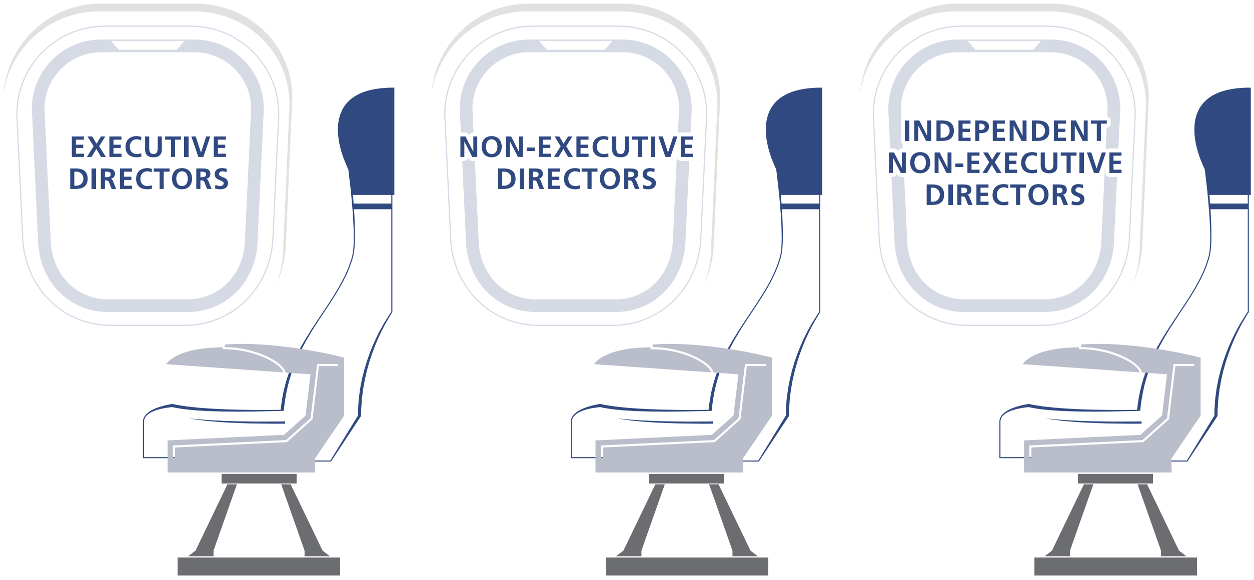
As disclosed in sub-section headed "Chairman and Chief Executive Officer", Mr. POON Ho Man was appointed as the CEO in place of Mr. CHEN Shuang on 19 January 2017. Therefore, the Company has complied with Code Provision A.2.1 of the CG Code since 19 January 2017.

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

THE BOARD

Composition

(as at the date of this annual report)



Mr. CHEN Shuang
(Chairman)
Mr. POON Ho Man
(CEO)
Ms. LIU Wanting

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

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

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

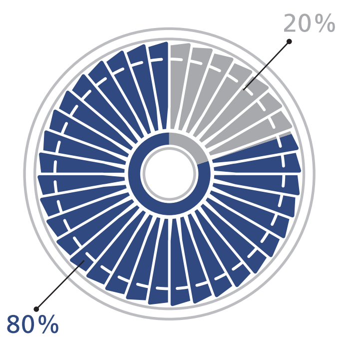
The Board received from each INED a written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules, and the Nomination Committee assessed the independence of each INED at the meeting before the date of this report. Each INED will inform the Company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

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

After annual assessment by the Nomination Committee at the meeting before the date of this report, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategy. The profile of directors as at the date of this report is set out on pages 88 to 94.

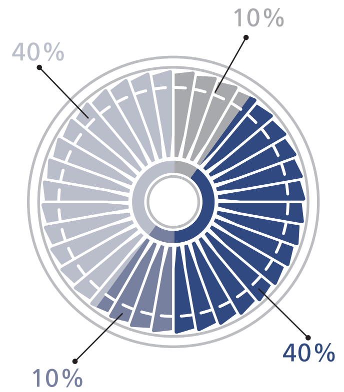
Board Diversity

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



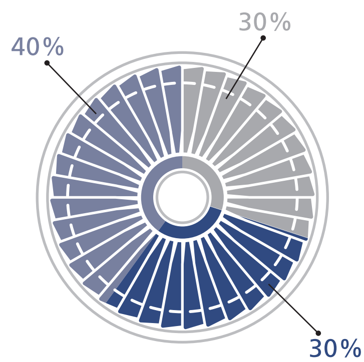
Gender

● Female ● Male



Age Group

● 31-40 ● 41-50
● 51-60 ● 61-70



Board's Composition

● Executive Directors ● Non-executive Directors
● Independent Non-executive Directors

Roles of the Board

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

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

Implementation of the corporate strategies of the Group is delegated to the Strategy Committee while day-to-day operational management and administration functions of the Group are delegated to the management team of the Group (the "Management Team").

Appointment, Re-election, Rotation and Removal of Directors

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

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

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

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

Board Meetings and General Meetings

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

Annual schedule of Board meetings and draft agenda of each meeting are made available to the directors sufficient time in advance to encourage the directors' involvement. Notice of Board meetings at least 14 days has been given and Board papers are sent at least 3 days before the Board meetings. All directors have full and timely access to the Management Team for any information to enable them to make informed decisions at the Board meetings, as well as the company secretary of the Company who ensures that the regulatory Board procedures are followed. Members of the Management Team are usually invited to attend the Board meetings to promote an effective communication within the Group. Each director is authorised to hire external consultants or experts for independent professional advice at the Company's expenses to discharge the director's responsibilities.

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

Induction and Continuing Development of Directors

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

The Company encourages all directors to participate in continuous professional development to further enhance and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company received from the directors the following records of the training attended during the year, which is relevant to the Company's business or directors' duties and responsibilities:

	Type of Trainings	
Directors	**Type 1**	**Type 2**
Executive Directors		
CHEN Shuang	✔	✔
LIU Wanting	✔	✔
Non-executive Directors		
TANG Chi Chun	✔	✔
GUO Zibin	✔	–
CHEN Chia-Ling	✔	✔
Independent Non-executive Directors		
FAN Yan Hok, Philip	✔	✔
NIEN Van Jin, Robert	✔	✔
CHEOK Albert Saychuan	✔	✔
CHOW Kwong Fai, Edward	✔	✔

Type of trainings:

1. *Reading materials.*

2. *Attending or giving speech at seminars or training sessions/press conference.*

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

Chairman and Chief Executive Officer

The roles of the Chairman of the Board and the CEO are performed by Mr. CHEN Shuang during the year. The Board considered that the balance of power and authority of the Board were not impaired even though the roles of the Chairman and the CEO were performed by the same individual.

Ms. LIU Wanting (executive director) and Mr. MOK Chung Tat, Barry (Chief Financial Officer) hold the position of Deputy CEO of the Group.

Mr. POON Ho Man was appointed as the CEO in place of Mr. CHEN Shuang on 19 January 2017. Such arrangement separated the roles of the Chairman and the CEO, which alleviated the workload of Mr. CHEN Shuang from the dual roles of the Chairman of the Board and the CEO as well as enabled the Company to effectively raise the level of corporate governance for the Company.

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

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

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

REMUNERATION OF DIRECTORS

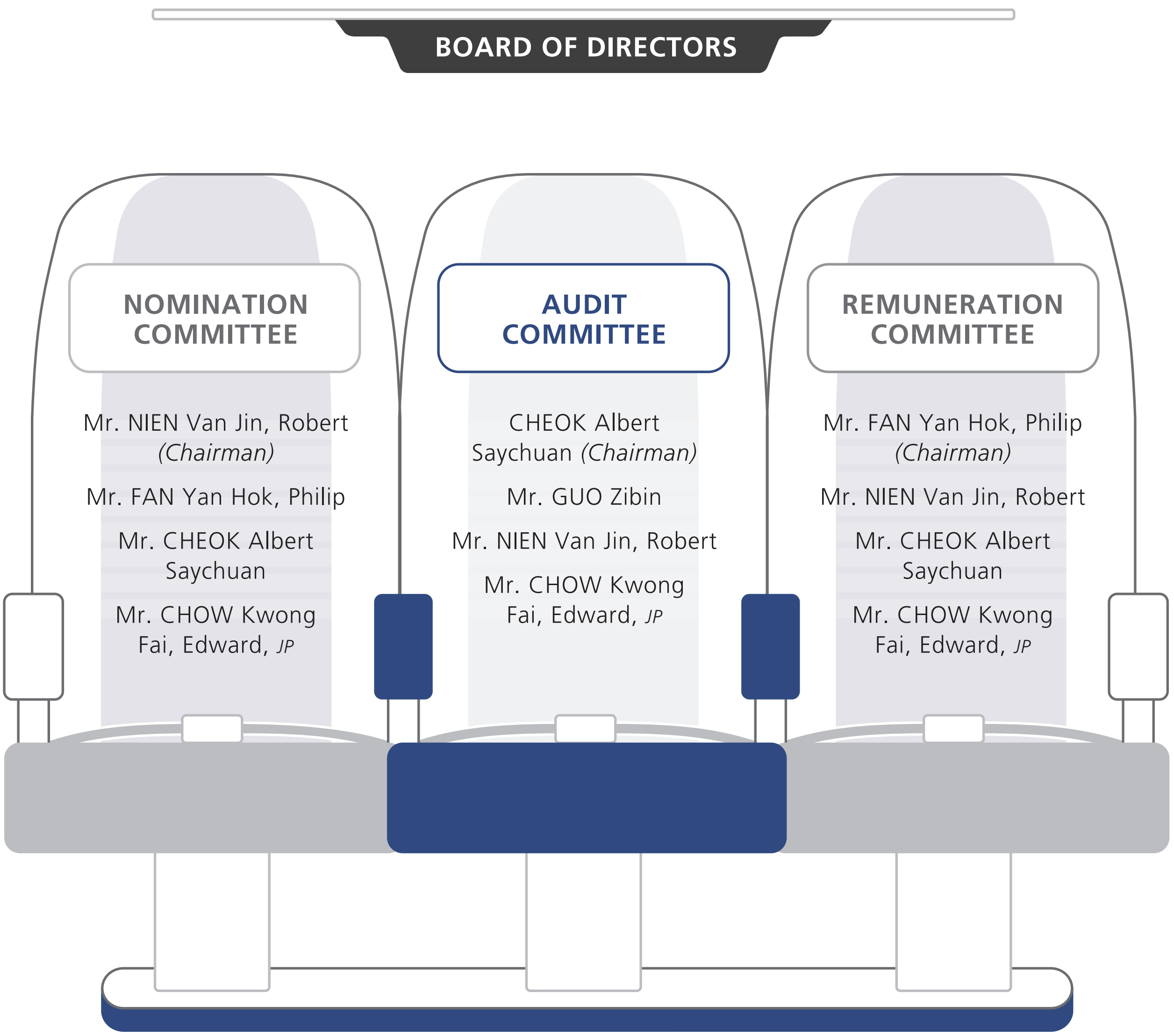
The remuneration paid to and/or entitled by each of the directors for the year ended 31 December 2016 is set out in Note 30(a) to the financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD COMMITTEES

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



Audit Committee

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

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

- the review of the condensed consolidated financial statements for the six months ended 30 June 2016 and the audited consolidated financial statements for the year ended 31 December 2016;
- the discussion with the auditor on the nature and scope of the audit and reporting obligations before commencement of audit;
- the recommendation to the Board for the proposal for re-appointment of the external auditor of the Company and approval of the remuneration and terms of engagement of the external auditor; and
- the review of the Company's financial control, internal control and risk management systems, and the effectiveness of the internal audit function.

Remuneration Committee

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

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

Nomination Committee

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

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The external auditor of the Company had given to the Company a written confirmation of its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants before the conduct of the annual audit for the year ended 31 December 2016.

During the year, PricewaterhouseCoopers, the auditor of the Company, provided both audit and non-audit services to the Company for a total remuneration of HK$10,612,000. The relevant fee paid for audit services amounted to approximately HK$3,950,000 and the balancing of the remuneration related to the non-audit services of approximately HK$6,662,000.

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITY OF FINANCIAL REPORTING

The directors acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016 to give true and fair presentation of the financial position of the Company in accordance with all applicable Hong Kong Financial Reporting Standards and for timely financial disclosures under the Listing Rules and any other regulatory requirements.

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

The statements as to the auditor's responsibility of financial reporting is set out in the independent auditor's report on pages 96 to 103.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, through efforts of the Audit Committee, oversees the Group's risk management and internal control systems on an ongoing basis and has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016 covering aspects of the Group's financial, operational, compliance controls and risk management functions. The Board has considered that the Group's risk management and internal control systems are effective and adequate.

Through the Audit Committee, the Board has annually reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions, and considered that the above are adequate.

Detailed control guidelines have been set and made available to all employees of the Group about the handling and dissemination of inside information under the Inside Information Provisions (as defined under the Listing Rules).

A comprehensive analysis of the risks affecting the businesses of the Company and the associated mitigation measures is set out in the risk management report on pages 59 to 69.

COMPANY SECRETARY

Ms. TAI Bik Yin is the company secretary of the Company and has professional qualification and extensive experience in discharging her duties as the company secretary of the Company. Ms. TAI is an employee of the Company and reports to the Chairman and the CEO. She also acts as the secretary to the three Board committees. She has day-to-day knowledge of the Company's affairs and advises the Board on compliance and corporate governance matters. The Board has access to the advice and services of Ms. TAI to ensure that board procedures, and all applicable law, rules and regulations are followed. Ms. TAI has complied with the requirement to take no less than 15 hours of professional training during the year under review.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

SHAREHOLDERS' COMMUNICATION POLICY

The Company has adopted a shareholders' communication policy. Under the policy, the Company communicates with its shareholders and investors through various means. Timely publication of interim and annual results, announcements on the latest development of the Company and press release on the Company's website and the Stock Exchange's website could make shareholders of the Company appraise the Company's financial position. Shareholders are highly required to pay attention to these public information. Holding of an annual general meeting could provide an effective forum for the Company's shareholders to share their views with the Board. Shareholders are welcome to attend the forthcoming annual general meeting. The directors and the external auditor of the Company would be available at the forthcoming annual general meeting to answer shareholders' questions about the annual results for the financial year ended 31 December 2016.

CONSTITUTIONAL DOCUMENTS

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

BOARD, BOARD COMMITTEE AND GENERAL MEETINGS ATTENDANCE

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

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
CHEN Shuang	5/5	n/a	n/a	n/a	1/1	4/4
LIU Wanting	5/5	n/a	n/a	n/a	1/1	4/4
Non-executive Directors						
TANG Chi Chun	4/5	n/a	n/a	n/a	1/1	4/4
GUO Zibin	5/5	3/5	n/a	n/a	0/1	0/4
CHEN Chia-Ling[1]	5/5	n/a	n/a	n/a	1/1	1/4
Independent Non-executive Directors						
FAN Yan Hok, Philip	5/5	n/a	4/4	4/4	0/1	2/4
NG Ming Wah, Charles[2]	3/3	2/2	2/2	1/1	1/1	n/a
NIEN Van Jin, Robert	5/5	5/5	4/4	4/4	1/1	4/4
CHEOK Albert Saychuan[3]	5/5	5/5	4/4	4/4	1/1	4/4
CHOW Kwong Fai, Edward[4]	2/2	3/3	1/1	1/2	n/a	2/2
Total number of meetings	5	5	4	4	1	4
Dates of Meetings	5/2/2016 22/3/2016 30/6/2016 25/8/2016 15/12/2016	18/3/2016 21/4/2016 23/8/2016 26/10/2016 14/12/2016	15/2/2016 17/3/2016 15/7/2016 (adjourned on 18/7/2016) 22/7/2016	17/3/2016 8/7/2016 26/10/2016 16/11/2016	17/5/2016	17/5/2016 30/6/2016 23/8/2016 15/12/2016

Notes:

(1) Ms. CHEN Chia-Ling was appointed as a NED on 19 January 2016.

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

(3) Mr. CHEOK Albert Saychuan was appointed as the Chairman of the Audit Committee on 17 May 2016.

(4) Mr. CHOW Kwong Fai, Edward was appointed as an INED and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 19 July 2016.

RISK MANAGEMENT REPORT

1 MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal control, ongoing monitoring of risk management and internal control, and reviewing their effectiveness periodically. In this connection, the Board ensures there is adequacy of resources, staff qualifications and experience, training programs and budget for the accounting, internal audit and financial reporting functions.

The system of internal control is designed to manage rather than to eliminate the risk of failure to achieve the Company's business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board operates within clearly defined terms of reference, and has appropriate committees established, namely, Strategy Committee, Audit Committee, Nomination Committee and Remuneration Committee to oversee risk and internal control activities. These Committees also have clearly defined terms of reference.

The Board aims at achieving an appropriate balance between taking risk and generating returns for shareholders while executing its responsibility for ongoing monitoring of risk and internal controls.

Our Audit Committee is designated to oversee the risk management and internal control process, particularly, standards of financial reporting, risk management and internal controls.

On the operational level, we have a team of Risk Management function overseeing the operational and business risks of the aircraft leasing business. On the Group level, we have an Internal Audit function, which is directly reporting to the Audit Committee for independent monitoring and reporting of risks and controls.

The Company has the objectives of risk management and internal control as follows:–

- Continue to optimize its business model, integrating it with its enhanced corporate governance structure to reduce the inherent risks in its business activities, such as liquidity risk and credit risk;
- Continue to utilize its business network to effectively enhance its industry knowledge so as to reduce the probability of and the impact from defaulted and discontinued lease transactions; and
- Continue to cultivate a strong risk management corporate culture through implementation of its management and staff.

The Company has implemented its risk management system and policies from the business model and strategic dimension.

Business model dimension

The Group's business is organized and operated on transaction basis so as to ensure each transaction is reviewed from different perspectives to ensure stringent selection of suitable aircraft assets and stringent review of credit assessment and approval.

Strategic dimension

Risk management initiatives are led by the Board (through its Audit Committee), and executed by CEO and his senior management team, under the supervision of Strategy Committee, through an independent Risk Management Team.

The Company's risk management and internal control framework is designed to minimize the risk in the delivery of the Company's strategic objectives. The key principles of the framework are as follows:

– The Board and the Management shall promote a culture to identify, assess and report risks in an open, transparent and objective manner.

– The priority of the Company is to protect its long-term and sustainable interests.

Risk management is embedded within all businesses and operations of the Company. The Company expects all individual behavior to mirror and share the culture and core values of the Company. All employees have the responsibility of upholding the Company's risk and control culture and supporting effective risk management to deliver its strategy.

The Company operates a "three lines of defense" framework for managing and identifying risk.

The first line of defense against undesirable outcomes is undertaken by the business function and the respective line managers. Department heads of all business areas are responsible for implementing and maintaining appropriate controls.

Line management is supported and monitored by middle and back office functions like, Transaction Support, Finance and Accounting, Legal, Compliance, Company Secretarial and Risk Management, which constitute the second line of defense to ensure all risks are considered and tackled.

Risk Management Team prepares the risk management reports on a quarterly basis and submits it to our Audit Committee for review. In addition, the Board reviews the effectiveness of the Group's risk management and internal control system with the assistance of Audit Committee, which covers all material controls including financial, operational and compliance control, and the risk management system.

The third line of defense is carried out by our Internal Audit function. It provides independent review on the operation of controls.

2 ANNUAL REVIEW OF THE RISK MANAGEMENT & INTERNAL CONTROL

The Risk Management carried out the annual review of the effectiveness of the Group's risk management and internal control system and the results were reported to our Audit Committee and the Board. The Board acknowledged that the risk management and internal control system of the Group during the review period were effective and adequate.

2.1 Ongoing monitoring of Risks and Internal Control

2.1.1 Scope and quality

During the year, the Board reviewed the business of the Company through its regular meetings in order to ensure that business risks had been considered, assessed and managed as integral part of the business. There was an ongoing process for identifying, evaluating and managing the Company's significant risks. The Company's risk assessment process included the monitoring of key strategic and financial risk matrix. In addition, the Company reviewed the impact of any changes and developments on its risk profile, strategic risk and reputation. The impact and likelihood of each significant risk was evaluated with reference to associated measures and key performance indicators. The adequacy of the risk mitigations plans was assessed and, if necessary, extra improvement action would be added.

2.1.2 Extent and frequency of communication

Our Audit Committee held regular meetings at least quarterly for assessing control of the Company and the effectiveness of risk management.

The Risk Management team, being supported by other relevant departments, summarized the key risks and internal control matters, and identified changes in the risk and internal control profile of the Company.

Risk and risk events were captured by the business and reported to the second line of defense. Specific reports and periodic updates were submitted to the Board after the review by our Audit Committee, if necessary. Issues would be raised when there were control failings, weaknesses and inefficient processes identified or through continuous monitoring reviews by the second and third line of defense teams.

The risk and internal control review report was updated at each Audit Committee meeting where our Audit Committee members contributed their views and raised questions to ensure the risk management and internal controls were in place and effective.

2.2 Significant control failings or weaknesses

The Company has underlying procedures to handle significant control failings or weaknesses, which includes material adverse event assessment, mitigation plan and follow up action. Significant control failing is required to be reported by senior management to our Audit Committee and the Board. No significant control failings or weaknesses were identified during the year.

2.3 Effectiveness of Financial Reporting & Listing Rules' Compliance

With the support and input from the External Auditors, our Audit Committee carried out its review and assessment of the Company's financial reporting, covering those key areas like whether suitable accounting policies were adopted, whether management made appropriate estimates and judgments and whether disclosures in published financial statements were fair, balanced and understandable.

With the support from the Company Secretarial Department, our Audit Committee carried out its compliance review to assess whether the Company has been complying with the relevant regulatory requirements on a quarterly basis. The compliance review summarized the compliance status, corrective actions and the enhancement recommendations.

In regard to the above, our Audit Committee considered the Company's processes for financial reporting and Listing Rules' compliance was effective.

2.4 Changes of Key Risks

This section summarised the key risks and uncertainties that are inherent with the Company, particularly in the aircraft leasing industry.

The risk mentioned below did not purport to be exhaustive as there may be additional risks that the Company has not yet identified or has deemed to be immaterial that could have a material adverse effect on the business. In order to cope with those risks, the Company had its monitoring and mitigating measures.

Key Risk	Risk monitoring and mitigating measures
1. Procurement of aircraft Risks related to aircraft include: — aircraft type selection — terms and conditions negotiation, — aircraft delivery schedule & budgeting Risks related to procurement personnel include: — corruption — conflict of interest — counterparty risks	• The Company has several professional teams to monitor, control and review the entire procurement process. • Initial acquisition plan, budget and proposal are prepared internally and reviewed by senior management prior to submission for approval of Strategy Committee. • Due diligence is conducted to check against each counterparty and preventive clauses in transaction agreements is inserted, if necessary.
2.1 Engineering and configuration of aircraft (technical and engineering) Related risks include: — information leakage, — conflict of interest, — engineering corruption	• The Company has a team of experienced engineers with in-depth technical knowledge and a series of procedural controls to prevent the occurrence of material problems. • Detailed scope of responsibilities and proper approval procedure are measures taken to prevent corruption. • Incentive system is in place to align individual's expectation with corporate objective for avoiding engineering corruption.
2.2 Engineering and configuration of aircraft (industry) Related risks include: — change of government policies — industry demand and changes for aircraft configuration fitting	• There are regular alerts on customers and industry-wise changes and news. • A designated team monitors regularly on changes in government policies relating to the industry.

Key Risk	Risk monitoring and mitigating measures
3. **Placement of aircraft and leasing** Related risks include: — change in demand in global & local markets — timely placement to meet customer's need — leasable and sellable conditions of aircraft	• The Company's marketing team monitors the leasing market closely and report to senior management regularly on marketing and placement plans in line with our business expansion. • The Company has a placing mechanism and checklist to ensure timely, appropriate and satisfactory placements of new and used aircraft to minimize the risk of idle asset. • Jurisdictional analysis is performed before inception of a lease, except for well-developed jurisdictions. • Annual inspection is performed for leased aircraft to monitor its sellable or leasable condition upon the expiry of aircraft lease.
4. **Financing** Related risks include: — mismatch of business & funding plans — concentration on one financing source — insufficient working capital	• The Company plans its project funding requirements and maintaining cohesive business network with various onshore and offshore financing banks/institutions. • The Company explores other available financing channels to diversify its financing sources.
5. **Delivery of aircraft** Related risks include mismatched timing for: — manufacture of aircraft — financing — transfer of titles — delivery to airlines — approval by government	• Regular meetings of professional teams are in place to monitor: a) the manufacturing progress; b) readiness of our customer to take delivery; c) availability of aircraft financing (if required); d) completion of delivery and financing related legal documents. • Comprehensive checklists are used to ensure processes are handled properly and completed as scheduled. • Any failure to meet schedule will be reported immediately to CEO and Head of commercial team.

RISK MANAGEMENT REPORT

Key Risk	Risk monitoring and mitigating measures
6. Counterparty default and concentration These risks are related to counterparties unable to fulfill their contractual obligations under aircraft purchases contracts, aircraft lease agreements, aircraft acquisition financing agreements, other financial and relevant transaction agreements.	• The Company assesses its counterparty default and concentration risk prior to entering into any agreement through a rigorous selection process and only deal with those counterparties that meet its internal selection criteria and its initial due diligence check. • The Company continues to monitor the creditworthiness of its counterparties after engaging with them through its ongoing monitoring of daily monitoring of lease receivable collection status, market news, on-site customer visits and/or other measures considered appropriate. • In case of deteriorating creditworthiness, CEO and Strategy Committee are alerted immediately by the appropriate team for taking necessary action(s).
7. Liquidity & interest rate Related risks include: — mismatch of financing terms and lease terms of aircraft deals — fluctuation of market interest rates	To minimize the uncertainty in mismatched future cash flow stream and frequency of refinancing: • The Company structures the loan terms to match that of the lease and ensure that its receipt from lease is sufficient to cover its payment on loan installments throughout the loan term. • The Company manages to maintain a balanced loan portfolio with fixed and floating interest rates by entering into appropriate hedging arrangements. • Strategy Committee approves to use derivative instruments (i.e. interest rate swap) to hedge against its cash flow and interest rate risk exposure.

Key Risk	Risk monitoring and mitigating measures
8. **Exchange rate** Related risks include: – mismatch of currency on related receipts and payments	• To manage its exchange rate risk, aircraft and lease related contracts (including procurement, placement and disposal) are mostly denominated in USD. • The Company manages this risk by closely monitoring the outstanding foreign currencies positions and preparing regular sensitivity analysis. Any exceptions will be reported to CFO.
9. **Maintenance and residual value of aircraft** Related risks include: — poor maintenance of aircraft during the lease term	• The Company includes several asset protection clauses in aircraft lease agreement of which its customers are obliged to observe and fulfill the maintenance obligations and reserve, return compensation and re-delivery condition, etc. throughout and upon the expiry of the lease term. • Its airline customers are further required to maintain full value insurance of the leased aircraft and its installed part and restricted from subleasing the leased aircraft without its prior written consent to ensure the actual user of the leased aircraft are indeed its intended customers. • The Company is entitled to and has continuously performed periodic inspection on site of the leased aircraft and the maintenance records to ensure the performance of the maintenance obligations by its customers. • The Company also periodically engage independent professional advisor to assess the fair value of its aircraft portfolio for impairment review. • Any exceptions or non-compliance issues revealed in its monitoring process are reported to its risk management team, CEO and Strategy Committee.

RISK MANAGEMENT REPORT

Key Risk	Risk monitoring and mitigating measures
10. Investment value (at exit) Related risks include: — inability to re-lease or dispose the aircraft upon return from lessee	The Company takes measures to mitigate this risk: • Choosing popular and easily-marketable aircraft models for acquisition with subsequent regular inspection; and • Monitoring controls to ensure the aircraft to be returned in sellable or leasable condition. • Monitoring closely the development of aircraft leasing market and carry out early marketing campaign to dispose its finance lease receivable and/or its aircraft at early stage. • Reviewing summary of its aircraft portfolio by senior management to identify any appropriate exit strategy periodically. • Obtaining opinion from external legal counsel for each new country's jurisdiction; and keep up to date on major legal developments in countries with existing leases.
11. Financial covenants and settlement obligations Related risks include: — failure to comply with covenants or obligations of signed agreements	• The Company manages this compliance risk through closely and frequently reviews of covenants compliance status and other conditions as required by the agreement or rules and regulations by using checklist. • Early alert will be flagged to its senior management and CEO if any potential noncompliance event is anticipated.
12. Business secret and information confidentiality Related risks include: — business information leakage — breaching non-disclosure and/or information confidentiality clauses of signed agreements	• The Company manages this risk by allowing only sufficient but not excessive information made available to the respective functions or teams. • Non-disclosure of business information and non-competitive clauses are also built in its employees' employment agreements to protect its interests upon departure of its employees.

Key Risk	Risk monitoring and mitigating measures
13. Financial management and tax Related risks include: — cash flow (liquidity) risk — counterparty default (credit) risk — interest rate risk — currency risk — tax risk	• To balance the risk and return, the Company has professional teams to monitor, on a periodic basis, the financial and tax risk exposure of the whole Company by various methods embedded in the respective process, including the interest rate derivative hedging arrangement which is the only derivative hedging allowed by the Strategy Committee. • Approval by CEO is a must for derivative transaction for hedging which should be in conformity with the Interest Rate Risk Management Policy of the Group. • Weekly cash flow forecast is prepared for review by CFO to ensure sufficient liquidity of its business operations. • External professional advisers are engaged to advise on critical issues arising from business transactions. • Any exception or unexpected exposure is reported to CEO and Strategy Committee for proper action. • The Company manages these risks by preparing regular analysis to closely monitor these risks positions. Any exceptions will be reported to CFO.
14. Capital management & financial leverage Related risks include: — inability to continue as a going concern — fluctuation in returns for shareholders and long term shareholders' value	• The Company manages its capital structure and make appropriate adjustments in light of changes in economic condition and its business expansion plan by various means, including issuing new shares, raising new debts or bonds or adjusting dividend payment to shareholders. • The Company reviews its capital requirements at budgeting stage and monitor its asset-liability (gearing) ratio on a monthly basis. • Alert will be made to CFO if the asset-liability or other critical ratio exceeds the threshold set by its annual budget.

RISK MANAGEMENT REPORT

Key Risk	Risk monitoring and mitigating measures
15. Human resources Related risks include: — recruitment and retention of industry talents, key personnel and leaders — compliance of labour laws and regulations in different jurisdictions	• The Company provides training opportunities to staff to grow their talents and offers comparable remuneration and incentive package including bonus and share options. It encourages its employees to attend relevant training courses, either in house or external to keep their business and technical knowledge up-to-date. • The Company adopts standardized operating procedures and drives to have employee succession plan in place to minimize the potential adverse impact on its business operation due to departure of any key personnel. • Human resources team has procedures to satisfy and comply with all relevant labour laws and regulations in different jurisdictions.
16. Compliance Related risks include: — change of government policies affecting the Group's business or operation — disclosure or leakage of business information not accordance with rules and regulations — loss of important agreements	• The Company has designated teams to 1) monitor and follow up changes in existing government policies; 2) monitor changes in regulatory requirements and advise the relevant teams; 3) monitor the compliance of listing requirement (e.g. connected party transactions) on a regular basis; and 4) seek advice from external advisor(s) on new requirements, if necessary. • The Company has a designated corporate communications team to monitor news/media/social media and take initiatives to disclose information timely to stakeholders & the public. • The Company centralizes all key agreements and legal documents in safe custody by designated officers; and standard document lists are maintained for this purpose.

During the year, the Company achieved the following to mitigate its risks:

- continued to expand its global footprint and signed leases with airlines in different geographic region
- delivered and leased out 18 aircraft on time
- realised lease receivables for 14 aircraft
- diversified its financing channel through:
  - — issuance of USD bonds for totally US$600 million
  - — arrangement of US$195 million syndicated loan facility
  - — issuance of new shares for totally HK$320 million
  - — Issuance of RMB330 million medium-term notes in China

The diversity of funding channels increased the confidence of investors and banks in the Company and helped reducing its funding costs. In addition, the cash received through various financing channels, for example: issue of bonds, issue of new shares and realisation of lease receivable, had helped strengthen the Group's cash position during the year. The overall liquidity risk and financial leverage risk were decreased during the year.

Following the additional issuance of RMB medium-term notes, the RMB position increased and thus there was a slight change to currency exchange risk. However, the future downside risk was considered to be at an acceptable level in view of the downward trend of the exchange rate of RMB.

The cost of borrowing would be expected to increase after the increase of USD interest rate at the end of the year. With the interest rate swap arrangement, the Company's floating interest rates were hedged as per our hedging policy. However, the overall interest rate risk, though slightly higher than last year, was still considered to be at an acceptable level. In view of the upward trend of the USD interest rate, the interest rate risks would be required to be monitored on an ongoing basis.

Apart from the above, no significant risk event occurred during the year in respect of other business, market, financial or operational risks of the Company and no significant change in the above-mentioned risks was noted during the year.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present the report of the directors of the year 2016 together with the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL BUSINESS ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the aircraft leasing business. The Group has operations mainly in Mainland China and other countries or regions in Europe and Asia.

BUSINESS REVIEW

A fair review of the Group's business and an indication of the likely future development of the Group's business are provided in the sections of this annual report headed the Chairman Statement (on pages 14 to 16) and the CEO Statement (on pages 17 to 20). Description of the principal risks and uncertainties facing the Group can be found in the Risk Management Report (on pages 59 to 69). No important event affecting the Group has occurred since the end of the financial year under review. Certain financial key performance indicators which complement and supplement our financial disclosures are set out in the sections of this annual report headed the Financial Highlights and Five-Year Financial Summary (on pages 10 to 11) and the Management Discussion and Analysis (on pages 21 to 30). Discussions on the Group's environmental policies and performance, and compliance with relevant laws and regulations are included in the sections of this annual report headed the Environmental, Social and Governance Report (on pages 31 to 47) and the Corporate Governance Report (on pages 48 to 58). An account of the Group's relationships with its key stakeholders that have a significant impact on the Group and on which the Group's success depends are provided in the sections of this annual report headed the Chairman Statement (on pages 14 to 16), the CEO Statement (on pages 17 to 20) the Environmental, Social and Governance Report (on pages 31 to 47) and the Corporate Governance Report (on pages 48 to 58).

The above sections form part of the report of the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of income on page 105 of this annual report.

The directors have declared an interim dividend of HK$0.14 per share, totaling approximately HK$93.8 million which was paid on 30 September 2016.

The Board has recommended the payment of a final dividend of HK$0.39 per share (2015: HK$0.18 per share) in respect of the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on 31 May 2017. The proposed final dividend will be paid on or about 19 June 2017, following approval at the annual general meeting of the Company to be held on 22 May 2017 (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

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

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

(a)	Latest time to lodge transfer documents for registration	4:30 pm on 16 May 2017
(b)	Closure of Register of Members	17 May 2017 to 22 May 2017 *(both dates inclusive)*

(ii) For determining entitlement to the final dividend:

(a)	Latest time to lodge transfer documents for registration	4:30 pm on 26 May 2017
(b)	Closure of Register of Members	29 May 2017 to 31 May 2017 *(both dates inclusive)*
(c)	Record date	31 May 2017

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

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities and non-controlling interests for the last five financial years is extracted from the audited financial information, which is set out on pages 10 to 11 to this annual report. This summary does not form a part of the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

During the year, the Company issued shares as follows:

1. As a result of the exercise of share options granted under the share option schemes of the Company, a total of 23,976,840 shares of the Company, fully paid, were issued.

2. On 26 August 2016, the Company entered into the subscription agreements with certain subscribers, pursuant to which the Company conditionally agreed to allot and issue to the subscribers a total of 40,000,000 subscription shares at the subscription price of HK$8.00 per subscription share subject to a lock-up period of 12 months (the "Subscriptions").

The Subscriptions were completed on 8 September 2016. A total of 40,000,000 subscription shares have been allotted and issued to the subscribers at the consideration of HK$320,000,000. The net proceeds from the Subscriptions were used for new aircraft acquisitions, financing the aircraft recycling centre, business expansion in aircraft and related businesses, and general corporate purposes.

The Board believed that the Subscriptions represented a good opportunity to raise capital for the Group to further strengthen the financial position of the Group while broadening the shareholders' base and capital base of the Company so as to facilitate its future development. The Board also considered that the subscription price and the terms of the subscription agreements were fair and reasonable and the Subscriptions were in the interests of the Company and the shareholders as a whole.

Details of the above transaction were set out in the Company's announcements dated 26 August 2016 and 8 September 2016.

Details of the movements in share capital of the Company during the year are set out in Note 11 to the financial statements.

BONDS ISSUED IN THE YEAR

1. On 9 May 2016, three-year US$300,000,000 5.9% senior unsecured bonds due 2019 issued by a subsidiary of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and guaranteed by the Company. These bonds bear coupon interest at 5.9% per annum, payable semi-annually. Details of the above issuance of bonds are set out in the Company's announcements dated 15 April 2016, 28 April 2016 and 6 May 2016.

2. On 23 August 2016, five-year US$300,000,000 4.9% senior unsecured bonds due 2021 issued by a subsidiary of the Company were listed on the Stock Exchange and guaranteed by the Company. These bonds bear coupon interest at 4.9% per annum, payable semi-annually. Details of the above issuance of bonds are set out in the Company's announcements dated 15 August 2016 and 22 August 2016.

EQUITY LINKED AGREEMENTS

(a) Convertible Bonds

Details of the movements in convertible bonds of the Company during the year together with the actual use of proceeds from issue of the convertible bonds are set out in Note 17 to the financial statements.

(b) Share Options granted during the Year

Details of the share options granted during the year are set out in Note 12(a) to the financial statements.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 107 to 108 of this annual report and Notes 12 and 33(a) to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2016, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$2,309,250,000, are set out in Note 33(a) to the financial statements.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to HK$209,000.

SHARE OPTION SCHEMES

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

As at the date of this annual report, the total number of shares available for issue under the Pre-IPO Share Option Scheme is 6,514,340 shares (as at 22 March 2016, the date of the 2015 annual report: 17,023,980 shares), which represented approximately 1% (as at 22 March 2016: 2.8%) of the issued share capital of the Company. No option was granted under the Pre-IPO Share Option Scheme during the year.

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

As at the date of this annual report, the total number of shares available for issue under the Post-IPO Share Option Scheme is 27,312,400 shares (as at 22 March 2016, the date of the 2015 annual report: 24,447,000 shares), which represented approximately 4.1% (as at 22 March 2016: 4%) of the issued share capital of the Company. Details of options granted under the Post-IPO Share Option Scheme during the year are set out in Note 12(a) to the financial statements.

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

(a) Purpose of the Share Option Schemes

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

(b) Who may join

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

(c) Subscription price for Shares

(c.1) Post-IPO Share Option Scheme

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

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

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

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

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

(c.2) Pre-IPO Share Option Scheme

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

(d) Consideration for the option

(d.1) Post-IPO Share Option Scheme

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

(d.2) Pre-IPO Share Option Scheme

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

(e) Maximum number of Shares

(e.1) Post-IPO Share Option Scheme

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

(e.2) Pre-IPO Share Option Scheme

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

(f) Maximum entitlement of each Participant

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

(g) Exercise of option

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

(h) Duration of the Share Option Schemes

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

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

Details of movement of the Company's share options are disclosed in Note 12(a) to the financial statements.

DIRECTORS

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

Executive Directors

Mr. CHEN Shuang *(Chairman)*
Mr. POON Ho Man *(Chief Executive Officer)* (appointed as Executive Director and Chief Executive Officer on 19 January 2017)
Ms. LIU Wanting

Non-executive Directors

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

Independent Non-executive Directors

Mr. FAN Yan Hok, Philip
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan
Mr. CHOW Kwong Fai, Edward *JP* (appointed on 19 July 2016)
Mr. NG Ming Wah, Charles (retired on 17 May 2016)

According to Article 16.18 of the Company's articles of association, not less than one-third of the directors (including those appointed for a specific term) shall retire from office by rotation provided that each director shall be subject to retirement by rotation at the annual general meeting at least once every three years. Accordingly, Mr. GUO Zibin, Ms. CHEN Chia-Ling, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan shall retire by rotation, and all of them, being eligible, will offer themselves for re-election at the AGM.

In addition, according to Article 16.2 of the Company's articles of association, the Board shall have power from time to time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following general meeting, and shall then be eligible for re-election at that meeting. Accordingly, Mr. CHOW Kwong Fai, Edward, being a new director appointed by the Board during the year, had retired from office and, been re-elected at the extraordinary general meeting held on 23 August 2016. Mr. POON Ho Man, being a new director appointed by the Board on 19 January 2017, shall retire from office and, being eligible, will offer himself for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group at any time during the year ended 31 December 2016.

PERMITTED INDEMNITY

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

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

Profile of the directors and senior management are set out on pages 88 to 95 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange from each of the independent non-executive directors (the ("INED(s)") and the Company considers that each of the INEDs, namely Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward, is independent.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the directors for the year ended 31 December 2016 are set out in Note 30(a) to the financial statements.

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

As at 31 December 2016, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are as follows:

		Number of shares held (L)[1]				
Name of directors	Capacity/ nature of interest	Personal interests	Corporate interests	Derivatives interests	Total interests	Approximate percentage of shares in issue[2]
Mr. CHEN Shuang	Beneficial owner	200,000	—	10,200,000[4]	10,400,000	1.55%
Ms. LIU Wanting	Interest of controlled corporation	—	10,000,000[3]	—	10,000,000	1.49%
	Beneficial owner	—	—	3,000,000[4]	3,000,000	0.45%
Mr. TANG Chi Chun	Beneficial owner	—	—	200,000[4]	200,000	0.03%
Mr. GUO Zibin	Beneficial owner	—	—	200,000[4]	200,000	0.03%
Ms. CHEN Chia-Ling	Beneficial owner	—	—	200,000[4]	200,000	0.03%
Mr. FAN Yan Hok, Philip	Beneficial owner	66,000	—	134,000[4]	200,000	0.03%
Mr. NIEN Van Jin, Robert	Beneficial owner	100,000	—	134,000[4]	234,000	0.03%
Mr. CHEOK Albert Saychuan	Beneficial owner	5,000	—	200,000[4]	205,000	0.03%
Mr. CHOW Kwong Fai, Edward	Beneficial owner	—	—	200,000[4]	200,000	0.03%

Notes:

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

(2) Based on 669,900,640 shares in issue as at 31 December 2016.

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

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

Save as disclosed above, as at 31 December 2016, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

Based on the information available to the directors of the Company as at 31 December 2016 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2016, the entities and/or persons who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholders	Capacity/nature of interest	Number of shares held (L)(1)	Number of underlying shares held (L)(1)	Approximate percentage of shares in issue(2)
China Everbright Aerospace Holdings Limited ("CE Aerospace")	Beneficial owner	208,299,479(5)	—	31.09%
	Beneficial owner	—	680,000(3)	0.10%
China Everbright Financial Investments Limited ("CE Financial")	Beneficial owner	8,220,000(5)	—	1.23%
	Beneficial owner	—	27,510,638(4)	4.11%
China Everbright Limited ("CEL")	Interest of controlled corporation	216,519,479(5)	—	32.32%
	Interest of controlled corporation	—	27,510,638(4)	4.11%
	Interest of controlled corporation	—	680,000(3)	0.10%
China Everbright Holdings Company Limited ("CE Hong Kong")	Interest of controlled corporation	216,519,479(6)	—	32.32%
	Interest of controlled corporation	—	27,510,638(4)	4.11%
	Interest of controlled corporation	—	680,000(3)	0.10%
China Everbright Group Ltd ("CE Group")	Interest of controlled corporation	216,519,479(7)	—	32.32%
	Interest of controlled corporation	—	27,510,638(4)	4.11%
	Interest of controlled corporation	—	680,000(3)	0.10%
Central Huijin Investment Limited ("Huijin Limited")	Interest of controlled corporation	216,519,479(7)	—	32.32%
	Interest of controlled corporation	—	27,510,638(4)	4.11%
	Interest of controlled corporation	—	680,000(3)	0.10%
Friedmann Pacific Asset Management Limited ("FPAM")	Beneficial owner	182,112,589(11)	—	27.19%
	Beneficial owner	—	442,000(8)	0.07%
Capella Capital Limited ("Capella")	Interest of controlled corporation	182,112,589(11)	—	27.19%
	Interest of controlled corporation	—	442,000(8)	0.07%
Mr. POON Ho Man	Interest of controlled corporation	192,012,589(12)	—	28.66%
	Interest of controlled corporation	—	442,000(8)	0.07%
	Interest of controlled corporation	—	5,100,000(9)	0.76%
	Interest of spouse	—	3,800,000(10)	0.57%
Ms. Christina NG	Interest of spouse	192,012,589(13)	—	28.66%
	Interest of spouse	—	442,000(8)	0.07%
	Interest of spouse	—	5,100,000(9)	0.76%
	Beneficial owner	—	3,800,000(10)	0.57%

Notes:

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

(2) Based on 669,900,640 shares in issue as at 31 December 2016.

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

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

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

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

(7) According to the Company's announcements in respect of the restructuring of CE Group dated 10 November 2014, 25 November 2014, 8 December 2014 and 14 May 2015, CE Group and Huijin Limited are deemed to be interested in all shares and underlying shares mentioned in notes (3) to (5) above.

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

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

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

(11) The issued share capital of FPAM is owned as to 0.000001% by Ms. Christina NG and 99.999999% by Capella. Accordingly, Capella is deemed to be interested in all shares and underlying shares mentioned in note (8) held by FPAM.

(12) The issued share capital of Capella is owned as to 10% by Ms. Christina NG and 90% by Mr. POON Ho Man. Accordingly, Mr. POON is deemed to be interested in all shares and underlying shares mentioned in note (11) above. Mr. POON is also interested in 9,900,000 shares held by Equal Honour.

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

Save as disclosed above, as at 31 December 2016, the directors are not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

DEED OF NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 23 June 2014 during the year ended 31 December 2016. The INEDs of the Company have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling shareholders and duly enforced during the year ended 31 December 2016.

MAJOR CUSTOMERS

During the year, the income of the Group's lease accounted for 64.5% of the total revenue, and the information of the customers of the lease and advisory segments is as follows:

	For the year ended 31 December 2016 Percentage of the total revenue (before business taxes and surcharges) (%)
Top five customers	**58.4%**
The largest customer	**15.4%**

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

1. **Transactions contemplated under the Deposit Services Framework Agreement, the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement**

   On 14 May 2015, the Company and CE Group entered into three framework agreements respectively, namely:

   (1) Deposit Services Framework Agreement, pursuant to which CE Group will provide deposit services to the Group through CE Group's associate, China Everbright Bank Company Limited ("CE Bank");

   (2) Loan Services Framework Agreement, pursuant to which CE Group will provide secured loan services and guarantees to the Group through CE Bank and/or the trustee of a trust plan (the "Trustee") of which Sun Life Everbright Asset Management Co. Ltd. is a beneficiary; and

   (3) Assignment of Finance Lease Receivables Framework Agreement, pursuant to which the Group will assign the finance lease receivables to the Trustee.

Furthermore, on 14 December 2015, the Company and CE Group entered into an amended and restated Assignment of Finance Lease Receivables Framework Agreement (and together with the above three framework agreements, the "CE Agreements"), pursuant to which the Company and CE Group agreed that in addition to the Trustee, the Group shall assign the finance lease receivables to associates of CE Group, including but not limited to CE Bank.

The original term of each of the CE Agreements commenced on 14 May 2015 and will expire on 31 December 2017 (both days inclusive).

On 8 April 2016, the Company and CE Group have entered into three supplemental agreements respectively, namely:

(1) Supplemental Deposit Services Framework Agreement;

(2) Supplemental Loan Services Framework Agreement; and

(3) Supplemental Assignment of Finance Lease Receivables Framework Agreement

(collectively known as the "CE Supplemental Agreements"), to revise the original annual caps for each of the year ended 31 December 2016 and year ending 31 December 2017 and to extend the duration of each of the CE Agreements to 31 December 2018.

The transactions contemplated under the CE Supplemental Agreements were proposed to and passed by the independent shareholders by way of ordinary resolutions at the Company's extraordinary general meeting held on 17 May 2016.

The following revised annual caps are applicable to the above continuing connected transactions and the actual respective amounts of which have not exceeded the revised annual cap amounts as stated below:

Supplemental Deposit Services Framework Agreement

Periods	Actual Maximum Daily Closing Balance of Deposits (including interests accrued thereon) (HK$'Million)	Original Annual Caps (HK$'Million)	Revised Annual Caps (HK$'Million)
For the year ended 31 December 2016	1,974	345	2,741
For the year ending 31 December 2017	—	394	3,182
For the year ending 31 December 2018	—	—	3,843

Supplemental Loan Services Framework Agreement

Periods	Actual Maximum Daily Closing Balance of Loans (including guarantees) (HK$'Million)	Original Annual Caps (HK$'Million)	Revised Annual Caps (HK$'Million)
For the year ended 31 December 2016	3,164	7,898	8,146
For the year ending 31 December 2017	—	11,096	14,082
For the year ending 31 December 2018	—	—	18,214

Supplemental Assignment of Finance Lease Receivables Framework Agreement

Periods	Total Consideration (HK$'Million)	Original Annual Caps (HK$'Million)	Revised Annual Caps (HK$'Million)
For the year ended 31 December 2016	3,937	1,560	7,020
For the year ending 31 December 2017	—	2,496	7,020
For the year ending 31 December 2018	—	—	7,020

CE Group is the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CEL. CEL is a controlling shareholder of the Company. Accordingly, CE Group is a controlling shareholder of the Company, and thus CE Group and its associates, including CE Bank and the Trustee, are connected persons of the Company. Therefore, the transactions contemplated under the CE Agreements and CE Supplemental Agreements constitute continuing connected transactions of the Company.

Details of the above transactions are set out in the Company's announcements dated 14 May 2015, 14 December 2015, 8 April 2016 and 17 May 2016 and in the Company's circulars dated 15 June 2015 and 29 April 2016 respectively.

2. Transactions contemplated under the ARI Agreements

On 6 April 2016, certain agreements (the "ARI Agreements") relating to the restructuring of the Group's investment in aircraft recycling business (the "ARI Business") were entered into, inter alia, namely:

(1) Investment Agreement entered into amongst the Company, Aircraft Recycling International Limited ("ARI"), Aircraft Recycling International Holdings Limited ("ARI Holdings") (a wholly-owned subsidiary of the Company), Sky Cheer International Limited ("Sky Cheer"), China Aero Investments Limited ("China Aero") and Neo Modern Limited ("Neo Modern") (ARI Holdings, Sky Cheer, China Aero and Neo Modern collectively known as the "ARI Shareholders"), pursuant to which (i) the ARI Shareholders conditionally agreed to subscribe for a total of 9,999,999 shares of ARI at the subscription price of US$1 per share (the "ARI Subscription"); and (ii) the Company agreed to transfer from the Group to a wholly-owned subsidiary of ARI a project which principally involved the establishment of an aircraft recycling centre in the PRC for carrying out the ARI Business (the "ARI Project Disposal"). The actual amount of consideration of the ARI Project Disposal paid by ARI was approximately HK$322.8 million.

Following completion of the ARI Subscription on 26 July 2016, the share interest of the Group in ARI was reduced from 100% to 48%. ARI was held by ARI Holdings as to 48%, by Sky Cheer as to 20%, by China Aero as to 18% and by Neo Modern as to 14% respectively. Therefore, the ARI Subscription constituted a deemed disposal of the Group's share interest in ARI under Rule 14.29 of the Listing Rules.

(2) Shareholders' Loan and Guarantee Agreement entered into amongst the ARI Shareholders, pursuant to which each ARI Shareholder shall have a right (but not the obligation) to advance a principal amount of the shareholders' loan to ARI pro rata to its shareholding in ARI and to provide guarantee to the lender of the loans granted to ARI from banks, financial or other institutions. The term of Shareholders' Loan and Guarantee Agreement commenced on 6 April 2016 and will expire on 31 December 2018. The annual caps for the maximum principal loans outstanding (including the principal loans guaranteed by the Group), interest and guarantee fee amounts for the year ended 31 December 2016, and years ending 31 December 2017 and 2018 are HK$480,000,000, HK$600,000,000 and HK$720,000,000 respectively ("Original Annual Caps").

The transactions contemplated under the ARI Agreements were proposed to and passed by the independent shareholders by way of ordinary resolution at the Company's extraordinary general meeting held on 30 June 2016.

On 14 November 2016, a supplemental agreement to the Shareholders' Loan and Guarantee Agreement (the "ARI Supplemental Agreement") was entered into amongst the ARI Shareholders to (i) revise the terms governing the repayment of the shareholders' loan; and (ii) revise the Original Annual Caps for each of the year ended 31 December 2016 and years ending 31 December 2017 and 31 December 2018.

The transactions contemplated under the ARI Supplemental Agreement were proposed to and passed by the independent shareholders by way of ordinary resolution at the Company's extraordinary general meeting held on 15 December 2016.

The following revised annual caps are applicable to the above continuing connected transactions and the actual respective amounts of which have not exceeded the revised annual cap amounts as stated below:

Periods	Actual Maximum Daily Closing Balance of Loans (including interests accrued thereon) (HK$'Million)	Original Annual Caps (HK$'Million)	Revised Annual Caps (HK$'Million)
For the year ended 31 December 2016	442	480	1,300
For the year ending 31 December 2017	—	600	1,300
For the year ending 31 December 2018	—	720	1,300

China Aero is a wholly-owned subsidiary of FPAM. FPAM is a substantial shareholder of the Company while Neo Modern is a wholly-owned subsidiary of CEL. Accordingly, China Aero and Neo Modern are connected persons of the Company. Therefore, the ARI Subscription together with the ARI Project Disposal under the Investment Agreement constituted a discloseable transaction and a connected transaction of the Company.

Following completion of the ARI Subscription, ARI is a commonly held entity (has the meaning ascribed to it in Rule 14A.27 of the Listing Rules) of the Company, the Revised Annual Caps and the transactions contemplated under the Shareholders' Loan and Guarantee Agreement (as supplemented by the ARI Supplemental Agreement) constitute continuing connected transactions of the Company under Rule 14A.26 of the Listing Rules.

Details of the above transactions are set out in the Company's announcements dated 6 April 2016, 25 April 2016, 30 June 2016, 8 July 2016, 26 July 2016, 14 November 2016 and 15 December 2016 and in the Company's circulars dated 8 June 2016 and 30 November 2016 respectively.

3. Transactions contemplated under the Engagements in the Subscription Agreements for the Issuance of Bonds

On 28 April 2016, a subscription agreement was entered into amongst the Company, CALC Bond 1 Limited, CEB International Capital Corporation Limited ("CEBI") and CE Bank, pursuant to which, inter alia, the Company engaged CE Bank to act as one of the joint global coordinators, joint bookrunners and joint lead managers and CEBI to act as one of the joint lead managers, in order to facilitate the issuance of US$300,000,000 5.9% bonds due 2019 (the "Engagement 1"). The actual amount of the underwriting commission and expenses paid to CE Bank and CEBI is US$1,738,000 (equivalent to approximately HK$13,556,400). Details of the above transaction are set out in the Company's announcements dated 15 April 2016, 28 April 2016 and 6 May 2016.

On 15 August 2016, a subscription agreement was entered into amongst the Company, CALC Bond 2 Limited and CE Bank, pursuant to which, inter alia, the Company engaged CE Bank to act as one of the joint global coordinators, joint bookrunners and joint lead managers, in order to facilitate the issuance of US$300,000,000 4.9% bonds due 2021 (the "Engagement 2"). The actual amount of the underwriting commission and expenses paid to CE Bank is US$975,000 (equivalent to approximately HK$7,605,000). Details of the above transaction are set out in the Company's announcements dated 15 August 2016 and 22 August 2016.

CE Bank and CEBI (a wholly-owned subsidiary of CE Bank) are associates of CE Group. Accordingly, CE Bank and CEBI are connected persons of the Company. Therefore, each of the Engagement 1 and the Engagement 2 (aggregaged together with the Engagement 1 pursuant to Rule 14A.81 of the Listing Rules) constituted a connected transaction of the Company.

4. Transactions contemplated under the CE Repurchase Agreement for the Repurchase of the CE Convertible Bonds

On 26 March 2015, the Company as the issuer and CE Financial as the investor entered into a subscription agreement (the "CE Subscription Agreement") in respect of the issuance and subscription of 3.0% convertible bonds in the principal amount of HK$387,900,000 (the "CE Convertible Bonds"). The CE Convertible Bonds were issued to CE Financial on 26 May 2015.

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

On 6 July 2016, the Company entered into a repurchase agreement (the "CE Repurchase Agreement") with CE Financial, pursuant to which the Company agreed to repurchase, and CE Financial agreed to sell, the CE Convertible Bonds in the principal amount of HK$77,580,000 (the "CE Repurchase"). The actual amount of consideration under the CE Repurchase Agreement paid to CE Financial was HK$78,743,700 plus the relevant interests and fees. After completion of the CE Repurchase on 25 July 2016, CE Financial continued to hold the remaining CE Convertible Bonds in the principal amount of HK$310,320,000.

The total interest expense incurred to CE Financial amounted to approximately HK$37 million (including HK$812,435 being part of the consideration of the CE Repurchase) for the year ended 31 December 2016.

CE Financial is a wholly-owned subsidiary of CEL. Accordingly, CE Financial is a connected person of the Company and the transaction contemplated under the CE Repurchase Agreement constituted a connected transaction of the Company.

Details of the above transaction are set out in the Company's announcements dated 26 March 2015, 16 April 2015, 27 May 2015, 6 July 2016 and 25 July 2016, and the Company's circular dated 30 April 2015 respectively.

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

CONFIRMATION OF THE AUDITOR

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group on pages 81 to 86 of the annual report in accordance with Rule 14A.56 of the Listing Rules.

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

SUBSEQUENT EVENTS

Details of the subsequent events are set out in Note 35 to the financial statements.

AUDIT COMMITTEE AND REVIEW OF THE FINANCIAL STATEMENTS

The Company's Audit Committee comprises four members, namely Mr. CHEOK Albert Saychuan (Chairman of the Audit Committee), Mr. GUO Zibin, Mr. NIEN Van Jin, Robert and Mr. CHOW Kwong Fai, Edward, among whom, three are INED(s). The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2016.

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Financial Reporting Standards.

AUDITOR

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

By order of the Board
China Aircraft Leasing Group Holdings Limited

Poon Ho Man
Executive Director and Chief Executive Officer

Hong Kong, 24 March 2017

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. CHEN Shuang

Chairman and Executive Director

Mr. CHEN Shuang, aged 49, is the Chairman and an Executive Director and is also the chairman of Strategy Committee of the Company. Mr. CHEN is responsible for formulating the Group's overall strategic planning and directions. Mr. CHEN is also the chairman and a director of Aircraft Recycling International Limited ("ARI"), a commonly held entity of the Company.

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

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

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

Mr. POON Ho Man

Executive Director and Chief Executive Officer

Mr. POON Ho Man, aged 44, is an Executive Director and the Chief Executive Officer re-appointed on 19 January 2017. Mr. POON is also a member of the Strategy Committee of the Company, and a director of certain subsidiaries of the Company. He is responsible for formulating the Group's overall strategic planning and managing overall business operations. Mr. POON has over 20 years of experience in direct investment, structured financing and aviation financing, of which over 10 years has been spent focusing on aircraft leasing.

Mr. POON founded China Aircraft Leasing Group ("CALC Group"), China's first operating lessor, in March 2006. Under Mr. POON's leadership, CALC Group has become the largest independent aircraft lessor in China and the country's first lessor to have a bulk order book with Airbus. Mr. POON has also been instrumental in introducing a number of innovative aircraft financing models into China, including the first batch of aircraft finance lease receivables products. Mr. POON's insight and knowledge of the aviation industry has been a driving force behind CALC Group's unique business model, which centers on being a full value-chain aircraft solutions provider for global airlines. As at the date of this annual report, Mr. POON indirectly holds approximately 28.6% interest in the Company.

During his time at CALC Group, he also oversaw the founding of ARI (which is beneficially owned by Mr. POON as to 18%) in 2014, which has been focused on building Asia's first and largest aircraft recycling center based in China. When completed, the project will provide a strategic and critical final link that will complete China's incomplete aviation industry value chain. With the establishment of ARI, CALC Group is the only group in Asia, and one of the few globally, that provides complete full life-cycle aircraft solutions. Mr. POON serves as the chief executive officer and a director of ARI, and his spouse, Ms. Christina Ng, is currently employed as the deputy chief executive officer and the chief operating officer of ARI.

Mr. POON is also the founder and Chairman of Friedmann Pacific Asset Management Limited ("FPAM"), a substantial shareholder of the Group. FPAM has developed into an investment holding company with a focus on creating value along the aviation industry value chain.

He was also behind the establishment of China Airport Synergy Investment Limited ("CASIL") in 2014, which is primarily engaged in investments in and operations of airports around the world. CASIL is a shareholder of Toulouse-Blagnac Airport, the fifth largest airport in France, and Tirana International Airport, the capital airport of Albania.

Mr. POON obtained the degree of bachelor of engineering from the University of Hong Kong in 1995, and obtained the degree of executive master of business administration (高級管理人員工商管理碩士) from Tsinghua University in 2005. Mr. POON has been a CFA® charterholder of the Association for Investment Management and Research (now known as the Chartered Financial Analysts Institute) since March 2002.

Mr. POON is currently a member of Heilongjiang Province Committee of the Chinese People's Political Consultative Conference ("CPPCC") (中國人民政治協商會黑龍江省政協委員), the Vice Chairman of HKCPPCC (Provincial) Members Association Foundation Limited (港區省級政協委員聯誼會基金會副主席), the Executive Vice President of the Association for the Promotion of Hong Kong Heilongjiang Economy ("APHKHE") and a member of the Youth Committee of APHKHE (香港黑龍江經濟合作促進會常務副會長及屬下青年委員會主任), the Vice President of Chinese Financial Association of Hong Kong (香港中國金融協會副主席), the Honorary President of Hong Kong Overseas Chinese Association (香港華僑華人總會名譽會長) and a member of the Youth Committee of All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會青年委員會委員). Mr. POON also obtained the World Outstanding Chinese Award (世界傑出華人獎) from World Chinese Business Investment Foundation (世界華商投資基金會) in 2006.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. LIU Wanting

Executive Director, Deputy Chief Executive Officer and Chief Commercial Officer

Ms. LIU Wanting, aged 35, is an Executive Director, Deputy Chief Executive Officer and Chief Commercial Officer. Within the Group, Ms. LIU is also a director of certain subsidiaries of the Company and a member of its Strategy Committee. Ms. LIU is responsible for the Group's overall strategic planning and implementation, as well as managing overall commercial operations, including business development, aircraft leasing, financing and aircraft procurement.

Ms. LIU joined the Group in June 2006. She has established extensive network with airlines, banks, financial institutions, governments and manufacturers.

Ms. LIU is currently a director of 中僑融資租賃有限公司 (Sino Asset Financial Leasing Limited), a company established in China and an associate of FPAM. Ms. LIU is a senior adviser to the Foreign Investment Office of Tianjian Municipal People's Government. She is also the vice president of China Group Companies Promotion Association (中國集團公司促進會), with a term from 2014 to 2019, and a founding member of Chinese Financial Association of Hong Kong (香港中國金融協會). Ms. LIU was the vice chairman of the Aviation Safety《航空安全》magazine of the Aviation Safety Office under the Civil Aviation Administration of China (中國民用航空局航空安全辦公室), with a term from July 2014 to 2016. Ms. LIU was our representative in the Leasing Committee of China Association Enterprise with Foreign Investment from April 2010 to April 2011.

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

Mr. TANG Chi Chun

Non-executive Director

Mr. TANG Chi Chun, aged 55, is a Non-executive Director appointed on 12 August 2013 and is also a member of Strategy Committee of the Company. Mr. TANG is responsible for advising the business development and financial related operations of the Group. Mr. TANG is also a director of ARI.

Mr. TANG is an executive director and the chief financial officer of China Everbright Limited, a company listed on the Hong Kong Stock Exchange (stock code: 165). Mr. TANG was a director of Everbright Securities Company Limited, a company listed on the Shanghai Stock Exchange (stock code: SH601788), during the period from February 2008 to January 2011. Mr. TANG is a Certified Public Accountant and is a graduate of the Accountancy Department, Hong Kong Polytechnic. He is a member of the Association of Chartered Certified Accountants in the United Kingdom ("ACCA") and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He is also a founding member of Hong Kong Business Accountants Association. He has over 30 years of experience in audit, investment, accounting and finance. Since 1990, Mr. TANG had been engaged as head of the financial and operational functions of various international financial institutions.

Mr. GUO Zibin
Non-executive Director

Mr. GUO Zibin, aged 48, is a Non-executive Director appointed on 10 March 2014 and also a member of Audit Committee. Mr. GUO is responsible for attending meetings of the Board to perform duties as a member of the Board, but not participating in the day-to-day management of the Company's business operations.

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

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

Ms. CHEN Chia-Ling
Non-executive Director

Ms. CHEN Chia-Ling, aged 46, is a Non-executive Director appointed on 19 January 2016.

Ms. CHEN holds a master's degree in international business from the University of Bristol in the United Kingdom and a bachelor's degree from York University in Canada. Ms. CHEN has over 20 years of experience in the financial services industry and over 10 years of experience in asset management, including experience with regard to launching exchange-traded funds ("ETF"). Since 2015, Ms. CHEN has been appointed as an independent trustee of CSOP ETF Trust ("CSOP Trust") and a member of the board of trustees of CSOP Trust. As of 31 December 2016, CSOP Trust consisted of three investment portfolios: CSOP FTSE China A50 ETF (AFTY:US), CSOP China CSI 300 A-H Dynamic ETF (HAHA:US) and CSOP MSCI China A International Hedged ETF (CNHX:US), all of which are listed on New York Stock Exchange. Currently, Ms. CHEN is also a director of Chyang Sheng Dyeing & Finishing Co., Ltd. (1463:TW), a company listed on Taiwan Stock Exchange.

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

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. FAN Yan Hok, Philip
Independent Non-executive Director

Mr. FAN Yan Hok, Philip, aged 67, is an Independent Non-executive Director appointed on 11 September 2013. Mr. FAN is also the chairman of Remuneration Committee and a member of Nomination Committee of the Company. Mr. FAN is currently holding directorships in the following companies listed on the securities market in Hong Kong or overseas:

Name of listed company	Securities exchange and stock code	Position held
China Everbright International Limited	Hong Kong Stock Exchange: 257	Independent non-executive director
Hysan Development Company Limited	Hong Kong Stock Exchange: 14	Independent non-executive director
First Pacific Company Limited	Hong Kong Stock Exchange: 142	Independent non-executive director
Goodman Group	Australian Stock Exchange: GMG	Independent director
PFC Devices Inc.	Hong Kong Stock Exchange: 8231	Independent non-executive director

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

Name of listed company	Securities exchange/ market and stock code	Position held	Period
HKC (Holdings) Limited	Hong Kong Stock Exchange: 190	Independent non-executive director	March 2010 – December 2014
Guolian Securities Co., Ltd.	Hong Kong Stock Exchange: 1456	Independent non-executive director	March 2015 – July 2016

Mr. FAN obtained the degree of bachelor of science in 1973 and the degree of master of science in the same year from Stanford University in the United States and the degree of master of science in management in 1976 from Massachusetts Institute of Technology in the United States.

Mr. NIEN Van Jin, Robert
Independent Non-executive Director

Mr. NIEN Van Jin, Robert, aged 69, is an Independent Non-executive Director appointed on 27 August 2014. Mr. NIEN is also the chairman of Nomination Committee and a member of each of Audit Committee and Remuneration Committee of the Company.

Mr. NIEN was an executive director of Hopewell Holdings Limited ("Hopewell"), a company listed on the Hong Kong Stock Exchange (stock code: 54), during 1980 to 2010, and then became a principal consultant during 2010 to 2011. He retired from Hopewell in July 2011. Before joining Hopewell in 1976, Mr. NIEN worked with a renowned multi-national bank during 1972 to 1976. Mr. NIEN holds a bachelor's degree in economics from the University of Pennsylvania and a master's degree in business administration from the Wharton Graduate School of Business. He is a member of The Hong Kong Institute of Directors ("HKIoD"). Mr. NIEN has over 40 years' extensive financing experience in property in Hong Kong and infrastructure projects in PRC Pearl River Delta area, particularly in power plant and highway. He also has experience in the areas of corporate governance and corporate public relations.

Mr. CHEOK Albert Saychuan

Independent Non-executive Director

Mr. CHEOK Albert Saychuan, aged 66, is an Independent Non-executive Director appointed on 8 May 2015. Mr. CHEOK is also the chairman of Audit Committee and a member of each of Nomination Committee and Remuneration Committee of the Company.

Mr. CHEOK graduated from the University of Adelaide, Australia with First Class Honours in economics. Mr. CHEOK is a fellow of CPA Australia. He is a banker with over 35 years of experience in banking and business consultancy in the Asia-Pacific region. Mr. CHEOK is also the vice president of the board of governors of the Malaysian Institute of Corporate Governance.

Between May 1979 and February 1982, Mr. CHEOK was an advisor to the Australian Government Inquiry into the Australian Financial System which introduced comprehensive reforms to the Australian banking system. He was the chief manager at the Reserve Bank of Australia from October 1988 to September 1989 before becoming the deputy commissioner of Banking of Hong Kong for about three and a half years. He was subsequently appointed as an executive director in charge of banking supervision at the Hong Kong Monetary Authority from April 1993 to May 1995. Mr. CHEOK was the chairman of Bangkok Bank Berhad in Malaysia, a wholly-owned subsidiary of Bangkok Bank of Thailand, from September 1995 to November 2005. Mr. CHEOK was formerly the vice chairman of Export and Industry Bank, Inc., which is listed on The Philippine Stock Exchange, from February 2006 to April 2012. Mr. CHEOK was also an independent non-executive director of Metal Reclamation Berhad, a public listed company in Malaysia from 1 July 1998 to 17 June 2015. Mr. CHEOK was also the chairman and an independent non-executive director of AcrossAsia Limited, a company listed on the Hong Kong Stock Exchange (stock code: 8061) (retired on 26 August 2016).

Mr. CHEOK is the independent non-executive chairman of Auric Pacific Group Limited of Singapore, a food group listed in Singapore. He is the independent non-executive chairman of Bowsprit Capital Corporation Limited, the manager of First Real Estate Investment Trust ("REIT"), a listed healthcare REIT in Singapore and the independent non-executive chairman of Lippo Malls Indonesia Retail Trust ("LMIRT") Management Limited, the manager of LMIRT, a listed shopping mall REIT in Singapore. He is also the independent non-executive chairman of Amplefield Limited, listed in Singapore. Mr. CHEOK is the independent non-executive chairman and an independent non-executive director of International Standard Resources Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 91). He is also an independent non-executive director of Hongkong Chinese Limited, a company listed on the Hong Kong Stock Exchange (stock code: 655) and Adavale Resources Limited in Australia. Outside his various board capacities, Mr. CHEOK is a well accomplished personal investment banker and financial adviser to select clients in Hong Kong, China and South East Asia. In this capacity he has been involved in several high profile mergers and acquisitions, asset acquisitions, corporate re-structuring, corporate strategies, brand image and building and private fund management. He has also been an adviser to governments in various capacities.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. CHOW Kwong Fai, Edward, *JP*
Independent Non-executive Director

Mr. CHOW Kwong Fai, Edward, ***JP***, aged 64, is an Independent Non-executive Director appointed on 19 July 2016. Mr. CHOW is also a member of each of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. CHOW holds an honours bachelor's degree in business studies from Middlesex Polytechnic (now Middlesex University) in the United Kingdom and is a fellow member of The Institute of Chartered Accountants in England and Wales ("ICAEW") and chairman of its Hong Kong Chapter. He served on the Council of ICAEW for six years from 2000 to June 2016 and chaired its Commercial Board. He is a past president of the HKICPA and chaired its Corporate Governance Committee and Professional Accountants in Business Committee. He also served as a Deputy Chairman of the HKIoD, of which he is a fellow member, chaired the Professional Accountants in Business Committee of the International Federation of Accountants and served as an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China.

Mr. CHOW was appointed a Justice of Peace by the Chief Executive of the Hong Kong Special Administrative Region in July 2008 and was an awardee of the Directors of the Year Award 2010 in the non-executive director of listed companies (SEHK – Hang Seng Index Constituents) category, awarded by the HKIoD.

Mr. CHOW is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, an adviser of the Business and Professionals Federation of Hong Kong, a Standing Committee member and a convenor of the Eleventh Zhejiang Province Committee of the CPPCC, a non-executive director of the Urban Renewal Authority, a member of Council and Court of The University of Hong Kong.

Mr. CHOW is also an independent non-executive director of Wing Lung Bank Limited, Redco Properties Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1622), and Melco International Development Limited, a company listed on the Hong Kong Stock Exchange (stock code: 200). Mr. CHOW was previously the chairman of CIG Yangtze Ports PLC (stock code: 8233) and an independent non-executive director of COSCO Pacific Limited (stock code: 1199) and China Merchants Bank Co., Ltd. (stock code: 3968), both companies listed on the Hong Kong Stock Exchange.

Prior to entering the commercial sector, Mr. CHOW spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respectively in London and Hong Kong.

SENIOR MANAGEMENT

Mr. MOK Chung Tat, Barry
Deputy Chief Executive Officer and Chief Financial Officer

Mr. MOK Chung Tat, Barry, aged 58, joined the Group in June 2015 as the Chief Financial Officer and was appointed as the Deputy Chief Executive Officer on 14 December 2015. Mr. MOK assists in formulating the Group's overall strategic planning and implementation, also oversees accounting, corporate finance and other corporate functions. Mr. MOK is also a director of a subsidiary of the Company and ARI.

Mr. MOK has over 30 years of extensive corporate and banking experience, and has arranged around HK$500 billion debt capital market facilities. Mr. MOK was previously an executive director of Hopewell Holdings Limited (stock code: 54) and Hopewell Highway Infrastructure Limited (stock code: 737), both companies listed on the Hong Kong Stock Exchange. Mr. MOK worked for BOCI Capital Limited from 1987 to 2004. His last position with the bank was the chief executive, overseeing the debt capital market businesses of the Bank of China group in Hong Kong.

Mr. MOK obtained his bachelor degree in economics/accounting from the University of Reading, United Kingdom. He was the founding board member of the Asian Pacific Loan Market Association when it was established in 1998.

Mr. TANG Yu Ping, Pitney
Chief Operating Officer

Mr. TANG Yu Ping, aged 47, is the Chief Operating Officer, oversees all aspects of transaction-related functions and is responsible for transaction planning and closing, business analysis and pricing, tax planning as well as structured finance. Mr. TANG joined the Group on 7 November 2011 as financial controller who was responsible for financial management and accounting. Mr. TANG is also the alternate director of certain subsidiaries of the Company.

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

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

Mr. YU Tai Tei
Chief Risk Officer

Mr. YU Tai Tei, aged 56, is the Chief Risk Officer. Mr. YU first joined the Group in June 2013 as the Chief Financial Officer. He then rejoined the Group in February 2017 as the Chief Risk Officer. Mr. YU is responsible for the risk management and internal control of the Group. Mr. YU has a degree of master of business administration from the University of Warwick and a degree of doctor of business administration from Hong Kong Polytechnic University. Mr. YU is a fellow member of the ACCA, the HKICPA, the Institute of Chartered Secretaries and Administrators (now known as ICSA: The Governance Institute), the Hong Kong Institute of Chartered Secretaries, and the HKIoD. Mr. YU is also a Chartered Professional Accountant, Canada. Mr. YU is also accredited as an authorised supervisor by HKICPA to train prospective members of the institute. Mr. YU has more than 30 years of working experience with multi-national and Hong Kong listed companies as well as the Hong Kong Inland Revenue Department, in the areas of finance, business control, auditing and tax.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 195, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment on working capital sufficiency
- Provision for tax positions
- Disposal of finance lease receivables
- Classification of lease

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on Working Capital Sufficiency	
Refer to note 2.1(a) to the consolidated financial statements As at 31 December 2016, the Group had capital commitments amounting to HK$35,449.0 million, mainly relating to acquisition of aircraft, of which HK$5,043.1 million was payable within one year. The directors focus on the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The Group has prepared detailed cash flow projections. The Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 31 December 2016 and therefore continue as a going concern. The directors' forecasts are based on a number of assumptions including the aircraft delivery and leasing schedule, available financing resources that have been granted or will be granted and the amount of capital commitments. We focused on this matter because the preparation of cash flow forecasts require the directors to make significant judgement.	We obtained the Group' cash flow forecasts, which covered a period of not less than twelve months from 31 December 2016. We focused on the key assumptions made in those cash flow forecasts, in particular the forecast aircraft delivery schedule, available financing resources and capital commitments. To test the aircraft delivery and leasing schedule, we examined aircraft purchase agreements entered by the Group and the aircraft manufacturer; and lease agreements or letters of intent entered by the Group and airlines companies. To test available financing resources, we obtained independent confirmations from relevant financial institutions, examined loan agreements or letters of intent issued by financial institutions during the year. We confirmed the Group's year end cash and cash equivalents, and borrowing balances by obtaining independent cash confirmations from the financial institutions. To test the amount of capital commitments, we examined aircraft purchase agreements entered by the Group and aircraft manufacturer. We compared the actual outcome with the budget of the year 2016. We performed sensitivity analysis over the assumptions with uncertainty contained in the cash flow forecasts to ascertain the extent of change that would make the Group incapable of meeting its ongoing liabilities as they fall due. Based on the work performed, the directors' assumptions of the cash flow forecasts are supported by available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for tax positions Refer to note 4.1(a) and note 27 to the consolidated financial statements As at 31 December 2016, current income tax liabilities were HK$43.3 million and deferred income tax liabilities were HK$332.8 million. We focused on this area because the Group was subject to taxation in many jurisdictions and, in many cases, the ultimate tax treatment was not determined until concluded with the relevant tax authority. Consequently, the directors were required to exercise significant judgement in determining the appropriate amount of tax provisions based on the key underlying assumptions, including the profit forecast and the estimated realisable values of the aircraft at the end of lease terms.	We recalculated the directors' valuations of tax provisions and determined whether the calculations were in line with the Group's tax policies and had been applied consistently. We evaluated the key underlying assumptions, including the profit forecast and the estimated realisable values of the aircraft at the end of lease terms by checking the lease agreements and testing the calculation of depreciation and estimated realisable values. We examined the correspondence between the Group and the relevant tax authorities and between the Group and its external advisers. We made reference to the taxation law of the relevant tax jurisdictions and other similar taxation matters to assess the available evidence and the provision made by the directors. Based on the work performed, the provisions were supported by available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Disposal of finance lease receivables	
Refer to note 2.8, note 4.2(b) and note 22 to the consolidated financial statements	We examined all relevant documents entered into by the CALC SPCs and relevant trusts.
Certain wholly-owned subsidiaries of the Group (collectively "the CALC SPCs") signed contracts with trust plans, pursuant to which, the CALC SPCs transferred to the trust plans their future aircraft finance lease receivables under their separate aircraft leasing agreements with airline companies.	We evaluated the directors' assessment on derecognition of finance lease receivables. We independently assessed the risk and rewards to be borne and received by the Group after disposal of the finance lease receivables and reconciled our assessment with the directors' assessment.
The Group assessed that it did not control the trust plans as the Group did not have the power to direct the relevant activities of the trust plans.	We evaluated the directors' assessment on consolidation of trust plans by inspecting their analysis of powers when assessing the control over the trust plans.
The directors assessed the Group had transferred substantially all the risks and rewards related to the lease receivables to the trust plans, so the corresponding finance lease receivables were derecognised.	Based on the work performed, the directors' assessments were supported by available evidence.
We focused on this matter because the assessment of whether derecognition criteria were met involved significant judgement.	

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of leases	
Refer to note 2.20 and note 4.2(a) to the consolidated financial statements The classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership to the lessee depends on an assessment of the relevant arrangements relating to the lease. The Group takes several factors into consideration when determining the classification of leases, which include: — whether the present value of the minimum lease payments (which include lease payments and residual values guaranteed by third parties) amounts to at least substantially all of the fair value of the lease aircraft at the inception of the lease term. — whether the term of the aircraft lease represents the major part of the economic life of an aircraft. We focused on this matter because the classification of leases required the directors to make significant judgement.	We compared the lease periods, lease rental amounts to those stated in the lease agreements entered by the Group and lessees. We also evaluated the directors' assessment on economic life of the aircraft and estimated residual values of the aircraft at the end of the lease terms. We examined the amount of guaranteed residual values by checking the insurance agreements entered into by the Group and relevant third parties. We tested the calculation of the present value of the minimum lease payments. Based on the work performed, the directors' assessments were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in Financial Highlights and Five-year Financial Summary, Chairman Statement, Management Discussion and Analysis, Corporate Governance Report, Risk Management Report and Report of the Directors, which we obtained prior to the date of this auditor's report, and Company Profile, Major Achievements, Environmental, Social and Governance Report, CEO Statement and Corporate Information, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read Company Profile, Major Achievements, Environmental, Social and Governance Report, CEO Statement and Corporate Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Sai Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2017

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
ASSETS			
Property, plant and equipment	5	**6,214,103**	2,412,544
Interests in and loans to an associate	6	**444,369**	—
Finance lease receivables — net	7	**15,030,972**	16,473,038
Derivative financial assets	19	**131,113**	19,439
Prepayments and other receivables	8	**3,062,797**	3,444,332
Restricted cash	9	**176,087**	208,387
Cash and cash equivalents	10	**5,840,746**	1,389,289
Total assets		**30,900,187**	23,947,029
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**66,990**	60,592
Reserves	12	**1,839,694**	1,437,497
Retained earnings		**1,136,662**	690,452
		3,043,346	2,188,541
Non-controlling interests		**—**	19,461
Total equity		**3,043,346**	2,208,002
LIABILITIES			
Deferred income tax liabilities	13	**332,824**	122,132
Bank borrowings	14	**17,834,742**	18,775,249
Long-term borrowings	15	**2,346,110**	794,221
Medium-term notes	16	**740,126**	400,547
Convertible bonds	17	**292,706**	796,506
Bonds	18	**4,611,878**	—
Derivative financial liabilities	19	**14,973**	32,103
Income tax payables		**43,274**	37,654
Interest payables		**153,392**	73,303
Other payables and accruals	20	**1,486,816**	707,312
Total liabilities		**27,856,841**	21,739,027
Total equity and liabilities		**30,900,187**	23,947,029

The notes on pages 111 to 195 are an integral part of these consolidated financial statements.

The financial statements on pages 104 to 195 were approved by the Board of Directors on 24 March 2017 and were signed on its behalf.

CHEN Shuang	**POON Ho Man**
Director	*Director*

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Revenue			
Finance lease income	21	**1,163,127**	1,015,395
Operating lease income	21	**416,041**	223,881
		1,579,168	1,239,276
Other income	22	**868,984**	310,026
Revenue and other income		**2,448,152**	1,549,302
Expenses			
Interest expenses	23	**(1,029,282)**	(753,691)
Depreciation	5	**(163,982)**	(91,298)
Other operating expenses	24	**(399,486)**	(223,258)
		(1,592,750)	(1,068,247)
Operating profit		**855,402**	481,055
Share of loss of an associate	6	**(7,364)**	—
Other gains/(losses)	26	**44,071**	(814)
Profit before income tax		**892,109**	480,241
Income tax expenses	27	**(253,694)**	(100,031)
Profit for the year		**638,415**	380,210
Profit attributable to:			
Owners of the Company		**638,415**	380,165
Non-controlling interests		**—**	45
		638,415	380,210
Earnings per share for profit attributable to owners of the Company (expressed in HK$ per share)			
— Basic earnings per share	28(a)	**1.009**	0.636
— Diluted earnings per share	28(b)	**0.984**	0.624

The notes on pages 111 to 195 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Profit for the year		**638,415**	380,210
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss			
Share of reserves of an associate		**(7,799)**	—
Cash flow hedges	19	**100,325**	6,578
Currency translation differences		**(3,313)**	(795)
Total other comprehensive income for the year, net of tax		**89,213**	5,783
Total comprehensive income for the year		**727,628**	385,993
Total comprehensive income for the year attributable to:			
Owners of the Company		**727,628**	385,948
Non-controlling interests		**—**	45
		727,628	385,993

The notes on pages 111 to 195 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000	Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2015	58,578	1,273,531	429,171	1,761,280	19,416	1,780,696
Comprehensive income						
Profit for the year	—	—	380,165	380,165	45	380,210
Other comprehensive income						
Cash flow hedges (Note 19)	—	6,578	—	6,578	—	6,578
Currency translation differences	—	(795)	—	(795)	—	(795)
Total comprehensive income	—	5,783	380,165	385,948	45	385,993
Transactions with owners						
Share option scheme:						
— Value of services (Note 12(a))	—	12,182	—	12,182	—	12,182
— Issue of new shares from exercise of share options (Note 11(b))	2,014	29,460	—	31,474	—	31,474
Convertible bonds — equity component (Note 17)	—	116,541	—	116,541	—	116,541
Dividends	—	—	(118,884)	(118,884)	—	(118,884)
Total transactions with owners	2,014	158,183	(118,884)	41,313	—	41,313
Balance as at 31 December 2015	60,592	1,437,497	690,452	2,188,541	19,461	2,208,002

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000	Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2016	60,592	1,437,497	690,452	2,188,541	19,461	2,208,002
Comprehensive income						
Profit for the year	—	—	638,415	638,415	—	638,415
Other comprehensive income						
Share of reserves of an associate	—	(7,799)	—	(7,799)	—	(7,799)
Cash flow hedges (Note 19)	—	100,325	—	100,325	—	100,325
Currency translation differences	—	(3,313)	—	(3,313)	—	(3,313)
Total comprehensive income	—	89,213	638,415	727,628	—	727,628
Transactions with owners						
Issue of new shares (Note 11(a))	4,000	315,991	—	319,991	—	319,991
Share option scheme:						
— Value of services (Note 12(a))	—	7,915	—	7,915	—	7,915
— Issue of new shares from exercise of share options (Note 11(b))	2,398	68,495	—	70,893	—	70,893
Repurchase of convertible bonds (Note 17)	—	(79,378)	12,773	(66,605)	—	(66,605)
Purchase of non-controlling interests (Note 12(b))	—	(39)	—	(39)	(19,461)	(19,500)
Dividends (Note 29)	—	—	(204,978)	(204,978)	—	(204,978)
Total transactions with owners	6,398	312,984	(192,205)	127,177	(19,461)	107,716
Balance as at 31 December 2016	66,990	1,839,694	1,136,662	3,043,346	—	3,043,346

The notes on pages 111 to 195 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit after income tax		**638,415**	380,210
Adjustments for:			
— Depreciation		**163,982**	91,298
— Interest expenses		**1,029,282**	753,691
— Share-based payments		**7,915**	12,182
— Unrealised currency exchange (gain)/loss		**(2,089)**	7,426
— Fair value (gains)/losses on interest rate and currency swaps	19	**(27,913)**	2,042
— Gain on disposal of Aircraft Recycling International Limited ("ARI") Group	31(e)	**(8,731)**	—
— Loss on repurchase of convertible bonds	17	**39**	—
— Share of loss of an associate		**7,364**	—
— Interest income		**(34,240)**	(1,728)
		1,774,024	1,245,121
Changes in working capital:			
— Finance lease receivables — net		**1,217,008**	(4,906,045)
— Prepayments and other receivables		**121,987**	8,622
— Other payables and accruals		**760,676**	272,570
— Income tax payables		**5,620**	15,663
— Deferred income tax liabilities		**212,944**	56,120
Net cash flows generated from/(used in) operating activities		**4,092,259**	(3,307,949)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,669,249)**	(800,333)
Deposit for purchase of land use rights		**—**	(195,231)
Deposits refund for acquisition of aircraft		**80,910**	296,017
Interest received		**15,435**	1,728
Proceed from disposal of ARI Group	31(e)	**322,840**	—
Payments relating to interests in and loans to an associate		**(469,569)**	—
Net cash flows used in investing activities		**(3,719,633)**	(697,819)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Cash flows from financing activities		
Proceeds from issue of new shares	**390,884**	31,474
Proceeds from bank borrowings and long-term borrowings	**9,577,342**	9,267,454
Issue of convertible bonds, net of transaction costs	**—**	876,676
Issue of medium-term notes, net of transaction costs	**384,680**	422,674
Issue of bonds, net of transaction costs	**4,608,628**	—
Repayments of bank borrowings and long-term borrowings	**(8,999,729)**	(5,682,180)
Purchase of non-controlling interests	**(19,500)**	—
Repurchase of convertible bonds, including transaction costs	**(591,014)**	—
Interest paid in respect of derivative financial instruments	**(30,950)**	(36,102)
Interest paid in respect of borrowings, notes and bonds	**(1,029,233)**	(781,105)
Decrease in deposits pledged in respect of bank borrowings	**59,872**	32,491
Increase in deposits pledged in respect of derivative financial instruments	**(33,462)**	(26,519)
Dividend paid to shareholders	**(204,232)**	(118,884)
Net cash flows generated from financing activities	**4,113,286**	3,985,979
Net increase/(decrease) in cash and cash equivalents	**4,485,912**	(19,789)
Cash and cash equivalents at beginning of the year	**1,389,289**	1,425,570
Currency exchange difference on cash and cash equivalents	**(34,455)**	(16,492)
Cash and cash equivalents at end of the year	**5,840,746**	1,389,289

The notes on pages 111 to 195 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. The address of the Company's registered office is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 July 2014 (the "Listing").

The Company is an investment holding company and its subsidiaries are principally engaged in the aircraft leasing business. The Company and its subsidiaries (together, "the Group") has operations mainly in Mainland China and other countries or regions in Europe and Asia.

The consolidated financial statements for the year ended 31 December 2016 are presented in Hong Kong Dollar ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern

As at 31 December 2016, the Group had capital commitments amounting to HK$35,449.0 million, mainly relating to acquisition of aircraft (Note 32(b)), of which HK$5,043.1 million is payable within one year. In view of such circumstance, the directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

— The Group uses short-term borrowings to finance the pre-delivery payments ("PDP") to the aircraft manufacturer when new aircraft ordered by the Group are being built. PDP represents approximately 30% to 40% of the purchase consideration of the aircraft. The Group normally uses PDP financing for settlement of PDP, repayable after the aircraft is delivered. As at 31 December 2016, PDP amounting to HK$2,862.8 million had been paid (Note 8) and the balance of the corresponding PDP financing amounted to HK$2,236.9 million (Note 14), of which HK$1,478.8 million is repayable within one year and is related to aircraft to be delivered in the next twelve months from 31 December 2016. The Group uses long-term aircraft borrowings for the repayment of PDP financing and the settlement of the balance payments of aircraft acquisition costs. However, the long-term aircraft borrowings can only be confirmed shortly before delivery of the relevant aircraft. Based on industry practice and prior experience, long-term aircraft borrowings will be granted by the banks if the aircraft can be leased out to airline companies. For the aircraft scheduled for delivery in the next twelve months from 31 December 2016, lease agreements or letters of intent have already been signed. Thus the directors of the Company believe that long-term aircraft borrowings can be obtained, internal resources or available banking facilities can be used to settle PDP financing and the balance payments of the aircraft acquisition costs due in the next twelve months from 31 December 2016.

— According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 31 December 2016 amounted to HK$1,134.5 million. As at the approval date of the consolidated financial statements, the Group had signed PDP financing agreements with various commercial banks which have agreed to provide financing of US$58.0 million (equivalent to approximately HK$450.0 million) to the Group in the next twelve months from 31 December 2016. The remaining balance of PDP amounting to HK$684.5 million is to be funded by internal resources, available banking facilities or additional financing.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern (continued)

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

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

— As at 31 December 2016, the Group had cash and cash equivalents amounting to HK$5,840.7 million. On 8 March 2017, the Group issued bonds amounting to US$500.0 million (equivalent to HK$3,877.2 million) (Note 35).

The directors of the Company have reviewed the Group's cash flow forecasts prepared by management, covering a period of not less than twelve months from the balance sheet date. The forecasts are based on a number of assumptions including aircraft delivery and leasing schedule, internal resources, available banking facilities that have been granted or will be granted and the amount of capital commitments. Based on these projections, the sufficiency of cash flows for the Group's present requirements for the next twelve months from 31 December 2016 is dependent on the Group's ability to obtain the necessary funding from the long-term aircraft borrowings and the availability of banking and other sources of financing. Based on the industry practice and prior experience, the directors are of the view that long-term aircraft borrowings can be obtained as the related lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in 2017.

On this basis, the directors of the Company are of the opinion that, taking into account the Group's operating performance and business prospects, internal resources, available banking facilities that have been granted or will be granted as detailed above, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 31 December 2016. Accordingly, the directors consider that the Group will be in a position to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Changes in accounting policy and disclosure

(i) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to HKFRS 11;
- Clarification of acceptable methods of depreciation and amortisation — Amendments to HKAS 16 and HKAS 38;
- Annual improvements to HKFRSs 2012 — 2014 cycle; and
- Disclosure initiative — amendments to HKAS 1

The adoption of these amendments did not have any financial impact on the current year or any prior year.

(ii) 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 2016 and have not been early 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"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed under HKFRS 9.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, "Revenue from contracts with customers"

HKFRS 15 replaces the previous revenue standards: IAS 18 "Revenue" and IAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. The directors of the Company have performed a preliminary assessment. Based on this assessment, it is noted that HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognize revenue when performance obligation is satisfied.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date. The financial impacts of the application of the standard and a reasonable estimate of the effect will be available once the detailed review is completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

HKFRS 16, "Leases"

HKFRS 16 will result in virtually all leases being recognised on the balance sheet for the lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$41.8 million, see Note 32(c). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

(a) Consolidation

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

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(a) Consolidation *(continued)*

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

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

(b) Separate financial statement

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

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

(c) Structured entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

2.6 Property, plant and equipment

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

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

During the year ended 31 December 2016, other than loans and receivables and derivatives at fair value through profit or loss, the Group did not hold any financial assets in other categories.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

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

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

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

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

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

2.9 Offsetting financial instruments

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

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

As at 31 December 2016, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements were not material to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Impairment of financial assets carried at amortised cost

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Derivative financial instruments and hedging activities

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

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

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

Cash flow hedges

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Cash and cash equivalents

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

2.13 Share capital

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

2.14 Borrowings and borrowing costs

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

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

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

Other borrowing costs are expensed as incurred.

2.15 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares of the Company at the option of the holders, and the number of shares to be issued does not vary with changes in their fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Compound financial instruments *(continued)*

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

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

When the Group extinguishes the compound financial instruments through an early redemption in condition that the original conversion privileges are unchanged, the Group allocates the consideration paid (including any transaction costs) to the instrument's liability and equity components at the date of redemption. In making the allocation, the Group used the same methodology (using current market data) that was used in the original allocation of proceeds received from the issue of compound financial instruments between the separate components on the initial recognition. Once the allocation of the consideration has been made, any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows:

— The difference between the consideration allocated to the liability component and its carrying value is recognised in profit or loss.

— The difference between the consideration allocated to the equity component and its carrying value is recognised in equity. The resulting balance relating to the equity component is transferred to retained earnings.

2.16 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Current and deferred income tax *(continued)*

(b) Deferred income tax

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

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

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits

(a) Employee leave entitlements

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

(b) Pension obligations

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

(c) Profit-sharing and bonus plan

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

2.18 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Share-based payments *(continued)*

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

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

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

(b) Share-based payment transactions among group entities

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

2.19 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases

(a) Where the Group is the lessor

Finance lease

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

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

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

See Notes 2.8 and 2.10 for accounting policies for derecognition and impairment of finance lease receivables.

Operating lease

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases *(continued)*

(b) Where the Group is the lessee

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

2.21 Revenue and income recognition

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

(a) Finance lease income

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

(b) Operating lease income

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

(c) Interest income

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

(d) Service income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Government grants

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

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

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

2.23 Financial guarantee contracts

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

Where a financial guarantee in relation to borrowings or other payables of subsidiaries is provided for no compensation, its fair values is accounted for as an equity contributions and recognised as part of the cost of the investment in subsidiaries in the financial statements of the Company.

2.24 Dividend distribution

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

2.25 Segment information

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Market risk

(a) *Currency exchange risk*

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

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

The Group's interest rate risk mainly arises from finance lease receivables, bank borrowings, bonds and medium-term notes. Finance lease receivables and bank borrowings at floating rates expose the Group to cash flow interest rate risk. Finance lease receivables, bank borrowings, bonds and medium-term notes at fixed rates expose the Group to fair value interest rate risk.

The Group's primary objective is to manage cash flow interest rate risk.

The Group manages the cash flow interest rate risk by matching the interest rates of aircraft leases with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the leases and the corresponding bank borrowings do not match. As at 31 December 2016, there are 39 aircraft where the effective interest rates implicit in leases and the associated bank borrowings do not match (2015: 30 aircraft). Given the above scenario, the Group has managed its cash flow interest rate risk by entering into 26 floating-to-fixed interest rate swaps for the associated bank borrowings as at 31 December 2016 (2015: 13 swaps). Such interest rate swaps have the economic effect of converting bank borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference in the amount of interest between the fixed rate and the floating rate calculated by reference to the agreed notional amounts. For the remaining cases of interest rate mismatch, the Group monitors the interest rate exposure closely and will consider hedging the exposure where necessary and appropriate.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk *(continued)*

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

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 31 December 2015 and 2016. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax by approximately HK$19,937,000 (2015: HK$17,093,000); and would also have increased/decreased the Group's reserves by approximately HK$104,493,000 (2015: HK$48,854,000), because of the impact of cash flow hedge interest derivatives.

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

3.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in economy, or in the health of the industry segment that represents a concentration in the Group's portfolio (see (d) below), could result in losses that are different from those provided for at the balance sheet date. The Group therefore carefully manages its exposure to credit risk. Credit exposures of the Group arise principally in aircraft leasing service.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.2 Credit risk (continued)

The Group implements its industry risk management system according to its plan based on actual situation with focus on industry research, counterparty credit rating, and understanding of the lessee's operations, financial condition as well as their shareholders' support. The Group also obtained deposits from the lessees (Note 20). All these strengthen the control and management of credit risk.

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

(a) Probability of default

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

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

(b) Risk limit control and mitigation policies

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

(c) Impairment allowance policies

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

The Group's policy requires a review of the financial statements of the lessee or its parent company and a valuation of the residual value of the aircraft (effectively the collateral held) under the lease regularly as circumstances require. Follow-up actions are carried out on overdue amounts to minimise credit risk exposures.

When there is overdue amounts, provision for impairment allowance is considered based on a number of factors, such as the background of the lessees and their creditworthiness, economic conditions and the value of underlying rental deposits received from the lessees. As at 31 December 2016, no impairment allowance was made for lease rental receivables and financial assets of the Group (2015: Nil).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.2 Credit risk (continued)

(d) *Concentration of credit risk*

During the year ended 31 December 2016, the lessees of the Group are airline companies located in Europe, Mainland China and other countries or regions in Asia. Please see Note 7 and Note 21 for an analysis of lease receivables and lease income by airline companies. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased asset.

To manage this risk, the Group assesses the business performance of the airline companies on a regular basis. In view of the fact that the airline companies are operating smoothly and the sound collection history of the receivable due from them, management believes that the credit risk inherent in the Group's outstanding finance lease receivable balances (Note 7) and operating lease receivables (Note 32(d))from these airline companies is low.

3.1.3 Liquidity risk

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Current assets		
Finance lease receivables — net	**327,675**	515,273
Prepayments and other receivables	**14,577**	114,563
Loans to an associate	**441,985**	—
Cash and cash equivalents	**5,840,746**	1,389,289
	6,624,983	2,019,125
Current liabilities		
Deferred income tax liabilities	**22,061**	—
Bank borrowings	**4,422,976**	3,411,695
Long-term borrowings	**1,246**	784
Convertible bonds	**2,017**	10,092
Derivative financial liabilities	**23,405**	—
Income tax payables	**43,274**	37,654
Interest payables	**153,392**	73,303
Other payables and accruals	**974,254**	358,818
	5,642,625	3,892,346
Net current assets/(liabilities)	**982,358**	(1,873,221)

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk (continued)

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2016					
Financial assets					
Finance lease receivables (i)	1,317,014	1,316,599	3,839,951	11,608,091	18,081,655
Loans to an associate	441,985	—	—	—	441,985
Other receivables excluding prepayments	13,638	—	5,704	—	19,342
Restricted cash	—	—	—	176,087	176,087
Cash and cash equivalents	5,840,746	—	—	—	5,840,746
Off-balance sheet — operating lease receivables (ii)	653,183	630,716	1,715,991	2,181,319	5,181,209
Derivative financial instruments	(7,440)	15,381	97,621	32,929	138,491
	8,259,126	1,962,696	5,659,267	13,998,426	29,879,515
Financial liabilities					
Bank borrowings	5,089,568	2,045,429	4,691,642	10,001,283	21,827,922
Long-term borrowings	165,036	149,284	457,844	3,136,819	3,908,983
Medium-term notes	40,131	40,131	844,095	—	924,357
Convertible bonds	20,171	320,405	—	—	340,576
Bonds	251,239	251,239	5,063,170	—	5,565,648
Other payables and accruals (iii)	426,457	24,051	46,364	190,420	687,292
Off-balance sheet — operating lease commitments (iv)	20,109	13,014	6,681	1,950	41,754
Derivative financial instruments	16,084	3,397	(2,767)	(1,987)	14,727
	6,028,795	2,846,950	11,107,029	13,328,485	33,311,259
Net	2,230,331	(884,254)	(5,447,762)	669,941	(3,431,744)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk (continued)

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk *(continued)*

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

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

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

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

The Group has arranged PDP financing to support its financing needs for the PDP. Such PDP financing will be replaced by aircraft project loan upon the delivery of the aircraft as scheduled. As at 31 December 2016, the Group has made PDP amounting to HK$2,862,803,000 (2015: HK$2,942,155,000). PDP is prepayments in nature which do not represent contractual cash inflows and thus are not included in the analysis of the remaining contractual maturities above. The balance of PDP financing amounted to HK$2,236,897,000 as at 31 December 2016 (2015: HK$2,063,645,000). The analysis above includes the remaining contractual maturities of PDP financing.

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

3.1.4 Unconsolidated structured entities and transferred finance lease receivables

Certain wholly-owned subsidiaries of the Group (collectively "the CALC SPCs") signed contracts with trust plans, pursuant to which, the CALC SPCs transferred to the trust plans their future aircraft finance lease receivables under their separate aircraft leasing agreements with airline companies. The gross, undiscounted amount of the finance lease receivables due and payable up to the end of lease terms of the aircraft leasing agreements ("undiscounted amount"), the discounted carrying amount of these finance receivables at the date of the transfer ("discounted amount") and the consideration for the transfer ("consideration") for the year ended 31 December 2016 are set out below.

	Undiscounted amount HK$'000	Discounted amount HK$'000	Consideration HK$'000
For the year ended 31 December 2016	**4,518,756**	**3,163,276**	**3,936,758**
For the year ended 31 December 2015	586,133	402,666	463,986

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

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

The trust plans also appointed the CALC SPCs as the service agent to collect the lease rentals from the airline companies. The services to be provided include maintaining relationship with the airline companies, collecting of rental on behalf the trust plan, following up assessments of the lease item, inquiring and reporting on lease rentals collection. CALC SPCs recognised service fee income over the lease servicing period. For the year ended 31 December 2016, service fee income of HK$344,000 (2015: HK$218,000) was included in Group's other income.

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

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

	Unconsolidated structured entities			
	Size	Funding provided by the Group (Note (i))	Group's maximum exposure (Note (ii))	Interest held by Group
	HK$'000	HK$'000	HK$'000	
As at 31 December 2016	**5,475,770**	**3,386**	**121,621**	**Service fee**
As at 31 December 2015	2,314,345	6,008	121,560	Service fee

Note:

(i) The beneficiary of one of the trust plans has signed a currency swap arrangement with a bank to hedge its currency exposures arising from transfer of the lease rentals during the period from 27 February 2014 to 27 November 2023. The Group has placed a pledged deposit of HK$3,386,000 (2015: HK$6,008,000) to the bank in respect of this currency swap on behalf of the trust plan as at 31 December 2016 (Note 9). The Group does not need to bear any foreign exchange risk on this currency swap arrangement as the contract was signed between the beneficiary of the trust plan and the bank.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.4 Unconsolidated structured entity and transferred finance lease receivables *(continued)*

(ii) The Group converted the USD lease rentals received on behalf of one of the trust plans during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement includes a derivative — a currency swap contract. The notional principal of this currency swap contract amounted to US$15,684,000 (equivalent to HK$121,621,000). As at 31 December 2016, the fair value of this currency swap contract amounted to HK$24,186,000 (2015: HK$16,148,000) and the fair value gain of HK$8,038,000 was recognised in "Other gains/(losses)" for the year ended 31 December 2016 (2015: gain of HK$1,183,000) (Note 19(a)).

Apart from that disclosed above, the Group did not provide financial or other support to the trust plan as at 31 December 2016. The Group has no current intentions to provide, or assist in the provision of, financial or other support in any future period.

3.2 Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, raise new debts, or adjust the amount of dividend paid to shareholders. No changes were made to the objectives, policies or processes for managing capital during the year ended 31 December 2016.

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Total liabilities	**27,856,841**	21,739,027
Total assets	**30,900,187**	23,947,029
Asset-liability ratio	**90.2%**	90.8%

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

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

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

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

Financial assets and financial liabilities measured at fair values

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2016				
Assets				
Currency swap	**—**	**24,186**	**—**	**24,186**
Interest rate swaps	**—**	**106,927**	**—**	**106,927**
	—	**131,113**	**—**	**131,113**
Liabilities				
Interest rate swaps	**—**	**14,973**	**—**	**14,973**
As at 31 December 2015				
Assets				
Currency swap	—	16,148	—	16,148
Interest rate swaps	—	3,291	—	3,291
	—	19,439	—	19,439
Liabilities				
Interest rate swaps	—	32,103	—	32,103

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

Financial assets and financial liabilities carried at amortised cost

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

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

	31 December 2016		31 December 2015	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Finance lease receivables – net	**15,030,972**	**17,678,164**	16,473,038	18,516,108
Bank borrowings	**17,834,742**	**18,840,630**	18,775,249	19,617,484
Long-term borrowings	**2,346,110**	**2,462,542**	794,221	887,854
Medium-term notes	**740,126**	**779,000**	400,547	400,547
Convertible bonds	**292,706**	**315,183**	796,506	796,506
Bonds	**4,611,878**	**4,772,383**	—	—

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

The fair values of bonds are the quoted price in the active market. Their fair values are considered to be of level 1 within the fair value hierarchy.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

4.1 Critical accounting estimates and assumptions

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

(a) *Income taxes and deferred tax*

The Group is subject to taxation in many jurisdictions and, in many cases, the ultimate tax treatment is not determined until concluded with the relevant tax authority. Consequently, the directors are required to exercise significant judgement in determining the appropriate amount of tax provisions based on the key underlying assumptions, including the profit forecast and the estimated realisable values of the aircraft at the end of lease terms. Since the settlement of the Group's tax position is subject to future negotiation with various tax authorities, the calculation of the provision are subject to inherent uncertainty.

In accordance with the corporate income tax laws in the People's Republic of China ("PRC"), a 5% or 10% withholding tax is levied on the dividend declared by the companies established in the PRC to their foreign investors starting from 1 January 2008. No deferred tax liability has been provided by the Group on the retained earnings of approximately HK$935,803,000 as at 31 December 2016 (2015: HK$590,270,000), expected to be retained by the subsidiaries in the PRC and not to be remitted out of the PRC in the foreseeable future.

(b) *Estimation of unguaranteed residual value on leased assets*

Unguaranteed residual value is a portion of the residual value of a leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor. The unguaranteed residual value of the aircraft at the inception of the lease is based on management's estimates with reference to valuation reports issued by independent valuers. Please refer to Note 7 for the unguaranteed residual values recognised at the end of each reporting period.

The estimation of unguaranteed residual value at the inception of the leases impacts the determination of unearned finance income. Subsequent to initial recognition, estimated unguaranteed residual values are reviewed regularly. If there is a reduction in the estimated unguaranteed residual value, the income allocation over the remaining lease term will be revised and the reduction in respect of net present value of unguaranteed residual value will be adjusted immediately in profit or loss. The directors of the Company are of the opinion that there had been no impairment in the carrying amount of the unguaranteed residual value as at 31 December 2016.

The residual value of each aircraft is estimated by management and reasonably supported by an aircraft industry publication providing aircraft valuation for general reference. The unguaranteed residual values of the aircraft under the 63 (2015: 57) finance leases as at 31 December 2016 were approximately HK$6,693,720,000 (2015: HK$6,142,055,000). A 5% decrease in the expected unguaranteed residual value from the management's current estimates would result in a decrease in profit before income tax for the year ended 31 December 2016 by approximately HK$19,350,000 (2015: HK$15,827,000).

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

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Impairment of non-financial assets

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

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

(d) Fair values of derivative financial instruments

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

(e) Recognition of share-based compensation expenses

The Company has granted share options. Binomial valuation model was used to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as the risk free interest rate, dividend yield, expected volatility, is required to be made by the directors in applying the Binomial valuation model (Note 12(a)).

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

4.2 Critical judgements in applying the Group's accounting policies

(a) Classification of leases

The Group has entered into certain aircraft leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased aircraft to the lessees, as the present values of the minimum lease payments (which include lease payments and residual values guaranteed by third parties) of the lease amount to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the aircraft from its consolidated balance sheet and has instead, recognised finance lease receivables (Note 7). Otherwise the Group includes the aircraft under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

(b) Disposal of finance lease receivables

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

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

The directors assessed the Group has transferred substantially all the risks and rewards related to the lease receivables to the trust plans, and thus the corresponding finance lease receivables were derecognised.

5 PROPERTY, PLANT AND EQUIPMENT

	Aircraft HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2015						
Cost	1,858,257	1,078	692	2,686	—	1,862,713
Accumulated depreciation	(153,901)	(818)	(577)	(722)	—	(156,018)
Net book amount	1,704,356	260	115	1,964	—	1,706,695
Year ended 31 December 2015						
Opening net book amount	1,704,356	260	115	1,964	—	1,706,695
Additions	791,229	3,462	—	2,231	15,397	812,319
Depreciation	(88,904)	(1,374)	(115)	(905)	—	(91,298)
Currency translation difference	(15,178)	21	—	(15)	—	(15,172)
Closing net book amount	2,391,503	2,369	—	3,275	15,397	2,412,544
As at 31 December 2015 and 1 January 2016						
Cost	2,631,830	4,522	692	4,890	15,397	2,657,331
Accumulated depreciation	(240,327)	(2,153)	(692)	(1,615)	—	(244,787)
Net book amount	2,391,503	2,369	—	3,275	15,397	2,412,544
Year ended 31 December 2016						
Opening net book amount	2,391,503	2,369	—	3,275	15,397	2,412,544
Additions	3,994,051	411	—	2,795	32,110	4,029,367
Depreciation	(161,731)	(777)	—	(1,474)	—	(163,982)
Disposal (Note 31(e))	—	—	—	(13)	(47,086)	(47,099)
Currency translation difference	(16,290)	(8)	—	(8)	(421)	(16,727)
Closing net book amount	6,207,533	1,995	—	4,575	—	6,214,103
As at 31 December 2016						
Cost	6,605,076	4,910	692	7,646	—	6,618,324
Accumulated depreciation	(397,543)	(2,915)	(692)	(3,071)	—	(404,221)
Net book amount	6,207,533	1,995	—	4,575	—	6,214,103

Lease rentals amounting to HK$416,041,000 relating to the lease of aircraft for the year ended 31 December 2016 are included in "operating lease income" in the consolidated statement of income (2015: HK$223,881,000).

6 INTERESTS IN AND LOANS TO AN ASSOCIATE

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Interests in an associate	**2,384**	—
Loans to an associate	**441,985**	—
	444,369	—

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Share of loss of an associate	**(7,364)**	—

As at 31 December 2016, the Group had direct interests in the following associate:

Name of entity	Country of incorporation	% of ownership interest	Measurement method
ARI	Cayman Islands	48%	Equity

Pursuant to the shareholders' loan agreement dated 6 April 2016, the loans to associate are unsecured, interest bearing at 4% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited which is accrued daily and payable in arrears at six monthly intervals from the date of issue of the loan note. The loan is repayable on demand.

There are no contingent liabilities relating to the Group's interests in the associate. As the result of the associate is not material to the Group, no summarised financial information of the associate is disclosed.

ARI is an investment holding company and its subsidiaries have operations mainly in the PRC principally engaged in the aircraft leasing and recycling business.

7 FINANCE LEASE RECEIVABLES — NET

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Finance lease receivables	**12,357,712**	15,970,062
Guaranteed residual values	**5,723,943**	5,123,495
Unguaranteed residual values	**6,693,720**	6,142,055
Gross investment in leases	**24,775,375**	27,235,612
Less: Unearned finance income	**(9,744,403)**	(10,762,574)
Net investment in leases	**15,030,972**	16,473,038
Less: Accumulated allowance for impairment (a)	**—**	—
Finance lease receivables — net	**15,030,972**	16,473,038

(a) The directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from airline companies is low. The Group has not encountered any 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 2016. Please refer to Note 3.1.2 for credit risk analysis in greater detail.

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Gross investment in finance leases	**24,775,375**	27,235,612
Less: Unguaranteed residual values	**(6,693,720)**	(6,142,055)
Minimum lease payments receivable	**18,081,655**	21,093,557
Less: Unearned finance income related to minimum lease payments receivable	**(6,390,192)**	(7,506,573)
Present value of minimum lease payments receivable	**11,691,463**	13,586,984

7 FINANCE LEASE RECEIVABLES — NET *(continued)*

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Gross investment in finance leases		
— Not later than 1 year	**1,317,014**	1,604,293
— Later than 1 year and not later than 5 years	**5,450,682**	6,879,054
— Later than 5 years	**18,007,679**	18,752,265
	24,775,375	27,235,612

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:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Present value of minimum lease payments receivable		
— Not later than 1 year	**563,904**	720,090
— Later than 1 year and not later than 5 years	**2,281,551**	3,146,287
— Later than 5 years	**8,846,008**	9,720,607
	11,691,463	13,586,984

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

	As at 31 December			
	2016		2015	
	HK$'000	**%**	HK$'000	%
Categorised by customer in term of lease receivables:				
Five largest airline companies	**10,098,289**	**67%**	11,288,283	69%
Other airline companies	**4,932,683**	**33%**	5,184,755	31%
Finance lease receivables — net	**15,030,972**	**100%**	16,473,038	100%

8 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
PDP (a)	**2,862,803**	2,942,155
Interest capitalised	**134,784**	94,198
Prepayments and receivables relating to aircraft acquisition	**44,928**	98,184
Deposit for land use rights (b)	**—**	195,231
Deposits paid	**6,210**	5,142
Others (c)	**14,072**	109,422
	3,062,797	3,444,332

(a) In 2012, the Group entered into aircraft purchase agreements with Airbus S.A.S for the acquisition of 36 aircraft for future lease projects. In 2014, the Group entered into additional aircraft purchase agreements with Airbus S.A.S for the acquisition of 100 aircraft. In December 2015 and January 2016, the Group entered into agreements with Airbus S.A.S. for acquisition of additional 4 aircraft which were executed in a form of amendment agreements to the aircraft purchase agreement signed in 2014. Such prepayments were made according to the payment schedules set out in the aircraft purchase agreements. The aircraft are to be delivered by 2022.

(b) In July 2015, the Group signed a land use right transfer agreement for purchase a plot of land of approximately 300,000 square metre in the Harbin Airport Economic Zone in the PRC for construction of an aircraft recycling centre. The land use right was transferred to an associate on 26 July 2016 with the disposal of ARI (Note 31(e)).

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

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
US$	**3,043,908**	3,225,503
RMB	**13,232**	211,531
HK$	**4,281**	3,626
Other currencies	**1,376**	3,672
	3,062,797	3,444,332

9 RESTRICTED CASH

	As At 31 December	
	2016	2015
	HK$'000	HK$'000
Pledged for secured bank borrowings for aircraft acquisition financing (Note 14)	**51,698**	119,214
Pledged for PDP financing (Note 14)	**—**	6,356
Pledged for letters of guarantee issued by a bank	**35,293**	24,555
Pledged for interest rate swap contracts (Note 19)	**85,710**	52,254
Pledged for a currency swap contract	**3,386**	6,008
	176,087	208,387

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
US$	**85,712**	123,665
RMB	**90,375**	84,722
	176,087	208,387

The average effective interest rate as at 31 December 2016 was 0.40% (2015: 0.32%).

10 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Cash at bank and on hand	**5,840,746**	1,389,289

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
US$	**5,174,771**	1,044,947
RMB	**533,551**	299,880
HK$	**129,736**	43,912
Other currencies	**2,688**	550
	5,840,746	1,389,289

The average effective interest rate as at 31 December 2016 was 0.45% (2015: 0.31%).

11 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Par value of each share	Number of issued shares	Share capital in HK$
Issued:			
As at 1 January 2015	HK$0.1	585,781,000	58,578,100
Issue of new shares from exercise of share options (b)	HK$0.1	20,142,800	2,014,280
As at 31 December 2015	HK$0.1	605,923,800	60,592,380
As at 1 January 2016	**HK$0.1**	**605,923,800**	**60,592,380**
Issue of new shares upon share subscription under general mandate (a)	**HK$0.1**	**40,000,000**	**4,000,000**
Issue of new shares from exercise of share options (b)	**HK$0.1**	**23,976,840**	**2,397,684**
As at 31 December 2016	**HK$0.1**	**669,900,640**	**66,990,064**

(a) On 26 August 2016, the Company entered into the subscription agreements with certain subscribers, independent third parties, for the subscriptions of an aggregate 40,000,000 shares at subscription price of HK$8.0 each, subject to a lock-up period of twelve months. The subscriptions were completed on 8 September 2016. The net proceeds from the subscriptions, after deducting the issuing cost, were approximately HK$319,991,000, of which HK$4,000,000 and HK$315,991,000 were credited to share capital and share premium respectively. The Company used the net proceeds for new aircraft acquisitions, financing the aircraft recycling centre, business expansion in aircraft and related business, and general corporate purposes which was same as the intended use as announced by the Company on 26 August 2016.

(b) During the year ended 31 December 2016, certain grantees exercised share options granted under share option schemes, resulting in 23,976,840 (2015: 20,142,800) new shares being issued, with total proceeds of HK$70,893,000 (2015: HK$31,474,000). The related weighted average share price at the time of exercise was HK$7.87 (2015: HK$10.75) per share. As at 31 December 2016, 853,380 (2015: 6,501,600) share options were exercisable.

12 RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Capital Reserve HK$000	Share-based payments HK$'000	Cash flow hedges HK$'000	Convertible bonds HK$'000	Currency translation differences HK$'000	Total HK$'000
Balance as at 1 January 2015	651,309	623,720	—	14,594	(19,441)	—	3,349	1,273,531
Cash flow hedges (Note 19)	—	—	—	—	6,578	—	—	6,578
Currency translation differences	—	—	—	—	—	—	(795)	(795)
Share option scheme:								
— Value of services (Note 12(a))	—	—	—	12,182	—	—	—	12,182
— Issue of new shares from exercise of share options (Note 11(b))	32,063	—	—	(2,603)	—	—	—	29,460
Convertible bonds — equity component (Note 17)	—	—	—	—	—	116,541	—	116,541
Balance as at 31 December 2015	683,372	623,720	—	24,173	(12,863)	116,541	2,554	1,437,497
Balance as at 1 January 2016	**683,372**	**623,720**	**—**	**24,173**	**(12,863)**	**116,541**	**2,554**	**1,437,497**
Share of reserves of an associate	**—**	**—**	**—**	**—**	**—**	**—**	**(7,799)**	**(7,799)**
Cash flow hedges (Note 19)	**—**	**—**	**—**	**—**	**100,325**	**—**	**—**	**100,325**
Currency translation differences	**—**	**—**	**—**	**—**	**—**	**—**	**(3,313)**	**(3,313)**
Issue of new shares (Note 11(a))	**315,991**	**—**	**—**	**—**	**—**	**—**	**—**	**315,991**
Share option scheme:								
— Value of services (Note 12(a))	**—**	**—**	**—**	**7,915**	**—**	**—**	**—**	**7,915**
— Issue of new shares from exercise of share options (Note 11(b))	**76,594**	**—**	**—**	**(8,099)**	**—**	**—**	**—**	**68,495**
Repurchase of convertible bonds (Note 17)	**—**	**—**	**—**	**—**	**—**	**(79,378)**	**—**	**(79,378)**
Purchase of non-controlling interests (Note 12(b))	**—**	**—**	**(39)**	**—**	**—**	**—**	**—**	**(39)**
Balance as at 31 December 2016	**1,075,957**	**623,720**	**(39)**	**23,989**	**87,462**	**37,163**	**(8,558)**	**1,839,694**

12 RESERVES *(continued)*

(a) Share-based payments

(i) Pre-IPO Share Option Scheme

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

During the year ended 31 December 2011, options to subscribe for 45,000,000 shares were granted by CALH to its directors and employees, FPAM, CE Aerospace and the consultants of the Group and were allocated to Tranche A and Tranche B as follows:

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

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

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

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

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

12 RESERVES *(continued)*

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

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

The following share options under the Pre-IPO Share Option Scheme were outstanding during the year and as at 31 December 2016:

			Number of shares under options					Price of the Company's shares				
								Exercise price (US$) per share			Immediately before the exercise date (Note c) (HK$) per share	
Name of grantees	Date of grant	Tranche	At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016	1/7/2015 to 30/6/2016	1/7/2016 to 30/6/2017	1/7/2017 to 26/3/2018		Exercise period
Substantial shareholders												
CE Aerospace	10 October 2011	A	660,000	—	(660,000)	—	—	0.177	0.195	0.215	7.87	26/3/2016 to 26/3/2018
			680,000	—	—	—	680,000	N/A	0.195	0.215		26/3/2017 to 26/3/2018
FPAM	10 October 2011	A	429,000	—	(429,000)	—	—	0.177	0.195	0.215	7.81	26/3/2016 to 26/3/2018
			442,000	—	—	—	442,000	N/A	0.195	0.215		26/3/2017 to 26/3/2018
Sub-total			2,211,000	—	(1,089,000)	—	1,122,000					
Connected persons												
Equal Honour Holdings Limited (Note a)	7 October 2011	A	4,950,000	—	(4,950,000)	—	—	0.177	0.195	0.215	7.31	26/3/2016 to 26/3/2018
			5,100,000	—	—	—	5,100,000	N/A	0.195	0.215		26/3/2017 to 26/3/2018
Sub-total			10,050,000	—	(4,950,000)	—	5,100,000					

12 RESERVES *(continued)*

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

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

			Number of shares under options					Price of the Company's shares: Exercise price (US$) per share			Price of the Company's shares: Immediately before the exercise date (Note c) (HK$) per share	
Name of grantees	**Date of grant**	**Tranche**	**At 1 January 2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2016**	**1/7/2015 to 30/6/2016**	**1/7/2016 to 30/6/2017**	**1/7/2017 to 26/3/2018**		**Exercise period**
Consultants												
Wealth Amass Limited (Note b)	10 October 2011	A	6,000,000	—	(6,000,000)	—	—	0.177	0.195	N/A	6.99	26/3/2015 to 26/3/2017
			4,000,000	—	(4,000,000)	—	—	0.177	0.195	N/A	7.63	26/3/2016 to 26/3/2017
Sub-total			10,000,000	—	(10,000,000)	—	—					
Senior management and other employees	10 October 2011	A	9,900	—	(9,900)	—	—	0.177	0.195	0.215	7.92	26/3/2015 to 26/3/2018
			306,900	—	(302,940)	(1,980)	1,980	0.177	0.195	0.215	7.82	26/3/2016 to 26/3/2018
			316,200	—	—	(2,040)	314,160	N/A	0.195	0.215		26/3/2017 to 26/3/2018
	30 December 2011	A	66,000	—	(66,000)	—	—	0.177	0.195	0.215	7.93	26/3/2016 to 26/3/2018
			68,000	—	—	—	68,000	N/A	0.195	0.215		26/3/2017 to 26/3/2018
Sub-total			767,000	—	(378,840)	(4,020)	384,140					
Total			**23,028,000**	**—**	**(16,417,840)**	**(4,020)**	**6,606,140**					

Note:

(a) Equal Honour Holdings Limited is wholly-owned by Mr. Poon Ho Man, a substantial shareholder of the Company and was appointed as a director of the Company on 19 January 2017.

(b) Amendment to the terms of share options granted to Wealth Amass Limited was approved by shareholders at the extraordinary general meeting of the Company held on 29 December 2014.

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

12 RESERVES *(continued)*

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

(ii) Post-IPO Share Option Scheme

First Post–IPO Share Option

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

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

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

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

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

Second Post–IPO Share Option

On 22 July 2016, options to subscribe for 26,240,000 shares (the "Second Post–IPO Share Option") with an exercise price of HK$8.80 per share were granted to certain directors of the Company and selected employees of the Group. The vesting of the Second Post–IPO Share Option in a connected person of the Company is conditional upon the achievement of her certain performance targets. Subject to the holders achieving individual performance targets, if any, opinions to subscribe for a maximum of 8,659,200 shares, 8,659,200 shares and 8,921,600 shares will become exercisable on and from 22 January 2017, 22 January 2018 and 22 January 2019 respectively and will expire on 21 July 2020.

Among the 26,240,000 shares under the Second Post-IPO Share Option, 17,400,000 shares were granted to the directors and the connected person of the Company.

The weighted average fair value of the Second Post–IPO Share Option on the grant date determined using Binomial valuation model was approximately HK$1.66 per option with total value of HK$43,661,305.

12 RESERVES *(continued)*

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

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

The following share options under the Post-IPO Share Option Scheme were outstanding during the year and as at 31 December 2016:

			Number of shares under options						Price of the Company's shares	
Name of grantees	Date of grant	Tranche	At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016	Exercise price (HK$) per share	Immediately before the exercise date (Note d) (HK$) per share	Exercise period
Consultants (Note a)	2 September 2014	A	10,825,000	—	(4,825,000)	(6,000,000)	—	6.38	8.49	1/2/2015 to 1/9/2016
			10,825,000	—	(1,975,000)	(8,850,000)	—	6.38	8.42	1/2/2016 to 1/9/2016
Sub-total			21,650,000	—	(6,800,000)	(14,850,000)	—			
Directors										
Chen Shuang	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
	22 July 2016	N/A	—	3,300,000	—	—	3,300,000	8.80		22/1/2017 to 21/7/2020
			—	3,300,000	—	—	3,300,000	8.80		22/1/2018 to 21/7/2020
			—	3,400,000	—	—	3,400,000	8.80		22/1/2019 to 21/7/2020
Liu Wanting	22 July 2016	N/A	—	990,000	—	—	990,000	8.80		22/1/2017 to 21/7/2020
			—	990,000	—	—	990,000	8.80		22/1/2018 to 21/7/2020
			—	1,020,000	—	—	1,020,000	8.80		22/1/2019 to 21/7/2020
Tang Chi Chun	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 RESERVES *(continued)*

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

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

			Number of shares under options					Price of the Company's shares		
Name of grantees	Date of grant	Tranche	At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016	Exercise price (HK$) per share	Immediately before the exercise date (Note d) (HK$) per share	Exercise period
Directors *(Continued)*										
Guo Zibin	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2015 to 1/9/2017
			66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Chen Chia-Ling	22 July 2016	N/A	—	66,000	—	—	66,000	8.80		22/1/2017 to 21/7/2020
			—	66,000	—	—	66,000	8.80		22/1/2018 to 21/7/2020
			—	68,000	—	—	68,000	8.80		22/1/2019 to 21/7/2020
Fan Yan Hok, Philip	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Nien Van Jin, Robert	2 September 2014	B	66,000	—	—	—	66,000	6.38		1/3/2016 to 1/9/2017
			68,000	—	—	—	68,000	6.38		1/3/2017 to 1/9/2017
Cheok Albert Saychuan	22 July 2016	N/A	—	66,000	—	—	66,000	8.80		22/1/2017 to 21/7/2020
			—	66,000	—	—	66,000	8.80		22/1/2018 to 21/7/2020
			—	68,000	—	—	68,000	8.80		22/1/2019 to 21/7/2020
Chow Kwong Fai, Edward	22 July 2016	N/A	—	66,000	—	—	66,000	8.80		22/1/2017 to 21/7/2020
			—	66,000	—	—	66,000	8.80		22/1/2018 to 21/7/2020
			—	68,000	—	—	68,000	8.80		22/1/2019 to 21/7/2020
Ng Ming Wah, Charles (Note b)	2 September 2014	B	66,000	—	(66,000)	—	—	6.38	7.75	1/3/2015 to 1/9/2017
			66,000	—	(66,000)	—	—	6.38	7.75	1/3/2016 to 1/9/2017
			68,000	—	—	(68,000)	—	6.38		1/3/2017 to 1/9/2017
Sub-total			1,068,000	13,600,000	(132,000)	(68,000)	14,468,000			

12 RESERVES *(continued)*

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

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

Name of grantees	Date of grant	Tranche	Number of shares under options: At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016	Price of the Company's shares: Exercise price (HK$) per share	Immediately before the exercise date (Note d) (HK$) per share	Exercise period
Connected Person										
Christina Ng (Note c)	22 July 2016	N/A	—	1,254,000	—	—	1,254,000	8.80		22/1/2017 to 21/7/2020
			—	1,254,000	—	—	1,254,000	8.80		22/1/2018 to 21/7/2020
			—	1,292,000	—	—	1,292,000	8.80		22/1/2019 to 21/7/2020
Sub-total			—	3,800,000	—	—	3,800,000			
Senior management and other employees	2 September 2014	B	227,700	—	(105,600)	(33,000)	89,100	6.38	9.31	1/3/2015 to 1/9/2017
			887,700	—	(521,400)	(132,000)	234,300	6.38	8.61	1/3/2016 to 1/9/2017
			914,600	—	—	(190,400)	724,200	6.38		1/3/2017 to 1/9/2017
	22 July 2016	N/A	—	2,917,200	—	(66,000)	2,851,200	8.80		22/1/2017 to 21/7/2020
			—	2,917,200	—	(66,000)	2,851,200	8.80		22/1/2018 to 21/7/2020
			—	3,005,600	—	(68,000)	2,937,600	8.80		22/1/2019 to 21/7/2020
Sub-total			2,030,000	8,840,000	(627,000)	(555,400)	9,687,600			
Total			**24,748,000**	**26,240,000**	**(7,559,000)**	**(15,473,400)**	**27,955,600**			

Note:

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

(b) Mr. Ng Ming Wah, Charles retired as a director of the Company with effect from the conclusion of the annual general meeting of the Company held on 17 May 2016.

(c) Ms. Christina Ng is the spouse of Mr. Poon Ho Man. Mr. Poon is a substantial shareholder of the Company and was appointed as a director of the Company on 19 January 2017.

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

12 RESERVES *(continued)*

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

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

	Pre-IPO Share Option Scheme	First Post-IPO Share Option Scheme		Second Post-IPO Share Option Scheme
		Tranche A	Tranche B	
Spot share price at the grant date	US$0.12	HK$5.66	HK$5.66	HK$8.31
Risk free rate	0.94%	0.38%	0.71%	0.63%
Dividend yield	17.50%	2.73%	2.73%	3.09%
Expected volatility	45.00%	41.06%	42.09%	34.94%
Suboptimal exercise factor	2.5	2.5	2.5	2.5

During the year ended 31 December 2016, the amounts of share-based compensation for consultants was adjusted by approximately HK$13,497,000 (2015: Nil) as certain share options to consultants were lapsed during the year as they did not meet the performance conditions to vest the share options. After such adjustment, the net amounts of share-based compensation recognised as expense with a corresponding credit to reserves of the Group during the year are as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Directors and employees	**20,823**	2,962
Consultants	**(12,908)**	9,220
	7,915	12,182

(b) Purchase of non-controlling interests

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

13 DEFERRED INCOME TAX LIABILITIES

The analysis of deferred tax liabilities is as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Deferred tax liabilities:		
— To be settled within 12 months	**22,061**	—
— To be settled after 12 months	**310,763**	122,132
	332,824	122,132

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

	Accelerated depreciation of leased assets HK$'000
Deferred tax liabilities	
As at 1 January 2015	67,161
Charged to profit or loss (Note 27)	56,120
Currency translation difference	(1,149)
As at 31 December 2015	122,132
As at 1 January 2016	**122,132**
Charged to profit or loss (Note 27)	**212,944**
Currency translation difference	**(2,252)**
As at 31 December 2016	**332,824**

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

As at 31 December 2016, certain subsidiaries of the Group had unused tax losses of approximately HK$566,910,000 (2015: HK$344,861,000) available to offset against future profits, for which deferred tax asset of HK$83,616,000 (2015: HK$50,582,000) had not been recognised as their future realisation is uncertain.

13 DEFERRED INCOME TAX LIABILITIES *(continued)*

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Year		
2016	**—**	3,340
2017	**4,291**	4,291
2018	**12,306**	12,306
2019	**12,750**	12,750
2020	**14,953**	14,953
2021	**49,672**	—
No expiry date	**472,938**	297,221
	566,910	344,861

14 BANK BORROWINGS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Secured bank borrowings for aircraft acquisition financing (a)	**15,131,613**	15,908,923
PDP financing (b)	**2,236,897**	2,063,645
Working capital borrowings (c)	**466,232**	802,681
	17,834,742	18,775,249

(a) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating USD LIBOR rates. As at 31 December 2016, the bank borrowings were secured by, in addition to other legal charges, all of the Group's aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group and pledge of deposits amounting to HK$51,698,000 (2015: HK$119,214,000).

(b) As at 31 December 2016, PDP financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group. There was no pledged deposit for PDP financing as at 31 December 2016 (2015: HK$6,356,000).

(c) As at 31 December 2016, the Group had aggregate unsecured working capital borrowings of HK$466,232,000 (2015: HK$802,681,000) from five banks (2015: four banks) which were guaranteed by certain companies of the Group.

14 BANK BORROWINGS *(continued)*

The borrowings are repayable as follows:

	As at 31 December 2016 HK$'000	2015 HK$'000
Within 1 year	**4,422,976**	3,411,695
Between 1 and 2 years	**1,491,163**	1,702,979
Between 2 and 5 years	**3,344,064**	3,481,454
Over 5 years	**8,576,539**	10,179,121
	17,834,742	18,775,249

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

	As at 31 December 2016 HK$'000	2015 HK$'000
Fixed-interest rate	**3,747,198**	6,669,105
Floating-interest rate	**14,087,544**	12,106,144
	17,834,742	18,775,249

The average effective interest rate as at 31 December 2016 of bank borrowings was 4.18% (2015: 4.67%). The carrying amounts of borrowings are principally denominated in USD.

The Group has the following undrawn borrowing facilities:

	As at 31 December 2016 HK$'000	2015 HK$'000
Floating rate:		
— Expiring within one year	**348,944**	85,003
— Expiring beyond one year	**1,353,529**	865,365
	1,702,473	950,368

15 LONG-TERM BORROWINGS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Borrowings from trust plans (a)	**2,195,235**	794,221
Other borrowings (b)	**150,875**	—
	2,346,110	794,221

(a) As at 31 December 2016, 21 borrowings (2015: seven borrowings) were provided by trust plans to 21 subsidiaries (2015: seven subsidiaries) of the Group. The effective average interest rates of the long-term borrowings range from 6.0% to 7.8% (2015: 6.2% to 7.8%) per annum for remaining terms of seven to 11 years (2015: eight to 11 years). These long-term borrowings are secured by the shares of, and the aircraft held by, the relevant subsidiaries and guaranteed by certain companies of the Group. The trust plans are also counterparties to the disposal of finance lease receivable transactions entered into with the relevant subsidiaries (Note 3.1.4).

(b) As at 31 December 2016, two borrowings (2015: Nil) were obtained through a structured financing arrangement for two aircraft delivered to airlines. The borrowings bear an effective interest rate of 5.7% per annum for their remaining terms of eight years and are guaranteed by the Company.

16 MEDIUM-TERM NOTES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Medium-term notes	**740,126**	400,547

In July 2015 and November 2016, a subsidiary of the Company issued five-year unsecured medium-term notes in a principal amount of RMB340.0 million (equivalent to approximately HK$406.0 million) due in 2020 and five-year unsecured medium-term notes in a principal amount of RMB330.0 million (equivalent to approximately HK$385.6 million) due in 2021, respectively. These notes bear coupon interest at 6.50% and 4.19% per annum, respectively.

17 CONVERTIBLE BONDS

	Liability HK$'000	Equity HK$'000	Total HK$'000
Par value of convertible bonds issued during 2015	773,456	118,714	892,170
Transaction costs during 2015	(13,321)	(2,173)	(15,494)
Carrying value on initial recognition	760,135	116,541	876,676
Interest accrued at effective interest rate during 2015	66,067	–	66,067
Interest paid (inclusive of arrangement fees) during 2015	(29,696)	–	(29,696)
Carrying value as at 31 December 2015 and 1 January 2016	**796,506**	**116,541**	**913,047**
Repurchase of convertible bonds during 2016	**(524,370)**	**(79,378)**	**(603,748)**
Interest accrued at effective interest rate during 2016	**70,289**	**–**	**70,289**
Interest paid (inclusive of arrangement fees) during 2016	**(49,719)**	**–**	**(49,719)**
Carrying value as at 31 December 2016	**292,706**	**37,163**	**329,869**

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

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

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

Interest expenses (Note 23) on the carrying amount of the liability component are accrued at the effective interest rate of 11.8% to 14.1% (inclusive of arrangement fees) to adjust the carrying amount of the liability component to its amortised cost, being the present value of the expected future cash flows relating to periodic interest payments and principal repayment at par value at the maturity date.

17 CONVERTIBLE BONDS *(continued)*

On 6 July 2016, the Company entered into separate agreements with China Huarong International Holdings Limited, Great Wall Pan Asia International Investment Co., Limited and China Everbright Financial Investments Limited to repurchase issued convertible bonds in the aggregate principal amount of HK$581,850,000 for an aggregate consideration of HK$590,578,000 plus the relevant interests and fees, of which principal amount of HK$77,580,000 was repurchased by the Company from China Everbright Financial Investments Limited. After the repurchase, the principal amount of convertible bonds held by China Everbright Financial Investments Limited was HK$310,320,000 and the interest expenses on the carrying amount of the liability component are accrued at the effective interest rate of 11.8%. Based on the fair value estimated and redemption expenses at the completion of repurchase on 25 July 2016, liability component of HK$524,370,000 and equity component of HK$79,378,000 were derecognised, of which HK$12,773,000 was realised and reclassified from convertible bonds reserve to retained earnings, and net loss of HK$39,000 was charged to "Other gains/(losses)".

18 BONDS

In May 2016 and August 2016, a subsidiary of the Company issued three-year US$300.0 million (equivalent to approximately HK$2,330.1 million) senior unsecured bonds due in 2019 and five-year US$300.0 million (equivalent to approximately HK$2,327.6 million) senior unsecured bonds due in 2021 respectively, which were listed on the Stock Exchange and guaranteed by the Company. The bonds bear coupon interest at 5.9% and 4.9% per annum, respectively, payable semi-annually. As at 31 December 2016, total carrying amount of these bonds was HK$4,611,878,000.

19 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Derivative financial assets		
— Currency swap (a) (Note 3.1.4)	**24,186**	16,148
— Interest rate swaps (b)	**106,927**	3,291
	131,113	19,439
Derivative financial liabilities		
— Interest rate swaps (b)	**14,973**	32,103

19 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

(a) CALC Baoli Limited ("CALC Baoli"), a wholly-owned subsidiary of the Group, signed a contract with an independent third party on 30 December 2013, pursuant to which CALC Baoli transferred its future aircraft finance lease receivables under an aircraft leasing agreement with an airline to a trust plan. CALC Baoli will convert the USD lease rentals received on behalf of the third party during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement constituted a derivative — a currency swap contract. The notional principal of this currency swap contract amounted to US$15,684,000 (equivalent to approximately HK$121,621,000). As at 31 December 2016, the fair value of this currency swap contract amounted to HK$24,186,000 (2015: HK$16,148,000) and the fair value gain of HK$8,038,000 was recognised in "Other gains/(losses)" for the year ended 31 December 2016 (2015: gain of HK$1,183,000). As at 31 December 2016, this arrangement was secured by a pledge deposit of HK$3,386,000 (2015: HK$6,008,000).

(b) As at 31 December 2016, the Group had 26 outstanding interest rate swap contracts (2015: 13 contracts) which will expire at various dates from 21 September 2018 to 21 December 2024 (2015: 21 September 2018 to 21 March 2024), to exchange floating interest rates from LIBOR into fixed interest rates in a range of 1.1% to 2.1% (2015: 1.5% to 2.1%). As at 31 December 2016, these interest rate swap contracts were secured by pledged deposits of HK$85,710,000 (2015: HK$52,254,000). Such pledged deposits can be used to settle the derivative financial liabilities under certain conditions.

(i) 21 outstanding interest rate swap contracts were accounted for as cash flow hedges, which were virtually fully effective during the year ended 31 December 2016 (2015: 12 contracts).

(ii) In December 2013, the Group terminated one interest rate swap contract with a realised gain of US$1,947,000 (equivalent to approximately HK$15,098,000). This realised gain was recognised in cash flow hedges reserve and will be progressively reclassified from equity to interest expense during the original interest repayment period of the hedged bank borrowing from 2014 to 2026. During the period from 1 January 2016 to 31 August 2016, the realised gain of HK$592,000 (2015: HK$1,184,000) was reclassified from cash flow hedges reserve to interest expense. On 31 August 2016, the hedged bank borrowing was fully repaid and the remaining balance of realised gain of HK$12,149,000 was reclassified from cash from hedge reserve to "Other gains/(losses)".

(iii) During the year ended 31 December 2016, the Group repaid four (2015: one) bank borrowings which was hedged by interest rate swaps. As a result, the hedges no longer met the criteria for hedge accounting and the cumulative fair value losses of HK$9,356,000 (2015: HK$3,028,000) were reclassified from cash flow hedges reserve to "Other gains/(losses)" upon the repayment of bank borrowings. During the year ended 31 December 2016, total five swaps did not meet the criteria for hedge accounting and total fair value gains of HK$7,726,000 (2015: loss of HK$3,225,000) was recognised to "Other gains/(losses)".

19 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Recognised in other comprehensive income		
— Change in fair value of interest rate swaps (b)(i)	**103,710**	4,734
— Reclassified from other comprehensive income to profit or loss (b)(ii) and (iii)	**(3,385)**	1,844
	100,325	6,578
Recognised in other gains/(losses) of profit or loss		
— Unrealised gain on currency swap (a)	**8,038**	1,183
— Realised gain on interest rate swap (b)(ii)	**12,149**	—
— Fair value gains/(losses) on interest rate swaps (b)(iii)	**7,726**	(3,225)
	27,913	(2,042)

20 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Deposits and fund received for lease and aircraft projects	**853,785**	424,386
Consultant and insurance premium payable	**125,342**	118,864
Business tax, value-added tax and withholding tax payables	**317,483**	90,293
Operating lease rentals received in advance	**61,906**	26,434
Amounts due to related parties (Note 31(f))	**2,974**	2,845
Others (including salary and bonus payable)	**125,326**	44,490
	1,486,816	707,312

21 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2016, the Group is engaged in a single business segment, provision of aircraft leasing services to airline companies in Mainland China and other countries or regions in Europe and Asia. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

For the year ended 31 December 2016, the Group leased aircraft to 16 (2015: 11) airline companies.

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

	Year ended 31 December			
	2016		2015	
	HK$'000	**%**	HK$'000	%
Categorised by customer in terms of lease income:				
Airline Company — A	**243,163**	**15%**	140,311	11%
Airline Company — B	**186,472**	**12%**	177,192	14%
Airline Company — C	**179,020**	**11%**	178,143	15%
Airline Company — D	**169,443**	**11%**	169,421	14%
Airline Company — E	**144,463**	**9%**	201,391	16%
Other airline companies	**656,607**	**42%**	372,818	30%
Total finance and operating lease income	**1,579,168**	**100%**	1,239,276	100%

22 OTHER INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Gain from disposal of finance lease receivables (a)	**562,025**	54,076
Government grants (b)	**260,738**	242,644
Operating lease income on office premise from a related party (Note 31(a))	**2,646**	1,093
Interest income from loans to an associate (Note 6)	**18,805**	—
Others	**24,770**	12,213
	868,984	310,026

(a) As described in Note 3.1.4, the CALC SPCs signed separate contracts with the trust plans, to transfer their future aircraft lease receivables under their separate aircraft lease agreements with certain airline companies to the trust plans. As the Group has transferred substantially all the risks and rewards related to the lease receivables to the trust plans, it de-recognised the corresponding finance lease receivable. For the year ended 31 December 2016, the Group disposed of finance lease receivables of 14 aircraft (2015: two aircraft) and recognised total gain of HK$562,025,000 (2015: HK$54,076,000), determined by comparing the net proceeds with the carrying amount of the finance lease receivables de-recognised, less transaction costs and tax and surcharges accrued.

(b) Government grants represent the grants and subsidies principally received from the Management Committee of Tianjin Dongjiang Free Trade Port Zone as incentives provided by the government to support the development of aircraft leasing industry.

23 INTEREST EXPENSES

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Interest expense on bank borrowings	**819,321**	735,730
Fair value loss on interest rate swaps designated as cash flow hedges — transfer from OCI	**30,950**	36,102
Interest expense on long-term borrowings	**99,497**	46,922
Interest expense on convertible bonds (a)	**70,289**	66,067
Interest expense on medium-term notes	**28,873**	13,250
Interest expense on bonds	**139,174**	—
	1,188,104	898,071
Less: Interest capitalised on qualifying assets (Note 2.14)	**(158,822)**	(144,380)
	1,029,282	753,691

23 INTEREST EXPENSES *(continued)*

(a) Interest expense on convertible bonds consists of interest paid or payable of HK$19,246,000 (2015: HK$18,338,000) which is calculated based on interest rate of 3.0% per annum. The remaining amount represents arrangement fee based on a rate of 3.5% per annum and the notional adjustment to accrete the carrying amount of liability component of convertible bonds to the present value of estimated future cash flows expected to be required for settlement up to maturity date.

24 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Employee benefit expenses (Note 25)	**124,136**	61,341
Business tax and surcharges	**124,363**	41,858
Professional service expenses	**54,413**	48,522
Rental and utilities expenses	**23,747**	19,724
Office and meeting expenses	**11,292**	13,184
Travelling and training expenses	**15,209**	15,352
Auditor's remuneration		
— Audit service	**3,950**	3,800
— Non-audit service	**6,662**	1,947
Others	**35,714**	17,530
	399,486	223,258

25 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Wages, salaries and bonuses	**97,760**	54,772
Share-based compensation (Note 12(a))	**20,823**	2,962
Welfare, medical and other expenses	**5,553**	3,607
	124,136	61,341

26 OTHER GAINS/(LOSSES)

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Unrealised gain on currency swap (Note 19)	**8,038**	1,183
Realised gain on interest rate swap (Note 19)	**12,149**	—
Fair value gains/(losses) on interest rate swaps (Note 19)	**7,726**	(3,225)
Currency exchange gain	**7,466**	1,228
Gain on disposal of ARI Group (Note 31(e))	**8,731**	—
Loss on repurchase of convertible bonds (Note 17)	**(39)**	—
	44,071	(814)

27 INCOME TAX EXPENSES

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Current income tax:		
Mainland China, Hong Kong and others	**40,750**	43,911
Deferred income tax	**212,944**	56,120
	253,694	100,031

27 INCOME TAX EXPENSES *(continued)*

Mainland China

The subsidiaries incorporated in Mainland China are subject to the PRC corporate income tax ("CIT") at 25%. PRC CIT is calculated at 25% on the taxable income for the year ended 31 December 2016. Before 1 May 2016, the leasing income is subject to business tax ("BT") at 5% or value added tax ("VAT") at 17% depending on when the leasing contracts were entered into between the subsidiaries and the customers. Pursuant to the "Circular on the Overall Promotion of Pilot Program of Levying VAT in the place of Business Tax (Cai Shui [2016] 36)" jointly issued by the Ministry of France and the State Administration of Taxation, leasing income of the subsidiaries in Mainland China is subject to VAT at 17% from 1 May 2016.

Before 1 May 2016, BT at 5% or VAT at 17% and CIT at 10% are withheld on lease rental income payable by lessees in Mainland China to non-Mainland China tax resident subsidiaries of the Group. Since 1 May 2016, VAT at 17% and CIT at 10% are withheld on lease rental income payable by lessees in Mainland China to non-Mainland China tax resident subsidiaries of the Group pursuant to the "Circular on the Overall Promotion of Pilot Program of Levying VAT in the place of Business Tax (Cai Shui [2016] 36)"

Hong Kong

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

Others

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

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

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

The subsidiary incorporated in the Netherlands is subject to income tax at 20% over the first Euro 200,000 of its taxable income and a rate of 25% over its taxable income in excess of EUR200,000.

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

27 INCOME TAX EXPENSES *(continued)*

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 2016, 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	
	2016	2015
	HK$'000	HK$'000
Profit before income tax	**892,109**	480,241
Tax calculated at a tax rate of 25%	**223,027**	120,060
Effects of:		
— Different tax rates applicable to different subsidiaries of the Group	**(3,627)**	(8,850)
— Income not subject to tax	**(54,448)**	(32,380)
— Non-deductible expenses	**54,884**	208
— Utilisation of previously unrecognised tax losses	**(9)**	—
— Tax losses for which no deferred income tax assets were recognised	**33,867**	20,993
Tax charge	**253,694**	100,031

28 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2015 and 2016.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (HK$'000)	**638,415**	380,165
Weighted average number of ordinary shares in issue (number of shares in thousand)	**632,849**	597,455
Basic earnings per share (HK$ per share)	**1.009**	0.636

28 EARNINGS PER SHARE *(continued)*

(b) Diluted

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

	Year ended 31 December	
	2016	2015
Earnings		
Profit attributable to owners of the Company (HK$'000)	**638,415**	380,165
Adjustments for:		
— Interest expense net of tax on convertible bonds, excluding capitalised amount (HK$'000)	**49,746**	35,522
— Loss on repurchase of convertible bonds (HK$'000)	**39**	—
	688,200	415,687
Weighted average number of ordinary shares for diluted earnings per share		
Weighted average number of ordinary shares in issue (number of shares in thousand)	**632,849**	597,455
Adjustment for:		
— Share options (number of shares in thousand)	**9,947**	15,137
— Assumed conversion of convertible bonds (number of shares in thousand)	**56,684**	53,552
Weighted average number of ordinary shares for diluted earnings per share (number of shares in thousand)	**699,480**	666,144
Diluted earnings per share (HK$ per share)	**0.984**	0.624

29 DIVIDENDS

On 22 March 2016, the Board declared a final dividend of HK0.18 per ordinary share totalling HK$111.2 million for the year ended 31 December 2015, which was paid in June 2016.

On 25 August 2016, the Board declared an interim dividend of HK$0.14 (2015: HK$0.04) per ordinary share totalling HK$93.8 million (2015: HK$24.2 million), which was paid in September 2016.

On 24 March 2017, the Board declared a final dividend of HK$0.39 per ordinary share totally HK$261.5 million for the year ended 31 December 2016 which is calculated based on 670,431,640 issued shares as at 24 March 2017. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2016, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Interim dividend paid of HK$0.14 (2015: HK$0.04) per ordinary share	**93,777**	24,236
Proposed final dividend of HK$0.39 (2015: HK$0.18) per ordinary share	**261,468**	111,201
Total	**355,245**	135,437

30 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments
Year ended 31 December 2015

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

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

(a) Directors' emoluments *(continued)*

Year ended 31 December 2016

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Housing allowance HK$'000	Share-based payment HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman, executive director							
Mr. Chen Shuang (ii)	75	—	5,000	—	8,179	—	13,254
Executive director							
Ms. Liu Wanting	75	2,025	8,789	—	2,051	18	12,958
Non-executive directors							
Mr. Tang Chichun	225	40	—	—	41	—	306
Mr. Guo Zibin	285	40	—	—	41	—	366
Ms. Chen Chia-Ling (v)	210	30	—	—	137	—	377
Independent non-executive directors							
Mr. Fan Yan Hok, Philip	300	80	—	—	41	—	421
Mr. Ng Ming Wah, Charles (vi)	125	40	—	—	41	—	206
Mr. Nien Van Jin, Robert	360	115	—	—	41	—	516
Mr. Cheok Albert Saychuan	365	115	—	—	137	—	617
Mr. Chow Kwong Fai, Edward (vii)	167	50	—	—	137	—	354
	2,187	2,535	13,789	—	10,846	18	29,375

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

(a) Directors' emoluments *(continued)*

Note:

(i) Resigned as chief executive officer and executive director on 17 June 2015. Appointed as chief executive officer and executive director on 19 January 2017.

(ii) Non-executive director until 17 June 2015. Appointed on 18 June 2015 as chief executive officer and re-designated as an executive director. Resigned as chief executive officer on 19 January 2017.

(iii) Retired on 8 May 2015.

(iv) Appointed on 8 May 2015.

(v) Appointed on 19 January 2016.

(vi) Retired on 17 May 2016.

(vii) Appointed on 19 July 2016.

Certain directors also received emoluments from China Everbright Limited and certain related parties of the Group for the year ended 31 December 2016 in relation to their services to these companies.

No emoluments were paid to any directors in respect of accepting office as director and in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2016 (2015: Nil).

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

(b) Five highest paid individuals

During the year ended 31 December 2016, the five individuals whose emoluments were the highest in the Group include two directors and three individuals (2015: one director and four individuals). The emoluments paid to the directors are reflected in the analysis presented above. For the year ended 31 December 2016, the emoluments paid to three (2015: four) remaining individuals are as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Basic salaries and allowances	**4,950**	5,806
Discretionary bonuses	**17,156**	5,077
Share-based payment	**4,376**	405
Other benefits	**18**	65
	26,500	11,353

The emoluments of the above individuals fell within the following bands:

	Year ended 31 December	
	2016	2015
HK$2,000,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$4,000,000	**1**	3
HK$8,000,001 to HK$9,000,000	**1**	—
HK$13,000,001 to HK$14,000,000	**1**	—

During the years ended 31 December 2016 and 2015, no directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments.

31 RELATED PARTY TRANSACTIONS

Apart from the share option arrangement with key management and related parties as disclosed in Note 12(a), the following transactions were carried out with related parties at terms negotiated between the Group and the respective parties. The transactions disclosed in (a), (b) and (c)(ii) fell under the definition of "continuing connected transactions" and exempted from the reporting, annual review and announcement requirements under Chapter 14A of listing rules of the Stock Exchange (the "Listing Rules"). The transactions disclosed in (c), (d) and (e) fell under the definition of "connected transactions" or "continuing connected transactions" and the Chapter 14A requirements of the Listing Rules were complied with.

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

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Operating lease income on office premise receivable from:		
Friedmann Pacific Financial Service Limited	**2,646**	1,093
Operating lease expenses on office premise charged by:		
Friedmann Pacific Advisory Service Limited	**—**	1,635
Information technology support service fee charged by:		
富泰科信技術開發(深圳)有限公司	**173**	2,912
Friedmann Pacific Financial Technology (HK) Limited	**2,802**	—

(b) Transactions with China Everbright Limited ("CEL") and its subsidiaries

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Operating lease expenses on office premise charged by:		
CEL Venture Capital (Shenzhen) Limited	**229**	521

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

31 RELATED PARTY TRANSACTIONS *(continued)*

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

Following the completion of the restructuring of CE Group on 14 May 2015, CE Group became the sole shareholder of China Everbright Holdings Company Limited ("CE Hong Kong"). CE Hong Kong is the indirect controlling shareholder of CEL. CEL indirectly holds approximately 32.3% equity interest in the Company as at 31 December 2016. Accordingly, CE Group is deemed as a controlling shareholder of the Company in terms of the Listing Rules, and thus CE Group and its subsidiaries, have become related parties of the Company upon completion of the restructuring of CE Group.

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

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

As at 31 December 2016, the balances of bank deposits placed in CE Group, borrowings, guarantees and undrawn facilities provided by CE Group amounted to HK$1,147.3 million (2015: HK$238.6 million), HK$3,287.1 million (2015: HK$2,096.2 million), HK$174.5 million (2015: HK$174.4 million) and HK$344.6 million (2015: HK$363.2 million).

For the year ended 31 December 2016, interest income generated from, interest expense, loans upfront and arrangement fee, transactions handling charges and guarantee issuing fee charged by CE Group amounted to HK$863,000 (2015: HK$319,000), HK$136,139,000 (2015: HK$51,587,000), HK$30,290,000 (2015: HK$1,696,000), HK$3,246,000 (2015: HK$1,668,000) and HK$590,000 (2015: HK$472,000).

For the year ended 31 December 2016, the Group transferred its future aircraft lease receivables under aircraft lease agreements to the trustee, for an aggregate cash consideration of approximately HK$3,936.8 million (2015: Nil).

(ii) Compliance advisory service provided by CE Group

On 30 June 2014, the Group entered into a compliance advising service agreement with China Everbright Capital Limited. During the year ended 31 December 2016, fee amounted to HK$174,000 (2015:HK$447,000) was charged by CE Group and the agreement was expired on 31 March 2016.

31 RELATED PARTY TRANSACTIONS *(continued)*

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

On 26 May 2015, the Company completed the issue of convertible bonds at a par value of HK$387.9 million to China Everbright Financial Investments Limited maturing in 3 years with interest rate of 3.0% per annum and arrangement fee of 3.5% per annum. The convertible bonds of HK$77,580,000 were partially repurchased by the Company on 25 July 2016 (Note 17). As at 31 December 2016, the carrying amount of liability component of convertible bonds was HK$292,706,000 (2015: HK$350,490,000) and the interest expense incurred at an effective interest rate of 11.8% amounted to HK$37,030,000 for the year ended 31 December 2016 (2015: HK$23,450,000).

(e) Transactions with an associate

On 26 July 2016, the Group transferred the right to acquire the land and construction in progress relating to the aircraft recycling centre, to a subsidiary of ARI for total consideration of approximately HK$322,840,000. The consideration equals to the aggregate amounts of payment for the land, construction in progress, total advance payments incurred in the ordinary course of business at early stage of aircraft recycling centre paid by the Group plus an interest charge calculated at the rate of 9% per annum. Immediately after that, the Group's share interests in ARI was diluted from 100% to 48% through share allotment by ARI to the Group, China Aero Investment Limited, Sky Cheer International Limited and Neo Modern Limited. Such dilution constituted a disposal of subsidiary, which resulted in a gain of HK$8,731,000 for the year ended 31 December 2016.

In addition, an option right was granted to the Group, at any time during the period of six years from the grant date, to subscribe 612,245 shares of ARI at US$1.0 per share, subject to the condition that the total shares held by the Group after exercise the option would not exceed 50% of the enlarged issued share capital of ARI.

Pursuant to the shareholders' loan agreement dated 6 April 2016, the Group granted loans to ARI which are unsecured, interest bearing at 4% per annum above the prime lending rate quoted by The Bank of China (Hong Kong) Limited which is accrued daily and payable in arrears of six monthly intervals from the date of issue of the loan note. As at 31 December 2016, the outstanding balance receivable from ARI was amounted to HK$441,985,000 (Note 6) and the share of interest income for the year ended 31 December 2016 was HK$18,805,000 (Note 22).

31 RELATED PARTY TRANSACTIONS *(continued)*

(f) Amounts due to related parties:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
FPAM Group	**2,974**	2,845

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

(g) Key management compensation

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

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Director fee, salaries, bonus and other short-term employee benefits	**40,653**	23,100
Share-based payments	**15,222**	1,182
	55,875	24,282

32 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingencies

The Group had no material contingent liabilities outstanding at the end of each of the year ended 31 December 2016 (2015: Nil).

(b) Capital commitments

Capital expenditures contracted but not provided for at the end of the reporting period are as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Contracted but not provided for:		
Acquisition of aircraft	**35,448,982**	41,080,879
Acquisition of property, plant and equipment excluding aircraft	**—**	10,398
	35,448,982	41,091,277

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

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Not later than one year	**20,109**	18,153
Later than one year and not later than five years	**19,695**	33,329
Later than five years	**1,950**	—
	41,754	51,482

32 CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

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

The Group had future minimum lease receipts under non-cancellable operating sub-leases in respect of office premise from a related party as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Not later than one year	**2,398**	2,398
Later than one year and not later than five years	**1,457**	3,855
	3,855	6,253

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Not later than one year	**650,785**	285,780
Later than one year and not later than five years	**2,345,250**	981,846
Later than five years	**2,181,319**	982,521
	5,177,354	2,250,147

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As At 31 December	
	2016	2015
	HK$'000	HK$'000
ASSETS		
Investment in subsidiaries	1,651,990	1,632,252
Amounts due from subsidiaries	4,109,581	749,818
Prepayments and other receivables	115	195,514
Cash and cash equivalents	910,339	99,121
Total assets	6,672,025	2,676,705
EQUITY		
Share capital	66,990	60,592
Reserves	1,833,086	1,520,063
Retained earnings	476,164	254,782
Total equity	2,376,240	1,835,437
LIABILITIES		
Convertible bonds	292,706	796,506
Amounts due to subsidiaries	3,993,239	38,141
Other payables and accruals	9,840	6,621
Total liabilities	4,295,785	841,268
Total equity and liabilities	6,672,025	2,676,705

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Reserves HK$'000	Retained earnings HK$'000
Balance as at 1 January 2015	1,359,292	198,445
Comprehensive income		
Profit for the year	—	175,221
Total comprehensive income	—	175,221
Transactions with owners		
Share option scheme:		
— Value of services	14,770	—
— Issue of new shares from exercise of share options	29,460	—
Convertible bonds-equity component	116,541	—
Dividends	—	(118,884)
Total transactions with owners	160,771	(118,884)
Balance as at 31 December 2015	1,520,063	254,782
Balance as at 1 January 2016	**1,520,063**	**254,782**
Comprehensive income		
Profit for the year	**—**	**413,587**
Total comprehensive income	**—**	**413,587**
Transactions with owners		
Issue of new shares	**315,991**	**—**
Share option scheme:		
— Value of services	**7,915**	**—**
— Issue of new shares from exercise of share options	**68,495**	**—**
Repurchase of convertible bonds	**(79,378)**	**12,773**
Dividends	**—**	**(204,978)**
Total transactions with owners	**313,023**	**(192,205)**
Balance as at 31 December 2016	**1,833,086**	**476,164**

34 SUBSIDIARIES

As at 31 December 2016, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
Directly owned:					
CALC (BVI)	BVI 24 March 2006	US$200,000,000	100%	Investment holding	Limited liability entity
Aircraft Recycling International Holdings Limited	BVI 24 February 2016	US$1	100%	Investment holding	Limited liability entity
CALC Bond 1 Limited	BVI 15 March 2016	US$1	100%	Investment holding	Limited liability entity
CALC Bond 2 Limited	BVI 21 July 2016	US$1	100%	Investment holding	Limited liability entity
Indirectly owned:					
CALC 6-Aircraft Limited	Ireland 15 July 2010	EUR100	100%	Aircraft leasing	Limited liability entity
CALC 8-Aircraft Limited	Ireland 15 July 2010	EUR100	100%	Aircraft leasing	Limited liability entity
CALC 10-Aircraft Limited	Ireland 20 June 2012	EUR100	100%	Aircraft leasing	Limited liability entity
CALC 11-Aircraft Limited	Ireland 10 December 2014	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 12-Aircraft Limited	Ireland 6 February 2015	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 15-Aircraft Limited	Ireland 4 February 2015	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 16-Aircraft Limited	Ireland 4 February 2015	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 18-Aircraft Limited	Ireland 2 February 2015	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 19-Aircraft Limited	Ireland 10 June 2015	EUR100	100%	Aircraft leasing	Limited liability entity
CALC 20-Aircraft Limited	Ireland 10 June 2015	EUR100	100%	Aircraft leasing	Limited liability entity
CALC 23-Aircraft Limited	Ireland 23 September 2015	EUR1	100%	Aircraft leasing	Limited liability entity
CALC 24-Aircraft Limited	Ireland 23 September 2015	EUR1	100%	Aircraft leasing	Limited liability entity

34 SUBSIDIARIES *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
CALC 25-Aircraft Limited	Ireland 9 December 2015	EUR100	100%	Aircraft leasing	Limited liability entity
CALC 26-Aircraft Limited	Ireland 9 December 2015	EUR100	100%	Aircraft leasing	Limited liability entity
CALC Aviation Assets Limited	Labuan 30 December 2015	US$100	100%	Aircraft trading	Limited liability entity
CALC Finance Cooperatief U.A.	Netherlands 28 August 2012	EUR100	100%	Provision of financing	Partnership
CALC Global Leasing Limited	Ireland 18 December 2014	EUR1	100%	Investment holding	Limited liability entity
CALC Manta Limited	BVI 25 April 2013	US$1	100%	Provision of financing	Limited liability entity
CALC PDP Limited	BVI 11 October 2013	US$1	100%	Provision of financing	Limited liability entity
CALC PDP 1 Limited	BVI 14 May 2014	US$1	100%	Provision of financing	Limited liability entity
CALC Satu Limited	Labuan 21 June 2013	US$100	100%	Aircraft trading and leasing	Limited liability entity
CALC Trout Limited	BVI 29 April 2015	US$1	100%	Provision of financing	Limited liability entity
China Aircraft Assets Limited	Hong Kong 3 May 2013	HK$1	100%	Provision of financing	Limited liability entity
China Aircraft Assets Ltd	Labuan 29 April 2013	US$100	100%	Aircraft trading	Limited liability entity
China Aircraft CALC Management Limited	Hong Kong 17 October 2012	HK$1	100%	Provision of management services	Limited liability entity
Sino Teamwork Limited	Hong Kong 9 January 2013	HK$1	100%	Provision of financing	Limited liability entity
中永平咸融資租賃(上海)有限公司 (CALC Pingxian Financial Leasing Limited)	PRC 31 March 2014	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永永新融資租賃(天津)有限公司 (CALC Yongxin Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity

34 SUBSIDIARIES *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中永甘露融資租賃(天津)有限公司 (CALC Ganlu Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永和平融資租賃(天津)有限公司 (CALC Heping Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永延和融資租賃(天津)有限公司 (CALC Yanhe Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永崇寧融資租賃(上海)有限公司 (CALC Chongning Leasing Limited)	PRC 24 March 2014	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永順融資租賃(上海)有限公司	PRC 27 November 2013	US$130,500,000	100%	Investment holding	Limited liability entity
中永義熙融資租賃(天津)有限公司 (CALC Yixi Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永聖紹融資租賃(上海)有限公司 (CALC Shengshao Financial Leasing Limited)	PRC 31 March 2014	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永紹熙融資租賃(上海)有限公司 (CALC Shaoxi Financial Leasing Limited)	PRC 31 March 2014	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永熙寧融資租賃(上海)有限公司 (CALC Xining Financial Leasing Limited)	PRC 24 March 2014	RMB100,000	100%	Aircraft leasing	Limited liability entity
中永緣禾融資租賃(天津)有限公司 (CALC Yuanhe Leasing Limited)	PRC 14 May 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛干寧租賃(天津)有限公司 (CALC Ganning Limited)	PRC 15 August 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛元和租賃(天津)有限公司 (CALC Yuanhe Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛天寶租賃(天津)有限公司 (CALC Tianbao Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛太和租賃(天津)有限公司 (CALC Taihe Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛弘道租賃(上海)有限公司 (CALC Hongdao Limited)	PRC 28 March 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity

34 SUBSIDIARIES *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中飛永昌租賃(天津)有限公司 (CALC Yongchang Limited)	PRC 24 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛永淳租賃(上海)有限公司 (CALC Yongchun Limited)	PRC 10 October 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛永隆租賃(天津)有限公司 (CALC Yonglong Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛至德租賃(天津)有限公司 (CALC Zhide Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛長慶租賃(天津)有限公司 (CALC Changqing Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛咸亨租賃(天津)有限公司 (CALC Xianheng Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛咸通租賃(天津)有限公司 (CALC Xiantong Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建元租賃(天津)有限公司 (CALC Jianyuan Limited)	PRC 8 November 2011	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建炎租賃(天津)有限公司 (CALC Jianyan Limited)	PRC 5 May 2014	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛建德租賃(天津)有限公司 (CALC Jiande Limited)	PRC 4 November 2011	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛租融資租賃有限公司 (China Asset Leasing Company Limited)	PRC 13 December 2010	US$343,380,000	100%	Investment holding	Limited liability entity
中飛通天租賃(天津)有限公司 (CALC Tongtian Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛開成租賃(天津)有限公司 (CALC Kaicheng Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛開禧租賃(天津)有限公司 (CALC Kaixi Limited)	PRC 19 January 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛嗣聖租賃(天津)有限公司 (CALC Sisheng Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛嘉定租賃(天津)有限公司 (CALC Jiading Limited)	PRC 20 January 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛寶慶租賃(天津)有限公司 (CALC Baoqing Limited)	PRC 19 January 2015	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛麟德租賃(天津)有限公司 (CALC Linde Limited)	PRC 24 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity

34 SUBSIDIARIES *(continued)*

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity
中飛隆興租賃(天津)有限公司 (CALC Longxing Limited)	PRC 5 May 2014	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛儀鳳租賃(天津)有限公司 (CALC Yifeng Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛廣明租賃(天津)有限公司 (CALC Guangming Limited)	PRC 15 August 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛廣德租賃(天津)有限公司 (CALC Guangde Limited)	PRC 25 June 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛調露租賃(天津)有限公司 (CALC Diaolu Limited)	PRC 3 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛總章租賃(天津)有限公司 (CALC Zongzhang Limited)	PRC 1 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛龍紀租賃(天津)有限公司 (CALC Longji Limited)	PRC 15 August 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛顯慶租賃(天津)有限公司 (CALC Xianqing Limited)	PRC 1 February 2012	RMB100,000	100%	Aircraft leasing	Limited liability entity
中飛如意租賃(天津)有限公司 (CALC Ruyi Limited)	PRC 4 December 2013	RMB100,000	100%	Aircraft leasing	Limited liability entity

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

35 EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the report, the following significant events took place after 31 December 2016:

In March 2017, the Group issued senior unsecured bonds in an aggregate principal amount of US$500.0 million (equivalent to HK$3,877.2 million), of which US$300.0 million (equivalent to HK$2,326.3 million) are five-year bonds due in 2022 bearing coupon interest at 4.7% per annum, and US$200.0 million (equivalent to HK$1,550.9 million) bonds are seven-year bonds due in 2024 bearing coupon interest at 5.5% per annum. These bonds were listed on the Stock Exchange and guaranteed by the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. CHEN Shuang (Chairman of the Board)
Mr. POON Ho Man (Chief Executive Officer)
Ms. LIU Wanting

Non-executive Directors
Mr. TANG Chi Chun
Mr. GUO Zibin
Ms. CHEN Chia-Ling

Independent Non-executive Directors
Mr. FAN Yan Hok, Philip
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan
Mr. CHOW Kwong Fai, Edward, *JP*

COMPOSITION OF COMMITTEES

Audit Committee
Mr. CHEOK Albert Saychuan (Chairman)
Mr. GUO Zibin
Mr. NIEN Van Jin, Robert
Mr. CHOW Kwong Fai, Edward, *JP*

Remuneration Committee
Mr. FAN Yan Hok, Philip (Chairman)
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan
Mr. CHOW Kwong Fai, Edward, *JP*

Nomination Committee
Mr. NIEN Van Jin, Robert (Chairman)
Mr. FAN Yan Hok, Philip
Mr. CHEOK Albert Saychuan
Mr. CHOW Kwong Fai, Edward, *JP*

COMPANY SECRETARY
Ms. TAI Bik Yin

AUTHORISED REPRESENTATIVES
Ms. LIU Wanting
Ms. TAI Bik Yin

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISER
Linklaters

REGISTERED OFFICE
Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

COMPANY'S WEBSITE
www.calc.com.hk

PRINCIPAL PLACE OF BUSINESS

In China
Rooms 6026-14, 6/F
Joint Inspection Service Centre of Closed Area
1 American Road
Dongjiang Free Trade Port Zone
Tianjin
China

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

SHARE REGISTRAR AND TRANSFER OFFICE

Principal Share Registrar and Transfer Office
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

INVESTOR RELATIONS CONTACT
ir@calc.com.hk

STOCK CODE
The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 01848

China Aircraft Leasing Group Holdings Limited

www.calc.com.hk

CALC

China Aircraft Leasing Group Holdings Limited

FULL VALUE-CHAIN AIRCRAFT SOLUTIONS PROVIDER

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