IMPORTANT NOTICE

THE SECURITIES DESCRIBED HEREIN ARE AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OF THE SECURITIES ACT (AS DEFINED BELOW) OR (2) ADDRESSEES WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page. You are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Company as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your Representation: In order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act) or (2) addressees who are non-U.S. persons as defined under Regulation S purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing this offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such offering circular by electronic transmission.

You are reminded that this offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of BOCI Asia Limited, Citigroup Global Markets Singapore Pte. Ltd. and The Hongkong and Shanghai Banking Corporation Limited as Dealers, or BOC Aviation Limited as the Issuer, nor any person who controls any of them nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

SUPPLEMENTAL OFFERING CIRCULAR

BOC AVIATION

BOC AVIATION LIMITED

(*incorporated in the Republic of Singapore with limited liability*)

U.S.$10,000,000,000
GLOBAL MEDIUM TERM NOTE PROGRAM

This supplemental offering circular (the **Supplemental Offering Circular**) has been prepared in connection with the U.S.$10,000,000,000 Global Medium Term Note Program (the **Program**) of BOC Aviation Limited (the **Issuer**) as described by the offering circular dated March 27, 2019 (the **Original Offering Circular**, and together with this Supplemental Offering Circular, the **Offering Circular**). This Supplemental Offering Circular is supplemental to, and should be read in conjunction with, the Original Offering Circular and any other supplements to the Original Offering Circular. To the extent there is any inconsistency between any statement in this Supplemental Offering Circular and any other statement in the Original Offering Circular, the statement in this Supplemental Offering Circular shall prevail. Capitalized terms used but not defined in this Supplemental Offering Circular have the meanings given to them in the Original Offering Circular.

Under the Program, we may from time to time issue notes (the **Notes**) denominated in any currencies agreed between us and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$10,000,000,000 (or its equivalent in other currencies calculated as described in the Program Agreement described in "Subscription and Sale" in the Original Offering Circular), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Program" in the Original Offering Circular and any additional Dealer appointed under the Program from time to time by us (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in the Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Program involves certain risks. For a discussion of these risks see "Risk Factors" in the Original Offering Circular.

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in, and for quotation of, any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in the Offering Circular. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of our merits or the merits of our subsidiary companies, their affiliated companies, the Program or the Notes. Unlisted Notes may be issued under the Program. The relevant Pricing Supplement (as defined below) in respect of any Series (as defined in the "Terms and Conditions of the Notes" in the Original Offering Circular) will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes" in the Original Offering Circular) of Notes will be set out in a Pricing Supplement (each, a **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of Notes of such Tranche.

The Program provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between us and the relevant Dealer. We may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered in the United States, or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered and sold only (i) in the United States to qualified institutional buyers (**QIBs**) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. See "Form of the Notes" in the Original Offering Circular for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale" and "Transfer Restrictions" in the Original Offering Circular.

Notes issued under the Program may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

We may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a separate supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

ARRANGERS

CITIGROUP **HSBC**

DEALERS

BOC INTERNATIONAL **CITIGROUP** **HSBC**

Supplemental Offering Circular dated August 27, 2019

IMPORTANT NOTICES

Unless the context otherwise requires, all references in the Offering Circular to "BOC Aviation," "we," "our," "ours," "us" or similar terms mean BOC AVIATION LIMITED and its consolidated subsidiaries, and references to the "Issuer" or the "Company" shall be to BOC AVIATION LIMITED, and, for the purpose of listing Notes on the Singapore Stock Exchange to be traded on the Alternative Securities Market, references to Offering Circular will be deemed to be references to the listing particulars.

We, having made all reasonable inquiries, confirm that the Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in the Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in the Offering Circular are honestly held and that there are no other facts the omission of which would make the Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Section 309B Notification: Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Program shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see Documents Incorporated by Reference). The Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of the Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers, the Paying Agents, the Transfer Agents and the Registrars as to the accuracy or completeness of the information contained or incorporated in the Offering Circular or any other information provided by us in connection with the Program.

No person is or has been authorized by us to give any information or to make any representation not contained in or not consistent with the Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made, we and the Dealers take no responsibility and can provide no assurance as to such information or representation.

Neither the Offering Circular nor any other information supplied in connection with the Program or any Notes (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by us, any of the Dealers, the Paying Agents, the Transfer Agents and the Registrars that any recipient of the Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of our financial condition and

affairs, and its own appraisal of our creditworthiness. Neither the Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by us or on our behalf or by or on behalf of any of the Dealers, the Paying Agents, the Transfer Agents and the Registrars to any person to subscribe for or to purchase any Notes where such offer would be prohibited.

Neither the delivery of the Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Paying Agents, the Transfer Agents and the Registrars expressly do not undertake to review our financial condition or affairs during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into the Offering Circular when deciding whether or not to purchase any Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, the Offering Circular:

(a) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Group;

(b) the quarterly operational data as announced by the Company and filed with the Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**) from time to time; and

(c) all supplements or amendments to the Offering Circular circulated by us from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of the Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Offering Circular.

Any published unaudited interim financial statements of the Group which are, from time to time, deemed to be incorporated by reference in the Offering Circular will not have been audited by the independent auditors of the Group. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

We will provide, without charge, to each person to whom a copy of the Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to us at our registered office set out at the end of the Offering Circular. We have given an undertaking to the Dealers that as and when it is proposed that Notes be issued under the Program, if any event shall have occurred as a result of which the Offering Circular, as amended or supplemented, would include a statement of fact which is not true and accurate or omit any fact the omission of which is material in the context of the Program or the issue of Notes, or if there is a change in our condition which is material in the context of the Program or the issue of Notes, a new offering circular will be prepared in each case in a form approved by the Dealers.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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SUPPLEMENTAL OFFERING CIRCULAR

ORIGINAL OFFERING CIRCULAR

RECENT DEVELOPMENTS

Set forth below are excerpts from our 2019 interim results announcement published on August 16, 2019:

FINANCIAL HIGHLIGHTS

Our financial highlights for the six months ended 30 June 2019 are:

- Total revenues and other income rose 13% to US$930 million
- Net profit after tax was US$321 million, an increase of 8% over the first half of 2018
- Earnings per share of US$0.46
- Interim dividend of US$0.1388 per share
- Total assets increased 5% to US$19.2 billion as at 30 June 2019 from 31 December 2018
- Maintained strong liquidity with US$295 million in total cash and short-term deposits, and US$3.5 billion in undrawn committed credit facilities as at 30 June 2019
- Raised more than US$1.5 billion in new financing
- Portfolio utilisation and cash collection from airline customers of 99.6% and 97.2%, respectively

	Unaudited	
	six months ended 30 June	
	2019	**2018**
	US$'m	**US$'m**
Statement of Profit or Loss		
Revenues and other income	**930**	825
Costs and expenses	**(579)**	(495)
Profit before income tax	**352**	329
Net profit after income tax	**321**	297

	Unaudited	**Audited**
	30 June 2019	**31 December 2018**
	US$'m	**US$'m**
Statement of Financial Position		
Cash and short-term deposits	**295**	243
Total current assets	**375**	257
Total non-current assets	**18,786**	17,999
Total assets	**19,162**	18,256
Total current liabilities	**2,127**	1,709
Total non-current liabilities	**12,742**	12,349
Total liabilities	**14,870**	14,057
Net assets	**4,292**	4,199
Financial ratios		
Net assets per share (US$)[1]	**6.18**	6.05
Gearing (times)[2]	**3.1**	3.0

1 Net assets per share is calculated by dividing net assets by total number of shares outstanding at 30 June 2019, and 31 December 2018, in the respective columns. Number of shares outstanding at 30 June 2019 and 31 December 2018 was 694,010,334.

2 Gearing is calculated by dividing gross debt by total equity at 30 June 2019, and 31 December 2018, in the respective columns.

Due to rounding, numbers presented throughout this Supplemental Offering Circular may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

Our operational transactions as at 30 June 2019 included:

- A portfolio of 499[1] owned, managed and committed aircraft
- Owned fleet of 314 aircraft, with an average age of 3.1 years and an average remaining lease term of 8.2 years, each weighted by net book value
- Orderbook of 162[1] aircraft scheduled for delivery over the period from 1 July 2019 to 31 December 2021
- Took delivery of 25 aircraft, including five acquired by airline customers on delivery, in the first half of 2019
- 18 aircraft scheduled for delivery in the first half of 2019 were delayed, comprising 12 Airbus aircraft delayed primarily due to industrial constraints and six Boeing aircraft delayed primarily due to the 737 MAX grounding
- Signed 39 lease commitments in the first half of 2019
- Customer base of 92 airlines in 40 countries and regions in the owned and managed fleet
- Sold 11 aircraft, including two managed aircraft
- Managed fleet comprised 23 aircraft
- Repossessed five owned and three managed aircraft from airlines that had ceased operations and delivered all eight aircraft to new customers

1: Aircraft portfolio at 30 June 2019, by number of aircraft

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order[1]	Total
Airbus A320CEO family	126	7	0	133
Airbus A320NEO family	36	0	52	88
Airbus A330CEO family	12	3	0	15
Airbus A330NEO family	0	0	12	12
Airbus A350 family	6	0	2	8
Boeing 737NG family	95	8	0	103
Boeing 737 MAX family	6	0	87	93
Boeing 777-300ER	19	3	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	9	0	6	15
Freighters	5	1	0	6
Total	314	23	162	499

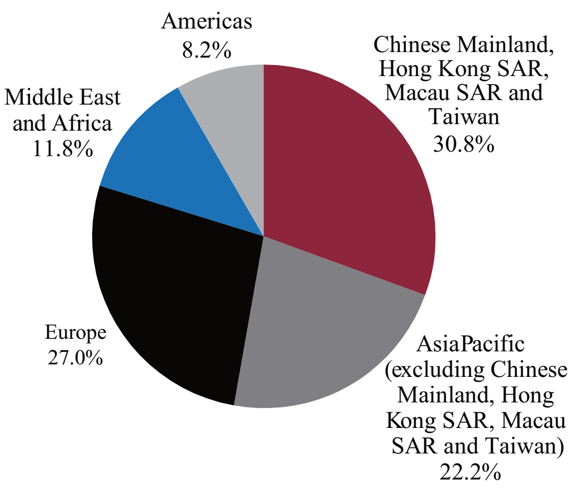
1 Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.

Previous guidance for the total number of aircraft to be delivered in 2019 was 79. Due to the changes outlined below, this number is now likely to be lower.

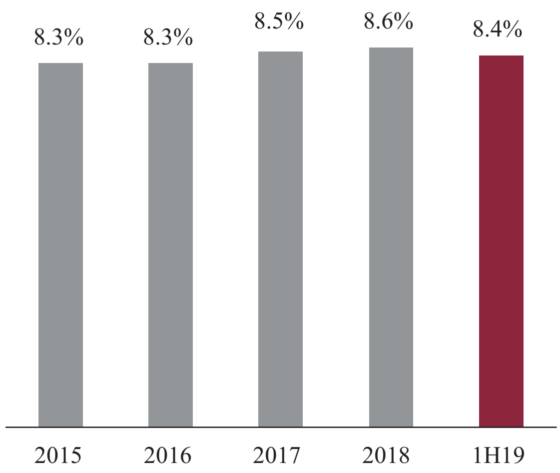
The Boeing Company acknowledged in its latest earnings call for the second quarter of 2019 that the return to service date for the currently-grounded 737 MAX aircraft has been further delayed. So far, this is equivalent to a six month delay from the start of the grounding in March 2019. We therefore expect that some or all of our 23 remaining 737 MAX aircraft that were scheduled for delivery in 2019 will be delayed out of this year and we are working with Boeing on a revised delivery timeframe.

We now expect delivery delays could result in up to 30 aircraft being delayed out of 2019, including three for which an airline customer has the right to acquire the aircraft on delivery. These presently comprise up to seven Airbus A320 NEO aircraft and up to 23 Boeing 737 MAX aircraft.

2: Net book value of aircraft by region[1]

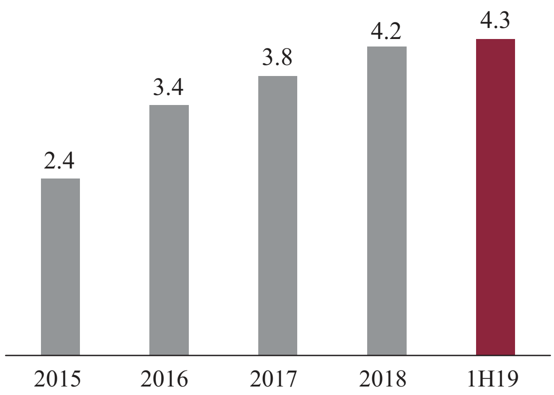


3: Net lease yield[2]



4: Net profit after tax, US$'m

5: Total equity[3]**, US$'b**



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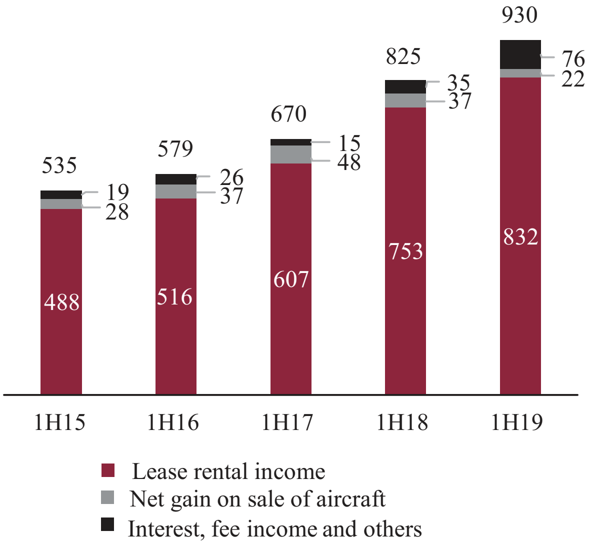
1 Based on the jurisdiction of the primary obligor under the relevant operating lease.

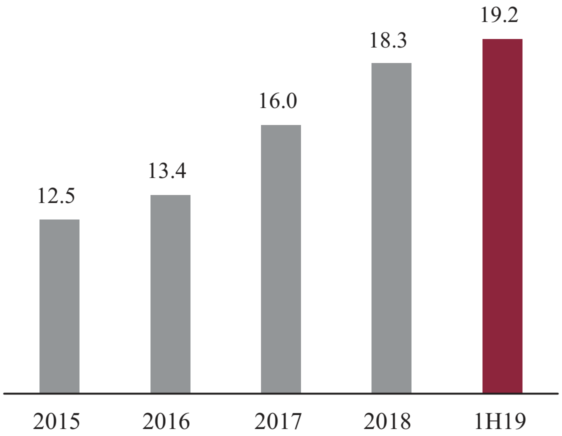
2 Net lease yield is calculated as annualised lease rental income less annualised finance expenses apportioned to lease rental income, divided by average net book value of aircraft.

3 All data as at the end of the relevant period.

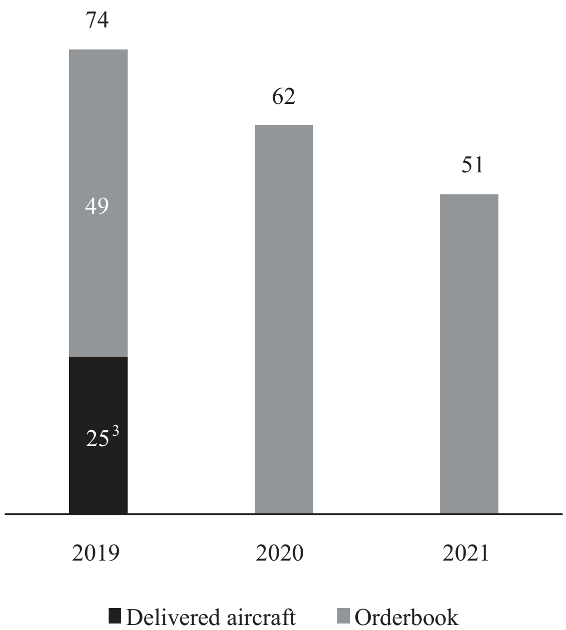
6: Revenues and other income breakdown, US$'m



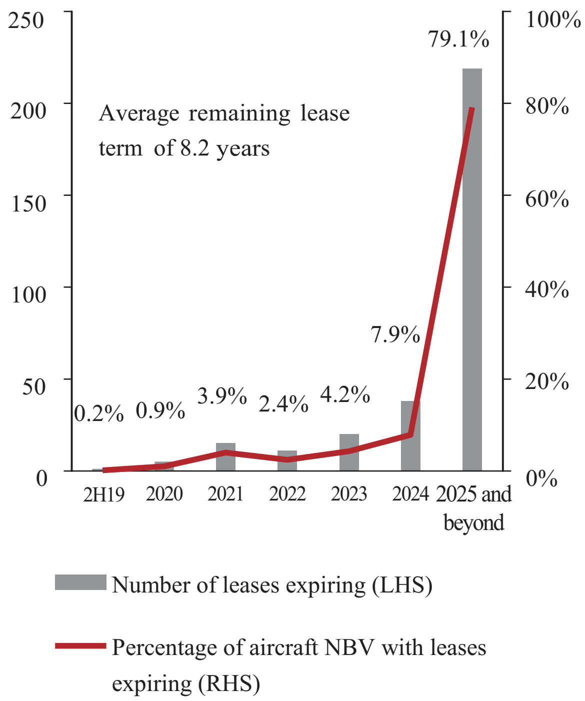
7: Total assets[1], US$'b



8: Committed aircraft deliveries by number of aircraft[2]



9: Lease expiries as % of portfolio[4]



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1 All data as at the end of the relevant period.

2 Includes aircraft acquired or to be acquired by an airline customer on delivery. As discussed on page S-3, the number of aircraft delivered in 2019 is likely to be lower, and up to 30 aircraft could be delayed out of 2019. Such delayed aircraft instead could be delivered in 2020 or in future years.

3 Aircraft delivered in 1H19. Includes five aircraft acquired by airline customers on delivery.

4 Owned aircraft with lease expiring in each calendar year excluding any aircraft for which we have a sale or lease commitment, weighted by net book value.

BUSINESS OVERVIEW

BOC Aviation Limited is a leading global aircraft operating leasing company and is the largest aircraft operating leasing company headquartered in Asia. Our primary source of revenue is from long-term USD-denominated leases contracted with our globally diversified portfolio of airlines.

Our senior management team is highly experienced and international, with most of the team having extensive experience working in the aviation industry across multiple jurisdictions.

From our inception to 30 June 2019, we have:

- Purchased and committed to purchase more than 810 aircraft with an aggregate purchase price of more than US$44 billion
- Executed more than 900 leases with more than 160 airlines in 57 countries and regions
- Raised more than US$26 billion in debt financing since 1 January 2007
- Sold more than 340 owned and managed aircraft
- Transitioned 90 aircraft at lease end and repossessed and redeployed 46 aircraft from customers based in 14 countries and regions

As at 30 June 2019 our fleet comprised 337 owned and managed aircraft on lease to 92 customers in 40 countries and regions. We also had commitments to acquire 162 aircraft. Our orderbook principally comprises popular single-aisle aircraft, such as the Airbus A320 and Boeing 737 families. As at 30 June 2019, single-aisle aircraft made up 62% of our owned portfolio, weighted by net book value, with popular twin-aisle aircraft and freighters representing the balance.

The orderbook accounts for US$7.7 billion of future capital expenditure, as laid out in the table below, and this will drive our future portfolio growth.

Aircraft capital expenditure commitments*

	30 June 2019
	US$'b
2H 2019	2.6
2020	3.9
2021	1.2
Total	**7.7**

* Based on contractual scheduled delivery dates as at 30 June 2019. As discussed on page S-3, the number of aircraft delivered in 2019 is likely to be lower, and up to 30 aircraft could be delayed out of 2019. Such delayed aircraft instead could be delivered in 2020 or in future years.

We benefit from a low average cost of debt, which was 3.6% for the first half of 2019, supported by our strong investment grade corporate and issuer credit ratings, which were A– from both S&P Global Ratings and Fitch Ratings, and by our access to diverse debt funding sources. Unsecured bonds and unsecured and secured third-party commercial bank debt are our primary sources of debt funding. We enjoy strong and committed support from Bank of China, a Fortune 50 company and a leading global bank. Bank of China has provided us with a US$2 billion committed unsecured revolving credit facility which matures in April 2022 and was fully undrawn as at 30 June 2019. Together with our cash and other undrawn credit facilities, we had available liquidity of US$3.8 billion as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

In the six months ended 30 June 2019, net profit after tax was US$321 million, an increase of 8.1% from the same period last year. Total revenues and other income increased by 12.8% to US$930 million, which was mainly driven by the increase in lease rental income as a result of the increase in the owned aircraft portfolio. The increase in total costs and expenses by 16.9% was largely due to an increase in depreciation of property, plant and equipment and an increase in finance expenses.

Our selected financial data and changes of our consolidated statement of profit or loss are set out below:

	Unaudited six months ended 30 June			
	2019	**2018**	**Change**	**Change**
	US$'000	**US$'000**	**US$'000**	**%**
Lease rental income	**832,482**	753,418	79,064	10.5
Interest and fee income	**57,081**	28,900	28,181	97.5
Other income:				
Net gain on sale of aircraft	**22,095**	36,600	(14,505)	(39.6)
Others	**18,772**	5,614	13,158	234.4
Total revenues and other income	**930,430**	824,532	105,898	12.8
Depreciation of property, plant and equipment	**297,703**	267,173	30,530	11.4
Finance expenses	**212,570**	162,127	50,443	31.1
Staff costs	**37,280**	40,926	(3,646)	(8.9)
Impairment losses on financial assets	**3,844**	–	3,844	nm
Other operating costs and expenses	**27,452**	25,138	2,314	9.2
Total costs and expenses	**(578,849)**	(495,364)	83,485	16.9
Profit before income tax	**351,581**	329,168	22,413	6.8
Income tax expense	**(30,490)**	(32,148)	(1,658)	(5.2)
Profit for the period	**321,091**	297,020	24,071	8.1

nm: Not meaningful

Revenues and other income

Our total revenues and other income increased by 12.8% to US$930 million in the first half of 2019 ("1H 2019") from US$825 million in the first half of 2018 ("1H 2018"), primarily due to an increase in lease rental income as described below.

Lease rental income

Our lease rental income increased by 10.5% to US$832 million in 1H 2019 compared with US$753 million in 1H 2018. The main driver for the increase in lease rental income was the growth in our fleet to 314 aircraft compared with 294 aircraft (excluding one aircraft subject to finance lease) as at 30 June 2018.

Interest and fee income

Our interest and fee income increased to US$57 million in 1H 2019 from US$29 million in 1H 2018. This increase was primarily due to an increase in fees from pre-delivery payments transactions.

Net gain on sale of aircraft

Net gain on sale of aircraft decreased by 39.6% to US$22 million in 1H 2019 compared with US$37 million in 1H 2018 primarily due to a decrease in the number of aircraft sold. Nine aircraft were sold in 1H 2019 compared with 18 aircraft sold in 1H 2018.

Costs and expenses

The increase in costs and expenses of 16.9% to US$579 million in 1H 2019 from US$495 million in 1H 2018 was primarily due to the increase in depreciation of property, plant and equipment and the increase in finance expenses which are described below.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by 11.4% to US$298 million in 1H 2019, up from US$267 million in 1H 2018, mainly due to an increase in aircraft assets, with aircraft net book value increasing from US$14.3 billion as at 30 June 2018 to US$15.0 billion as at 31 December 2018, and a further increase to US$15.9 billion as at 30 June 2019.

Finance expenses

Finance expenses increased by 31.1% to US$213 million in 1H 2019 from US$162 million in 1H 2018. This was due to the combined effect of (i) an increase in our total indebtedness from US$11.7 billion as at 30 June 2018 to US$12.5 billion as at 31 December 2018 and a further increase to US$13.1 billion as at 30 June 2019 and (ii) an increase in our average cost of debt from 3.1% in 1H 2018 to 3.6% in 1H 2019. The increase in the average cost of debt arose from the effect of higher USD LIBOR on our floating rate debt and an increase in the proportion and amount of our fixed rate debt and interest rate hedging between 30 June 2018 and 30 June 2019.

Staff costs

Staff costs decreased by 8.9% to US$37 million in 1H 2019 from US$41 million in 1H 2018 mainly due to the lower provision for variable bonuses in 1H 2019 compared with 1H 2018.

Impairment losses on financial assets

Impairment losses on financial assets of US$4 million were recognised in 1H 2019 in respect of trade receivables comprising amounts due under aircraft leases that were past due and in excess of the security deposits held by us under those leases.

Other operating costs and expenses

Other operating costs and expenses mainly comprise amortisation of deferred debt issue costs, repossession costs, marketing and travelling costs, general and administration costs, and taxes (other than income tax expense). The increase in these costs of 9.2% to US$27 million in 1H 2019 from US$25 million in 1H 2018 was mainly due to costs relating to repossession of aircraft.

Profit before income tax and pre-tax profit margin

Profit before income tax increased by 6.8% to US$352 million in 1H 2019 from US$329 million in 1H 2018. Our pre-tax profit margin decreased to 37.8% in 1H 2019 from 39.9% in 1H 2018.

Income tax expense

Income tax expense decreased by 5.2% to US$30 million in 1H 2019 from US$32 million in 1H 2018 mainly due to a higher write-back of tax provision in respect of prior years in 1H 2019 of US$3 million. As a result, our effective tax rate was reduced to 8.7% in 1H 2019 from 9.8% in 1H 2018.

Profit for the period

As a result of the foregoing, our profit after tax increased by 8.1% to US$321 million in 1H 2019 from US$297 million in 1H 2018.

Since the publication of our audited financial statements for the year ended 31 December 2018 on 13 March 2019, there have been no material changes to our business.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 5.0% to US$19.2 billion as at 30 June 2019 from US$18.3 billion as at 31 December 2018. Our total equity increased by 2.2% to US$4.3 billion as at 30 June 2019 compared with 31 December 2018.

Our selected financial data and changes of our consolidated financial position are set out below:

	Unaudited	**Audited**		
	30 June 2019	**31 December 2018**	**Change**	**Change**
	US$'000	**US$'000**	**US$'000**	**%**
Property, plant and equipment	**18,760,409**	17,973,481	786,928	4.4
Cash and short-term deposits	**295,170**	242,983	52,187	21.5
Derivative financial instruments	**4,546**	16,972	(12,426)	(73.2)
Trade receivables	**23,304**	7,984	15,320	191.9
Other assets	**78,072**	14,803	63,269	427.4
Total assets	**19,161,501**	18,256,223	905,278	5.0
Loans and borrowings	**12,907,547**	12,278,727	628,820	5.1
Maintenance reserves	**759,049**	732,133	26,916	3.7
Security deposits and non-current deferred income	**344,658**	329,597	15,061	4.6
Derivative financial instruments	**225,313**	123,748	101,565	82.1
Trade and other payables	**198,891**	156,923	41,968	26.7
Other liabilities	**434,404**	436,069	(1,665)	(0.4)
Total liabilities	**14,869,862**	14,057,197	812,665	5.8
Net assets	**4,291,639**	4,199,026	92,613	2.2
Share capital	**1,157,791**	1,157,791	–	–
Retained earnings	**3,230,745**	3,037,898	192,847	6.3
Statutory reserves	**262**	63	199	315.9
Share-based compensation reserves	**3,983**	1,931	2,052	106.3
Hedging reserves	**(101,142)**	1,343	(102,485)	nm
Total equity	**4,291,639**	4,199,026	92,613	2.2

nm: Not meaningful

Property, plant and equipment

We had property, plant and equipment of US$18.8 billion as at 30 June 2019, which increased by 4.4% from US$18.0 billion as at 31 December 2018 due to net addition of 11 aircraft in 1H 2019.

Aircraft constituted the largest component, amounting to US$15.9 billion and US$15.0 billion as at 30 June 2019 and 31 December 2018, respectively, representing 84.8% and 83.2% of our total property, plant and equipment as at the same dates. Aircraft pre-delivery payments constituted 15.2% and 16.8% of our total property, plant and equipment as at 30 June 2019 and 31 December 2018, respectively.

Trade receivables

Trade receivables, net of allowance for impairment losses of US$3.8 million, increased to US$23.3 million as at 30 June 2019 from US$8.0 million as at 31 December 2018. The increase was mainly due to delayed payments by certain airline customers as at 30 June 2019. An amount of US$21.1 million was past due and an amount of US$3.8 million, representing the overdue amount in excess of security deposits, was provided for as impairment losses in the profit or loss statement. Another amount of US$4.5 million was contractually deferred by mutual agreement and is interest bearing, and the balance of US$1.5 million was not past due.

Other assets

Other assets increased to US$78 million as at 30 June 2019 from US$15 million as at 31 December 2018 mainly due to an amount of US$51.5 million due from an engine manufacturer which was contractually deferred by mutual agreement in return for a fee.

Cash and short-term deposits

Our cash and short-term deposits, which were mainly denominated in US Dollar, increased to US$295 million as at 30 June 2019 from US$243 million as at 31 December 2018. The increase in cash and short-term deposits was mainly due to the total net cash inflows from operating activities, financing activities and proceeds from sales of aircraft, having been greater than the cash outflows from capital expenditure during 1H 2019.

Derivative financial instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, which were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we contracted as at 30 June 2019 and 31 December 2018 respectively. Under assets, our derivative financial instruments decreased to US$5 million as at 30 June 2019 from US$17 million as at 31 December 2018. Under liabilities, our derivative financial instruments increased to US$225 million as at 30 June 2019 from US$124 million as at 31 December 2018. The movements in derivative financial assets and liabilities were primarily due to an increase in interest rate swap contracts entered into by the Group in 1H 2019 and changes in marked-to-market values of the derivative financial instruments as a result of changes in interest rates. Due to the downward shift in interest rates in 1H 2019, the hedging reserve as at 30 June 2019 showed an unrealised loss of US$101 million compared with an unrealised gain of US$1 million as at 31 December 2018.

Trade and other payables

Our trade and other payables increased by 26.7% to US$199 million as at 30 June 2019 compared with US$157 million as at 31 December 2018, primarily due to an increase in accrued maintenance reserve payables and accrued interest expenses mainly as a result of additional loans raised to finance capital expenditure in 1H 2019.

Loans and borrowings

Our loans and borrowings increased by 5.1% to US$12.9 billion as at 30 June 2019 from US$12.3 billion as at 31 December 2018 to finance an increase in capital expenditure. The increase in borrowings included the issuance of more than US$1.3 billion of notes under our Global Medium Term Note Program and the drawing down of a US$750 million term loan. An amount of US$1.5 billion in term loans, revolving credit facilities and medium term notes was repaid as part of regular loan repayment and loan prepayments.

Contingent liabilities

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 20 to the interim condensed consolidated financial statements, the Company had no material contingent liabilities as at 30 June 2019.

OTHER INFORMATION

Liquidity and capital resources

Our primary sources of liquidity comprise cash generated from aircraft leasing operations, proceeds from aircraft sales and borrowings. Our business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. The cash flows from our operations, particularly our revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

In the first six months of 2019 we issued more than US$1.3 billion of notes under our Global Medium Term Note Program. We have also utilised US$815 million under our committed revolving credit facilities as at 30 June 2019.

There was no significant change in our gearing as at 30 June 2019 compared with 31 December 2018 as demonstrated in the table below.

	Unaudited	Audited
	30 June 2019	31 December 2018
	US$'m	US$'m
Gross debt	**13,104**	12,476
Total equity	**4,292**	4,199
Gearing (times)	**3.1**	3.0

Gross debt comprises our loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Total equity refers to the equity attributable to Shareholders. Gearing is calculated by dividing gross debt by total equity.

Our liquidity remains strong, with cash and short-term deposits of US$295 million and US$3.5 billion in undrawn revolving credit facilities as at 30 June 2019.

Indebtedness

	30 June 2019	31 December 2018
	US$'m	US$'m
Secured		
Term loans	**766**	879
Export credit agency supported financing	**706**	808
Total secured debt	**1,472**	1,687
Unsecured		
Term loans	**2,645**	2,185
Revolving credit facilities	**815**	1,439
Medium term notes	**8,172**	7,165
Total unsecured debt	**11,632**	10,789
Total indebtedness	**13,104**	12,476
Less: debt discount, debt premium, debt issue costs and fair value and revaluation adjustments	**(196)**	(197)
Total debt	**12,908**	12,279
Number of aircraft pledged as security	**65**	71
Net book value of aircraft pledged as security	**3,010**	3,259

Indebtedness comprises our loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to US$9.6 billion as at 30 June 2019 compared with US$7.6 billion as at 31 December 2018.

Collateral for secured debt will typically include a mortgage over the relevant aircraft, an assignment of the operating lease of the relevant aircraft and/or a pledge of the shares in the subsidiary company that holds title to the relevant aircraft. In line with our strategy to reduce secured debt as a proportion of total assets and of total indebtedness, these proportions have come down in 1H 2019 as set out in the table below:

	30 June 2019	31 December 2018
Secured debt/total assets	**7.7%**	9.2%
Secured debt/total indebtedness	**11.2%**	13.5%

As at 30 June 2019, the debt repayment profile was as follows:

Debt repayment profile

	30 June 2019
	US$'b
2H 2019	**0.6**
2020	**1.9**
2021	**2.1**
2022	**2.2**
2023	**2.1**
2024 and beyond	**4.2**
Total	**13.1**

Foreign currency risk

Our transactional currency exposures mainly arise from borrowings that are denominated in a currency other than US Dollar, our functional currency.

All loans and borrowings that are denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar are swapped into US Dollar. To eliminate foreign currency exposure that may arise, we utilise cross-currency interest rate swap contracts to hedge our Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar denominated financial liabilities. Such contracts are entered with counterparties that are rated at least A– by S&P Global Rating. Under these agreements, we receive foreign currency amounts sufficient to meet the obligations in foreign currency borrowings and payment of US Dollar to the counterparties.

Future plans for material investments and sources of funding

Our estimated cash outflows based on aircraft capital expenditure commitments* as at 30 June 2019 are set out below:

	30 June 2019
	US$'b
2H 2019	**2.6**
2020	**3.9**
2021	**1.2**
Total	**7.7**

* Based on contractual scheduled delivery dates as at 30 June 2019. As discussed on page S-3, the number of aircraft delivered in 2019 is likely to be lower, and up to 30 aircraft could be delayed out of 2019. Such delayed aircraft instead could be delivered in 2020 or in future years.

Our aircraft purchase commitments as at 30 June 2019 are expected to be financed through a range of funding sources, including (a) cash flows generated from our operating activities, (b) proceeds from our notes issuance from debt capital markets, (c) amounts made available and drawn down under our various bank financing facilities, and (d) net proceeds from sales of owned aircraft.

Employees

As at 30 June 2019 and 30 June 2018, we had 165 and 158 employees respectively who were engaged in the operation and management of our business.

We provide certain benefits to our employees including retirement, health, life, disability and accident insurance coverage. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination.

We set targets for our employees based on their position and role and periodically assess their performance. The results of such assessments are used in their salary reviews, bonus awards and assessing promotions. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our employee bonuses include two employee incentive plans as follows: (i) our short term incentive plan which is cash-based and payable over a maximum three year period, under which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive plan, under which a bonus is awarded to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period. From financial year 2017, the long term incentive plan was changed from a pure cash-based plan to a plan comprising a mix of cash-based and share-based elements. The share-based long term incentive plan involves the grant of awards in the form of restricted share units ("RSUs"), fulfilled through the purchase of Shares in the secondary market by an independent trustee after the announcement of results for the relevant financial year in which performance occurred. Upon vesting, RSUs will generally be satisfied by the transfer of Shares from the independent trustee to the employee. The first two grants under the RSU Plan were made in May 2018 and May 2019 respectively, and each RSU award is amortised over the vesting period of approximately three years commencing from the date of grant.

None of our employees are represented by a union or collective bargaining agreement. We believe we have good employment relationships with our employees.

For the six months ended 30 June 2019 and 30 June 2018, our staff costs were US$37 million and US$41 million respectively, representing approximately 4.0% and 5.0% of the Group's total revenues and other income of each period.

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Substantial interests in share capital

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2019, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of total issued share capital
			(%)
Central Huijin Investment Limited.	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOC	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70

Name of Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of total issued share capital
			(%)
BOCGI	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
Sky Splendor Limited	Beneficial owner (L)	485,807,334 (Ordinary)	70

Notes:

1. BOCGI holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOCGI is deemed to have the same interests in the Company as Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.
2. BOC holds the entire issued share capital of BOCGI, which in turn holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCGI and Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.
3. Central Huijin Investment Limited holds the controlling stake in the equity capital of BOC. Accordingly, for the purpose of the SFO, Central Huijin Investment Limited is deemed to have the same interest in the Company as BOC.

All the interests stated above represented long positions. Save as disclosed above and so far as the Directors are aware as at 30 June 2019, no other persons or corporations had 5% or more interests or short positions in the Shares or underlying shares of the Company which were recorded in the register maintained by the Company under section 336 of the SFO.

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Restricted Share Unit Long Term Incentive Plan

The Company adopted the Restricted Share Unit Long Term Incentive Plan on 18 December 2017. The purpose of the RSU Plan is to attract skilled and experienced management and professional employees, to motivate and reward them to maximise profit and long term investment returns for Shareholders by providing them with the opportunity to acquire Shares in the Company, thereby aligning the respective interests of employees and Shareholders.

Eligible participants of the RSU Plan are selected employees (including Executive Directors) of the Company or any of its subsidiaries. An independent trustee (Computershare Hong Kong Trustees Limited) will purchase Shares of the Company from the market and will hold such Shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new Shares by the Company.

The RSU Plan is a discretionary scheme, and does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purposes of Chapter 17 of the Listing Rules. For more information on the RSU Plan, please refer to the Company's announcement dated 31 January 2018 on the websites of the Stock Exchange and the Company.

During the six months ended 30 June 2019, the Company granted awards under the RSU Plan on 3 May 2019 as set out below:

RSU Participants	**Position**	**Number of Shares underlying the RSUs granted**	**Approximate percentage of the total issued share capital**
			(%)
Mr. Robert James MARTIN.	Executive Director	173,335	0.02
Mr. WANG Jian	Executive Director	49,755	0.01
Certain directors of subsidiaries of the Company	Subsidiary Directors	339,746	0.05
Employees of the Group other than Executive Directors and Subsidiary Directors.	–	590,859	0.09
Total		1,153,695	0.17

Subject to the terms and conditions of the RSU Plan and the fulfilment of all conditions to the vesting of the awards, the Shares underlying each RSU award will vest in favour of the relevant RSU Participants (as set out in the table above) in accordance with the RSU Plan.

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DEFINITIONS

In this results announcement, the following expressions have the meanings set out below unless the context requires otherwise:

Terms	Meanings
"**Board**"	The board of directors of the Company
"**BOC**" or "**Bank of China**"	Bank of China Limited (中國銀行股份有限公司) stock limited company incorporated in the PRC on 26 August 2004, the H-share and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively and the ultimate controlling shareholder of the Company
"**BOCGI**"	Bank of China Group Investment Limited (中國集團投資有限公司, a company incorporated in Hong Kong with limited liability on 11 December 1984, and a wholly-owned subsidiary of BOC and a controlling shareholder of the Company
"**Company**"	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related businesses

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Terms	Meanings
"**Director(s)**"	The director(s) of the Company
"**Group**"	The Company together with its subsidiaries
"**Hong Kong**"	The Hong Kong Special Administrative Region of the People's Republic of China
"**Listing Rules**"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

***

Terms	Meanings
"**RSU**"	A restricted share unit, which is a contingent right to receive Shares, awarded pursuant to the RSU Plan
"**RSU Plan**"	The BOC Aviation Limited Restricted Share Unit Long Term Incentive Plan
"**SFO**"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Shareholder**"	A holder of Shares
"**Shares**"	Ordinary shares in the share capital of the Company

Terms	Meanings
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD", **"US$"** or **"US Dollar"** . . .	The lawful currency of the United States of America
"USD LIBOR"	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US Dollar

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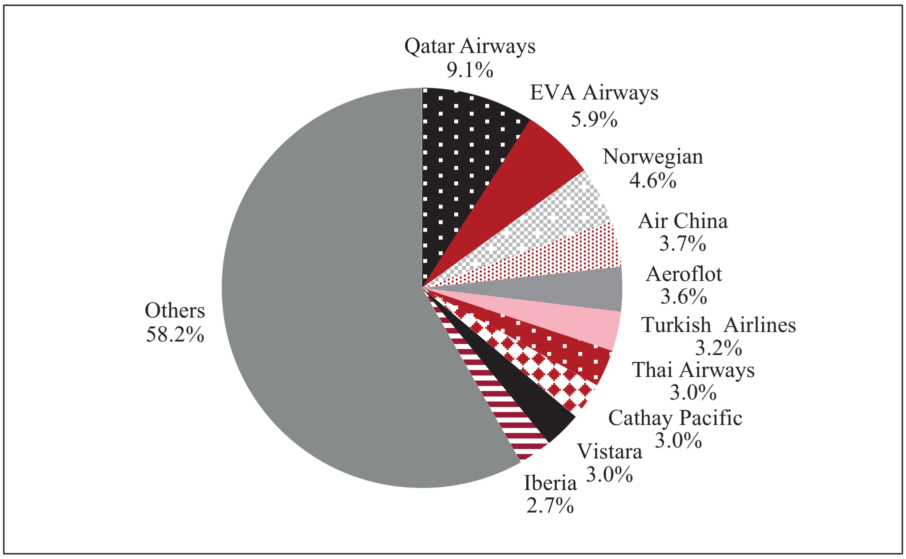
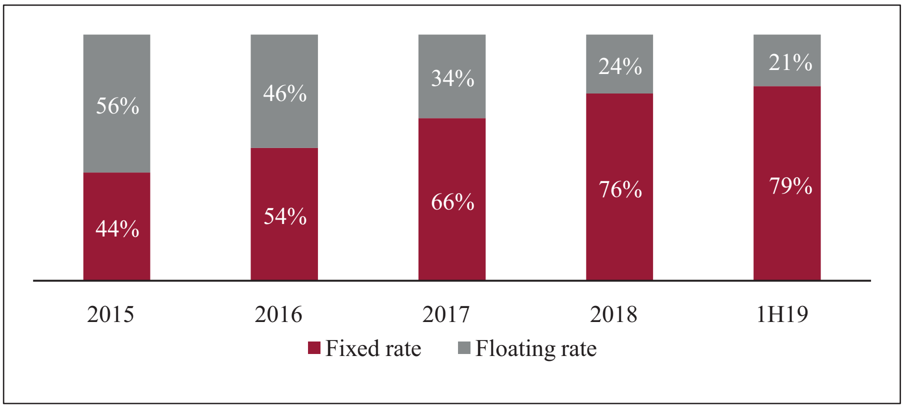
The following information should be read in conjunction with the excerpts from our 2019 interim results announcement published on August 16, 2019 which are reproduced above:

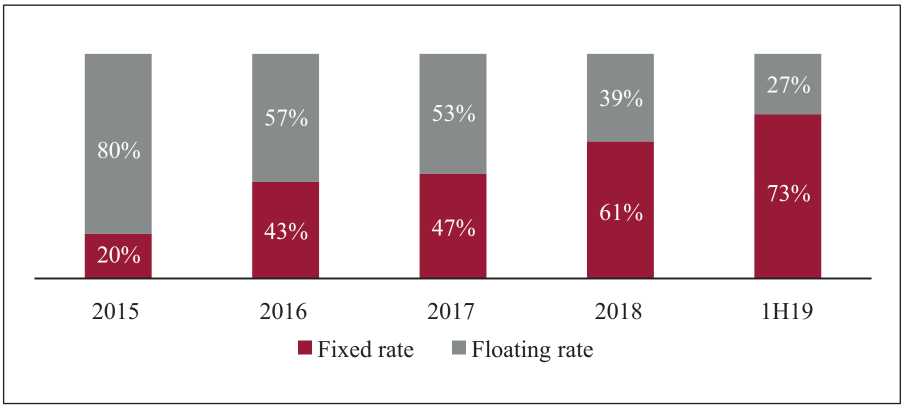
- The following chart sets forth a breakdown of our lease portfolio by customer as at June 30, 2019[1, 2]:



- The following chart sets forth a breakdown of our fixed and floating leases by net book value as at the end of each period indicated[3]:



- The following chart sets forth a breakdown of our fixed and floating debt as at the end of each period indicated[4]:



Notes:

1. Based on net book value as at June 30, 2019
2. For certain airlines, the percentage includes leases to affiliated airlines whose obligations are guaranteed by the named airline
3. By net book value including aircraft held for sale and excluding aircraft subject to finance lease as well as aircraft off lease
4. Fixed rate debt included floating rate debt swapped to fixed rate liabilities

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of BOC Aviation Limited (the "Company") and its subsidiaries (collectively, the "Group") as at 30 June 2019, which comprise the interim consolidated statement of financial position as at 30 June 2019 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting ("IAS 34") and SFRS(I) 1-34 Interim Financial Reporting ("SFRS(I) 1-34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 and SFRS(I) 1-34.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
16 August 2019

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2019 to 30 June 2019

	Note	**Unaudited 1 January 2019 to 30 June 2019 US$'000**	Unaudited 1 January 2018 to 30 June 2018 US$'000
Revenues			
Lease rental income	25 (a)	**832,482**	753,418
Interest and fee income	3	**57,081**	28,900
Other income:			
Net gain on sale of aircraft	4	**22,095**	36,600
Others		**18,772**	5,614
		930,430	824,532
Costs and expenses			
Depreciation of property, plant and equipment		**297,703**	267,173
Finance expenses	5	**212,570**	162,127
Amortisation of deferred debt issue costs		**12,256**	12,539
Amortisation of lease transaction closing costs		**77**	76
Staff costs	6	**37,280**	40,926
Marketing and travelling expenses		**2,746**	2,628
Impairment losses on financial assets	9	**3,844**	–
Other operating expenses		**12,373**	9,895
		(578,849)	(495,364)
Profit before income tax		**351,581**	329,168
Income tax expense	7	**(30,490)**	(32,148)
Profit for the period attributable to owners of the Company		**321,091**	297,020
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US$)	24	**0.46**	0.43
Diluted earnings per share (US$)	24	**0.46**	0.43

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2019 to 30 June 2019

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Profit for the period	**321,091**	297,020
Other comprehensive income for the period, net of tax:		
Items that may be reclassified subsequently to statement of profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	**(98,765)**	8,040
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	**(3,720)**	(2,846)
Total comprehensive income for the period attributable to owners of the Company	**218,606**	302,214

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019 US$'000**	Audited 31 December 2018 US$'000
Non-current assets			
Property, plant and equipment	8	**18,760,409**	17,973,481
Lease transaction closing costs		**1,233**	1,286
Derivative financial instruments	17	**4,546**	14,379
Trade receivables	9	**1,090**	909
Deferred income tax assets	15	**168**	146
Other non-current assets		**18,627**	9,291
		18,786,073	17,999,492
Current assets			
Derivative financial instruments	17	**–**	2,593
Trade receivables	9	**22,214**	7,075
Prepayments		**3,233**	2,451
Other receivables	10	**54,811**	1,629
Short-term deposits	11	**176,701**	152,936
Cash and bank balances	11	**118,469**	90,047
		375,428	256,731
Total assets		**19,161,501**	18,256,223
Current liabilities			
Derivative financial instruments	17	**51,637**	1,536
Trade and other payables	12	**198,891**	156,923
Deferred income		**61,992**	63,569
Income tax payables		**5,747**	599
Loans and borrowings	13	**1,756,770**	1,438,258
Lease liabilities	14	**1,684**	–
Security deposits		**50,720**	47,623
		2,127,441	1,708,508
Net current liabilities		**(1,752,013)**	(1,451,777)
Total assets less current liabilities		**17,034,060**	16,547,715

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

As at 30 June 2019

	Note	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Non-current liabilities			
Derivative financial instruments	17	**173,676**	122,212
Loans and borrowings	13	**11,150,777**	10,840,469
Lease liabilities	14	**7,572**	–
Security deposits		**237,445**	221,529
Deferred income		**56,493**	60,445
Maintenance reserves		**759,049**	732,133
Deferred income tax liabilities	15	**315,062**	304,800
Other non-current liabilities		**42,347**	67,101
		12,742,421	12,348,689
Total liabilities		**14,869,862**	14,057,197
Net assets		**4,291,639**	4,199,026
Equity attributable to owners of the Company			
Share capital	16	**1,157,791**	1,157,791
Retained earnings		**3,230,745**	3,037,898
Statutory reserves		**262**	63
Share-based compensation reserves		**3,983**	1,931
Hedging reserves	18	**(101,142)**	1,343
Total equity		**4,291,639**	4,199,026
Total equity and liabilities		**19,161,501**	18,256,223

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2019 to 30 June 2019

		Attributable to owners of the Company					
	Note	Share capital US$'000	Retained earnings US$'000	Statutory reserves* US$'000	Share-based compensation reserves US$'000	Hedging reserves US$'000	Total equity US$'000
Unaudited 2019							
Balance at 1 January 2019, as previously reported/restated		1,157,791	3,037,898	63	1,931	1,343	4,199,026
Profit for the period		–	321,091	–	–	–	321,091
Transfers to statutory reserves		–	(199)	199	–	–	–
Other comprehensive income for the period, net of tax	18	–	–	–	–	(102,485)	(102,485)
Total comprehensive income for the period		–	320,892	199	–	(102,485)	218,606
Transactions with owners of the Company:							
Dividends	27	–	(128,045)	–	–	–	(128,045)
Share-based compensation		–	–	–	2,052	–	2,052
Balance at 30 June 2019		**1,157,791**	**3,230,745**	**262**	**3,983**	**(101,142)**	**4,291,639**
Unaudited 2018							
Balance at 1 January 2018		1,157,791	2,639,874	9	–	21,083	3,818,757
Profit for the period		–	297,020	–	–	–	297,020
Transfers to statutory reserves		–	(55)	55	–	–	–
Other comprehensive income for the period, net of tax		–	–	–	–	5,194	5,194
Total comprehensive income for the period		–	296,965	55	–	5,194	302,214
Transactions with owners of the Company:							
Dividends	27	–	(133,250)	–	–	–	(133,250)
Share-based compensation		–	–	–	483	–	483
Balance at 30 June 2018		**1,157,791**	**2,803,589**	**64**	**483**	**26,277**	**3,988,204**

* In accordance with statutory requirements in China and France, each subsidiary company in these countries is required to make appropriation of a certain percentage of its annual profit after tax to a statutory reserve until a statutory limit is reached.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2019 to 30 June 2019

	Note	**Unaudited 1 January 2019 to 30 June 2019 US$'000**	Unaudited 1 January 2018 to 30 June 2018 US$'000
Cash flows from operating activities:			
Profit before income tax		**351,581**	329,168
Adjustments for:			
Depreciation of property, plant and equipment		**297,703**	267,173
Amortisation of deferred debt issue costs		**12,256**	12,539
Amortisation of lease transaction closing costs		**77**	76
Share-based compensation	6	**2,052**	483
Net gain on sale of aircraft	4	**(22,095)**	(36,600)
Interest and fee income	3	**(57,081)**	(28,900)
Finance expenses	5	**212,570**	162,127
Impairment losses on financial assets	9	**3,844**	–
Operating profit before working capital changes		**800,907**	706,066
Increase in receivables		**(84,786)**	(2,798)
Increase/(decrease) in payables		**1,999**	(3,373)
Increase in maintenance reserves		**55,541**	90,882
Decrease in deferred income		**(1,577)**	(6,875)
Cash generated from operations		**772,084**	783,902
Security deposits received, net		**22,461**	23,076
Lease transaction closing costs paid		**(52)**	(152)
Income tax paid, net		**(4,563)**	(7,157)
Interest and fee income received		**56,781**	29,512
Net cash flows from operating activities		**846,711**	829,181
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(1,455,368)**	(1,920,712)
Proceeds from sale of property, plant and equipment		**392,410**	738,794
Net cash flows used in investing activities		**(1,062,958)**	(1,181,918)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the period from 1 January 2019 to 30 June 2019

	Note	**Unaudited 1 January 2019 to 30 June 2019 US$'000**	Unaudited 1 January 2018 to 30 June 2018 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**2,152,372**	1,450,000
Repayment of loans and borrowings		**(900,081)**	(520,880)
Decrease in borrowings from revolving credit facilities, net		**(624,000)**	(170,000)
Repayment of lease liabilities		**(706)**	–
Finance expenses paid		**(217,720)**	(161,142)
Debt issue costs paid		**(13,386)**	(6,004)
Dividends paid	27	**(128,045)**	(133,250)
Decrease in cash and bank balances - encumbered		**41**	39,145
Increase in cash and bank balances - encumbered		**(27,959)**	(13,763)
Net cash flows from financing activities		**240,516**	484,106
Net increase in cash and cash equivalents		**24,269**	131,369
Cash and cash equivalents at 1 January		**222,733**	241,847
Cash and cash equivalents at 30 June		**247,002**	373,216

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

BOC Aviation Limited (the "Company") is a public company limited by shares and is listed on the main board of The Stock Exchange of Hong Kong Limited. The Company's majority shareholder is Sky Splendor Limited, which is incorporated in the Cayman Islands. Its shareholder is Bank of China Group Investment Limited, incorporated in Hong Kong and owned by Bank of China Limited, incorporated in the People's Republic of China ("PRC"). Bank of China Limited is majority owned by Central Huijin Investment Limited ("Central Huijin"), which is incorporated in the PRC. Central Huijin is a wholly owned subsidiary of China Investment Corporation ("CIC"), which is a wholly state-owned company in the PRC.

The registered address of the Company is 8 Shenton Way, #18-01, Singapore 068811.

The principal activities of the Company, which are conducted in Singapore, are the leasing of aircraft, management of aircraft leases and other related activities. The subsidiary companies are primarily engaged in the leasing of aircraft and other related activities.

2. Basis of preparation and significant accounting policies

As at 30 June 2019, the Group's current liabilities exceeded its current assets by US$1,752.0 million (31 December 2018: US$1,451.8 million). The interim financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are also prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Accordingly, the interim condensed consolidated financial statements of the Group have been prepared in accordance with both International Accounting Standard 34 *Interim Financial Reporting* and SFRS(I) 1-34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2018.

The interim financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and the explanatory notes. The interim financial statements are presented in the Group's functional currency, United States Dollar ("US$" or "US Dollar") and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year which are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2018. In the current financial period, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2019. The adoption of these standards did not have any material impact on the interim financial statements of the Group.

2. Basis of preparation and significant accounting policies (cont'd)

2.1 Changes in accounting policies

The Group has adopted IFRS 16/SFRS(I) 16 *Leases* on 1 January 2019. The nature of the changes in this financial reporting standard is described below:

IFRS 16/SFRS(I) 16 *Leases*

IFRS 16/SFRS(I) 16 requires a lessee to recognise leases on the balance sheet but provides exemptions for leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments ("lease liability") and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The lessee will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

As the Group is primarily a lessor engaging in leasing aircraft, the adoption of this standard did not have a material impact on the interim condensed consolidated financial statements of the Group. The Group has adopted this standard using the modified retrospective approach at the date of initial application, 1 January 2019. The Group, as a lessee of office and facilities spaces, has chosen on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group elected the following practical expedients:

* not to reassess whether a contract is, or contains, a lease at the date of initial application and to apply this standard to all contracts that were previously identified as leases
* to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months from 1 January 2019 and for leases of low-value assets
* to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

Accordingly, for leases of office and facilities spaces previously classified as operating leases, the Group recognised the right-of-use assets of US$9.9 million classified in property, plant and equipment, and total lease liabilities of US$9.9 million. No changes were made to the opening retained earnings on 1 January 2019.

2. Basis of preparation and significant accounting policies (cont'd)

2.1 Changes in accounting policies (cont'd)

IFRS 16/SFRS(I) 16 *Leases (cont'd)*

The following table presents the reconciliation of lease liabilities as of 1 January 2019:

	US$'000
Minimum lease payments under operating leases as of 31 December 2018	7,393
Recognition exemption for short-term leases and leases of low-value assets	(135)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(344)
Contracts reassessed as service agreements	(923)
Adjustments as a result of a different treatment of extension options	3,908
Liabilities recognised based on the initial application of IFRS 16/SFRS(I) 16 as of 1 January 2019	9,899

The weighted average incremental borrowing rate for lease liabilities initially recognised as of 1 January 2019 was 3.33% per annum.

3. Interest and fee income

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Interest income from short-term deposits and bank balances	**3,160**	1,392
Fee income from aircraft pre-delivery payments	**49,886**	23,936
Lease management fee income	**1,179**	1,704
Remarketing fee income	**1,500**	1,125
Others	**1,356**	743
	57,081	28,900

4. Net gain on sale of aircraft

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Proceeds from sale of aircraft	**247,799**	722,141
Maintenance reserves released	**33,425**	2,668
Net book value of aircraft classified as:		
Property, plant and equipment	**(255,265)**	(390,509)
Assets held for sale	**–**	(295,803)
Expenses	**(3,864)**	(1,897)
	22,095	36,600

5. Finance expenses

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Interest expense and other charges on:		
Loans and borrowings	**212,409**	161,896
Finance leases	**–**	231
	212,409	162,127
Lease liabilities*	**161**	–
	212,570	162,127

* Interest expense on lease liabilities recognised in accordance with IFRS 16/SFRS(I) 16 *Leases*.

6. Staff costs

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Salaries, bonuses and other staff costs	**33,600**	39,169
Employers' defined contributions	**1,628**	1,274
Share-based compensation	**2,052**	483
	37,280	40,926

Share-based compensation (equity-settled)

The Group has in place a Restricted Share Unit Long Term Incentive Plan for certain employees. The Restricted Share Units ("RSU") granted in a financial year will vest in the third year from the year of grant.

RSUs granted by the Group but not yet vested:

Year of grant	**Fair value at grant date HK$**	**Fair value at grant date US$**	**At 1 January 2019**	**Granted during the period**	**Forfeited during the period**	**At 30 June 2019**
2018	46.61	5.94	1,273,080	–	(25,651)	1,247,429
2019	65.64	8.36	–	1,153,695	–	1,153,695
			1,273,080	**1,153,695**	**(25,651)**	**2,401,124**

The fair value of RSU at grant date was determined by the average market price at which the shares of the Company were purchased by an independent trustee in the secondary market.

7. Income tax expense

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Current income tax	**9,680**	7,703
Deferred income tax	**20,810**	24,445
Income tax expense	**30,490**	32,148

During the period ended 30 June 2019, there was a reversal of prior year provision of income tax liabilities no longer required of US$3.4 million (2018: US$0.7 million).

8. Property, plant and equipment

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use asset US$'000	Total US$'000
Cost:						
At 1 January 2018	15,041,583	2,004,277	1,603	11,383	–	17,058,846
Additions	1,698,738	2,471,401	547	1,846	–	4,172,532
Disposals/reductions	(915,731)	(116,745)	(257)	(46)	–	(1,032,779)
Transfers	1,345,149	(1,345,149)	–	–	–	–
Transfer to assets held for sale	(407,639)	–	–	–	–	(407,639)
Adjustments	1,992	(85)	–	–	–	1,907
At 31 December 2018 and 1 January 2019	16,764,092	3,013,699	1,893	13,183	–	19,792,867
Adoption of IFRS 16/SFRS(I) 16	–	–	–	–	9,899	9,899
Additions	827,198	646,460	1	788	63	1,474,510
Disposals/reductions	(336,878)	(144,611)	–	(179)	–	(481,668)
Transfers	671,127	(671,127)	–	–	–	–
Adjustments	98	–	–	–	–	98
At 30 June 2019	**17,925,637**	**2,844,421**	**1,894**	**13,792**	**9,962**	**20,795,706**

8. **Property, plant and equipment (cont'd)**

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use asset US$'000	Total US$'000
Accumulated depreciation and impairment:						
At 1 January 2018	1,613,609	–	1,060	10,014	–	1,624,683
Charge for the period	540,701	–	208	1,925	–	542,834
Disposals	(219,952)	–	(195)	(46)	–	(220,193)
Transfer to assets held for sale	(127,938)	–	–	–	–	(127,938)
At 31 December 2018 and 1 January 2019	1,806,420	–	1,073	11,893	–	1,819,386
Charge for the period	295,822	–	182	812	887	297,703
Disposals	(81,613)	–	–	(179)	–	(81,792)
At 30 June 2019	**2,020,629**	–	**1,255**	**12,526**	**887**	**2,035,297**
Net book value:						
At 31 December 2018	14,957,672	3,013,699	820	1,290	–	17,973,481
At 30 June 2019	**15,905,008**	**2,844,421**	**639**	**1,266**	**9,075**	**18,760,409**

8. Property, plant and equipment (cont'd)

(a) Impairment of aircraft assets

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Movement of impairment provision:		
At beginning of period/year	**–**	4,700
Utilised	**–**	(4,700)
At end of period/year	**–**	–

(b) Assets pledged as security or held under lease arrangements

As at 30 June 2019, the net book value of aircraft owned by the Group that have been charged for loan facilities granted (Note 13) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft amounted to US$3,009.7 million (31 December 2018: US$3,258.5 million).

(c) Capitalisation of borrowing costs

As at 30 June 2019, the borrowing costs capitalised as cost of aircraft amounted to US$19.1 million (31 December 2018: US$29.2 million). The rate used to determine the amount of borrowing costs for capitalisation ranged from 2.4% to 3.4% per annum for the period ended 30 June 2019 (for the year ended 31 December 2018: 2.4% to 3.2% per annum).

9. Trade receivables

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Trade receivables – gross carrying amount		
Current	**26,058**	7,075
Non-current	**1,090**	909
	27,148	7,984
Less: Impairment losses charged during the period	**(3,844)**	–
	23,304	7,984
Trade receivables – net of allowance for impairment losses		
Current	**22,214**	7,075
Non-current	**1,090**	909
	23,304	7,984

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Trade receivables are generally secured by cash security deposits or letters of credit. Included in the current and non-current portion of trade receivables was an amount of US$3.4 million (31 December 2018: US$4.2 million) and US$1.1 million (31 December 2018: US$0.9 million), respectively that was contractually deferred by mutual agreement and is interest bearing.

Impairment of financial assets

The Group recognises an allowance for impairment losses by providing for expected credit losses when the lessee does not pay the amounts due under its lease agreements in excess of the security deposit or the value of the collateral. It also recognises allowances for impairment losses where the receivables were past due more than 90 days and are not secured.

9. Trade receivables (cont'd)

Impairment of financial assets (cont'd)

As at 30 June 2019, the aging of the current portion of trade receivables based on the receivables due date is as follows:

Unaudited 30 June 2019	**Current**	**Less than 30 days past due**	**30 to 60 days past due**	**61 to 90 days past due**	**More than 90 days past due**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount	4,883	7,123	6,777	6,050	1,225	26,058
Allowance for impairment losses	–	–	872	1,747	1,225	3,844

As at 31 December 2018, the current portion of trade receivables of US$7.1 million were neither past due nor impaired.

10. Other receivables

Included in other receivables was an amount of US$51.5 million (31 December 2018: nil) due from an engine manufacturer which was contractually deferred by mutual agreement in return for a fee.

11. Cash and cash equivalents

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Short-term deposits	**176,701**	152,936
Cash and bank balances	**118,469**	90,047
	295,170	242,983
Less: encumbered cash and bank balances	**(48,168)**	(20,250)
Cash and cash equivalents	**247,002**	222,733

As at 30 June 2019, there were no short-term deposits placed with the intermediate holding company (31 December 2018: US$45.0 million) and other related parties (31 December 2018: US$12.0 million) by the Group.

As at 30 June 2019, the Group's cash and bank balances included an amount of US$11.7 million (31 December 2018: US$11.4 million) placed with the intermediate holding company.

12. Trade and other payables

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Trade payables	**744**	258
Sundry payables	**2,699**	2,728
Accrued interest expenses	**87,846**	76,521
Accrued maintenance reserve payables	**35,052**	7,271
Accrued technical expenses	**2,215**	1,926
Staff costs related accruals	**51,367**	44,070
Other accruals and liabilities	**18,968**	24,149
	198,891	156,923

Trade payables and sundry payables are substantially denominated in United States dollar, non-interest bearing, current in nature and are normally settled on 30-day credit terms.

The table below summarises the aging of trade payables based on invoice due date:

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Current	**576**	256
1 – 30 days	**165**	–
31 – 60 days	**3**	–
61 – 90 days	–	–
More than 90 days	–	2
	744	258

13. Loans and borrowings

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Current:		
Medium term notes	**977,620**	300,000
Loans	**840,667**	1,150,566
Medium term notes discount (net of premium)	**(647)**	(241)
Fair value and revaluation adjustments	**(51,491)**	(1,536)
Deferred debt issue costs	**(9,379)**	(10,531)
	1,756,770	1,438,258
Non-current:		
Medium term notes	**7,194,772**	6,865,019
Loans	**4,090,853**	4,160,037
Medium term notes discount (net of premium)	**(14,151)**	(9,639)
Fair value and revaluation adjustments	**(56,885)**	(106,498)
Deferred debt issue costs	**(63,812)**	(68,450)
	11,150,777	10,840,469
Total loans and borrowings	**12,907,547**	12,278,727

As at 30 June 2019, total loans and borrowings of the Group included secured liabilities of US$1,471.5 million (31 December 2018: US$1,686.6 million). These amounts are secured by the related aircraft, certain cash and bank balances and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to all of these companies' assets and revenues. These exclude any encumbrance in existence at the time the negative pledge is entered into or created subsequently to secure finance to acquire or re-finance any aircraft.

13. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the Group's gross loans and borrowings before adjustments for debt issue costs, fair value, revaluations and discounts/premiums to medium term notes:

	One year or less	One to two years	Two to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Unaudited 30 June 2019					
Medium term notes	977,620	838,040	3,538,011	2,818,721	8,172,392
Loans	840,667	868,068	3,188,160	34,625	4,931,520
Total gross loans and borrowings	**1,818,287**	**1,706,108**	**6,726,171**	**2,853,346**	**13,103,912**
Audited 31 December 2018					
Medium term notes	300,000	1,129,788	3,674,174	2,061,057	7,165,019
Loans	1,150,566	828,324	3,155,115	176,598	5,310,603
Total gross loans and borrowings	1,450,566	1,958,112	6,829,289	2,237,655	12,475,622

13. Loans and borrowings (cont'd)

(a) Medium term notes

Outstanding notes issued at fixed coupon rate and floating rate denominated in various currencies were:

			Unaudited As at 30 June 2019		
		Maturity	**Outstanding amounts**	**Amounts swapped to US$ and floating rates**	**Amounts swapped to US$ and fixed rates**
		(Year)	**US$'000**	**US$'000**	**US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.5% to 5.5%	2020 to 2024	290,179	250,179	40,000
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2020 to 2027	5,800,000	200,000	–
			6,732,392	823,672	308,720
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	1,440,000	–	1,440,000
			8,172,392	**823,672**	**1,748,720**

			Audited As at 31 December 2018		
		Maturity	**Outstanding amounts**	**Amounts swapped to US$ and floating rates**	**Amounts swapped to US$ and fixed rates**
		(Year)	**US$'000**	**US$'000**	**US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.5% to 5.5%	2020 to 2024	290,179	250,179	40,000
Hong Kong Dollar	3.25%	2027	102,464	–	102,464
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2019 to 2027	4,850,000	500,000	–
			5,725,019	1,123,672	251,347
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	1,440,000	–	1,440,000
			7,165,019	1,123,672	1,691,347

13. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2019, an amount of US$823.7 million (31 December 2018: US$1,123.7 million) in medium term notes has been swapped to floating rate liabilities and US Dollar (for non-US Dollar denominated notes) via interest rate swap and cross-currency interest rate swap contracts. The carrying amount of these medium term notes was US$719.9 million (31 December 2018: US$1,021.4 million). These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 3.0% to 5.0% per annum for the period ended 30 June 2019 (for the year ended 31 December 2018: 1.9% to 4.9% per annum).

The effects of fair value hedges on the notes as at 30 June 2019 were as follows:

	Unaudited 30 June 2019			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value and revaluation adjustments	Carrying amounts of liabilities
	US$'000	US$'000	US$'000	US$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	**623,672**	**(408)**	**(101,598)**	**521,666**
- Interest rate swaps	**200,000**	**(305)**	**(1,446)**	**198,249**
	823,672	**(713)**	**(103,044)**	**719,915**

As at 30 June 2019, an amount of US$308.7 million (31 December 2018: US$251.3 million) in medium term notes which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollar and at fixed rates via cross-currency interest rate swap contracts to hedge (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). The portion of the fair value change attributable to changes in the exchange rate is recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve. The net fair value loss on these financial instruments of US$6.2 million for the period ended 30 June 2019 (for the year ended 31 December 2018: gain of US$2.4 million) was recognised in hedging reserve while the balance amount was recognised in profit or loss.

As at 30 June 2019, an amount of US$1,440.0 million (31 December 2018: US$1,440.0 million) in medium term notes has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value loss on these financial instruments of US$37.2 million for the period ended 30 June 2019 (for the year ended 31 December 2018: US$14.9 million) was recognised in hedging reserve.

13. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

The terms of the above cross-currency interest rate swap and interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the hedges are assessed to be highly effective.

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 3.6% per annum for the period ended 30 June 2019 (for the year ended 31 December 2018: 3.1% per annum). The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans as at 30 June 2019 are between 2019 and 2025 (31 December 2018: 2019 and 2025).

As at 30 June 2019, the loan due to the intermediate holding company amounted to US$95 million (31 December 2018: nil), and the loans due to other related parties amounted to US$743.5 million (31 December 2018: US$735.3 million).

As at 30 June 2019, loans outstanding amounting to US$2,265 million (31 December 2018: US$1,550 million) have been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The net fair value loss of financial instruments of US$59.1 million for the period ended 30 June 2019 (for the year ended 31 December 2018: US$7.2 million) was accounted for in hedging reserve.

As at 30 June 2019, the Group had unutilised unsecured committed revolving credit facilities of US$3,510 million (31 December 2018: US$2,841 million). These facilities include a US$2 billion committed revolving credit facility which is granted by the intermediate holding company and matures in 2022, and an amount of US$255.5 million (31 December 2018: US$118.7 million) in undrawn commitments which are provided by other related parties as part of committed syndicated revolving credit facilities which mature between 2019 and 2021. The Group had committed long-term credit facilities pending the provision of new replacement aircraft as collateral of US$16.6 million (31 December 2018: nil).

As at 30 June 2019, the Group had a committed unutilised unsecured term loan facility of US$25 million (31 December 2018: US$750 million), of which none (31 December 2018: US$145 million) was provided by related parties.

14. Lease liabilities

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Current	**1,684**	–
Non-current	**7,572**	–
	9,256	–

Interest on the leases ranged from 3.3% to 3.4% per annum.

The maturity profile of the Group's lease liabilities is as follows:

	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Unaudited 30 June 2019	**1,684**	**1,501**	**4,529**	**1,542**	**9,256**

15. Deferred income tax assets and liabilities

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Deferred income tax liabilities, net	**315,062**	304,800
Deferred income tax assets, net	**(168)**	(146)
	314,894	304,654

Deferred income tax liabilities arose mainly from differences in depreciation after offsetting unabsorbed capital allowances and unutilised tax losses which relate to the same taxable entity and the same tax authority.

16. Share capital

	Unaudited 30 June 2019		Audited 31 December 2018	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of period/year	**694,010**	**1,157,791**	694,010	1,157,791

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

17. Derivative financial instruments

	Unaudited 30 June 2019			Audited 31 December 2018		
	Outstanding notional amounts US$'000	**Assets US$'000**	**Liabilities US$'000**	Outstanding notional amounts US$'000	Assets US$'000	Liabilities US$'000
Current:						
Cross-currency interest rate swaps	**227,620**	**–**	**(50,191)**	–	–	–
Interest rate swaps	**200,000**	**–**	**(1,446)**	600,000	2,593	(1,536)
		–	**(51,637)**		2,593	(1,536)
Non-current:						
Cross-currency interest rate swaps	**704,772**	**–**	**(57,160)**	875,019	2,859	(99,733)
Interest rate swaps	**3,705,000**	**4,546**	**(116,516)**	2,890,000	11,520	(22,479)
		4,546	**(173,676)**		14,379	(122,212)

The fair values of interest rate swaps and cross-currency interest rate swaps as shown above are determined with reference to marked-to-market values provided by counterparties.

Hedge accounting has been applied for interest rate swaps and cross-currency interest rate swaps that are assessed by the Group to be highly effective hedges.

17. Derivative financial instruments (cont'd)

The Group determines the economic relationship between the loans and borrowings and the derivatives by matching the critical terms of the hedging instruments with the terms of the hedged items. The hedge ratio (the ratio between the notional amount of the derivative financial instrument to the amount of the loans and borrowings being hedged) is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivatives match exactly with the terms of the hedged item.

The following hedging instruments used by the Group are shown as derivative financial instruments in the statement of financial position:

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates USD interest rates (p.a.)	Hedge rates Foreign currency rates	Maturity (Year)
Unaudited 30 June 2019					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Australian Dollar	373,493	(88,868)	6-month LIBOR + Margin ranging from 1.70% to 1.96%	US$1 : AUD1.06 to AUD 1.08	2020 to 2021
- Chinese Yuan	250,179	(13,351)	6-month LIBOR + Margin ranging from 0.64% to 2.28%	US$1 : CNY6.04 to CNY 6.57	2020 to 2024
Interest rate swaps[2]					
- United States Dollar	200,000	(1,446)	6-month LIBOR + Margin ranging from 1.283% to 1.378%	–	2020
Cash flow hedge					
Cross-currency interest rate swaps[3]					
- Chinese Yuan	40,000	(3,175)	2.95%	US$1 : CNY6.25	2020
- Hong Kong Dollar	159,837	(787)	3.72% to 4.13%	US$1 : HK$7.81 to US$1 : HK$7.84	2026 to 2027
- Singapore Dollar	108,883	(1,170)	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[4]					
- United States Dollar	3,705,000	(111,970)	1.975% to 4.242%	–	2020 to 2025

17. Derivative financial instruments (cont'd)

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
Audited					
31 December 2018					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Australian Dollar	373,493	(81,001)	6-month LIBOR + Margin ranging from 1.70% to 1.96%	US$1 : AUD1.06 to AUD 1.08	2020 to 2021
- Chinese Yuan	250,179	(15,154)	6-month LIBOR + Margin ranging from 0.64% to 2.28%	US$1 : CNY6.04 to CNY 6.57	2020 to 2024
Interest rate swaps[2]					
- United States Dollar	500,000	(4,806)	6-month LIBOR + Margin ranging from 1.283% to 2.05%	–	2019 to 2020
Cash flow hedge					
Cross-currency interest rate swaps[3]					
- Chinese Yuan	40,000	(2,846)	2.95%	US$1 : CNY6.25	2020
- Hong Kong Dollar	102,464	(732)	3.72%	US$1 : HK$7.81	2027
- Singapore Dollar	108,883	2,859	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[4]					
- United States Dollar	2,990,000	(5,096)	1.975% to 4.242%	–	2019 to 2025

[1] The Group uses these cross-currency interest rate swaps to hedge the exposure to changes in the fair values of the Group's fixed rate loans and borrowings which are liabilities designated as hedged items in fair value hedge. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest and pays US Dollar principal and floating interest pegged to US Dollar LIBOR. These hedges are classified as fair value hedges and the fair value changes of these cross-currency interest rate swaps are recognised in profit or loss.

[2] The Group uses these interest rate swaps to hedge the exposure to changes in the fair values of the Group's fixed rate loans and borrowings which are liabilities designated as hedged items in fair value hedge. Under these interest rate swaps, the Group receives fixed interest and pays floating interest pegged to US Dollar LIBOR. These hedges are classified as fair value hedges and the fair value changes of these interest rate swaps are recognised in profit or loss.

17. Derivative financial instruments (cont'd)

[3] The Group uses these cross-currency interest rate swaps to hedge against (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal with fixed interest, and pays US Dollar principal and fixed interest. The cross-currency interest rate swaps are bifurcated into two portions. The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve.

[4] The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. Under these interest rate swaps, the Group receives floating interest pegged to US Dollar LIBOR and pays fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognised in hedging reserve.

18. Hedging reserves

Hedging reserves record the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Interest rate and foreign currency risk:		
At beginning of period/year	**1,343**	21,083
Effective portion of changes in fair value of cash flow hedges, net of tax:		
- Interest rate swaps	**(92,736)**	(14,871)
- Cross-currency interest rate swaps	**(6,029)**	4,153
	(98,765)	(10,718)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:		
- Interest rate swaps	**(3,560)**	(7,240)
- Cross-currency interest rate swaps	**(160)**	(1,782)
	(3,720)	(9,022)
	(102,485)	(19,740)
At end of period/year	**(101,142)**	1,343

19. Commitments

(a) Operating lease commitments

(i) Operating lease commitments - As lessor

Aircraft

Future net minimum lease receivables under the non-cancellable operating leases for existing aircraft are as follows:

	Unaudited 30 June 2019 US$ million	Audited 31 December 2018 US$ million
Within one year	**1,680**	1,604
Between one and two years	**1,638**	1,547
Between two and three years	**1,559**	1,509
Between three and four years	**1,502**	1,420
Between four and five years	**1,436**	1,377
After five years	**5,192**	5,101
	13,007	12,558

Future net minimum lease receivables under the non-cancellable operating leases for aircraft committed but yet to be delivered are as follows:

	Unaudited 30 June 2019 US$ million	Audited 31 December 2018 US$ million
Within one year	**75**	108
Between one and two years	**166**	199
Between two and three years	**206**	282
Between three and four years	**209**	294
Between four and five years	**204**	292
After five years	**1,502**	2,221
	2,362	3,396

19. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

The Group leases office and facility spaces under non-cancellable operating lease agreements. With the adoption of IFRS 16/SFRS(I) 16 *Leases,* the Group has recognised the lease liabilities representing the present value of the minimum lease payments on the statement of financial position as disclosed in Note 14. As at 31 December 2018, future minimum lease payments for the office leases was US$2.3 million within one year and US$5.1 million between one and five years.

(b) Capital expenditure commitments

As at 30 June 2019, the Group had committed to purchase various aircraft delivering between 2019 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery was US$7,688.9 million (31 December 2018: US$9,216.7 million).

20. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 30 June 2019, the corporate guarantees for loans to subsidiary companies amounted to US$3,981.7 million (31 December 2018: US$4,232.3 million).

21. Related party transactions

The Group is majority owned by Bank of China Limited which is controlled by Central Huijin, a wholly owned subsidiary of CIC, which is a wholly state-owned company in the PRC. Central Huijin and CIC have equity interests in certain other entities in the PRC. Bank of China Limited is indirectly subject to the control of the State Council of the PRC Government through CIC and Central Huijin. The State Council directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities.

The Group enters into leasing, purchase and leaseback, borrowings and other transactions with certain state-owned entities mentioned above in the normal course of business and on commercial terms.

The Group considers only those entities known to the management to be a subsidiary company, associate or joint venture of Central Huijin to be related parties.

In addition to the information disclosed elsewhere in the interim financial statements, the following significant transactions took place between the Group and related parties in the normal course of business and on commercial terms:

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**194**	109
Interest expense	**223**	–
(b) Other related parties:		
Interest income	**192**	89
Interest expense	**13,415**	8,323

21. Related party transactions (cont'd)

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Directors' and key executives' remuneration paid during the period*		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**5,991**	5,054
CPF and other defined contributions	**4**	4
	5,995	5,058
(b) Key executives (excluding executive directors) of the Group:		
Salary, bonuses and other costs	**8,895**	8,077
CPF and other defined contributions	**218**	208
	9,113	8,285

* Exclude share-based compensation expense as described below.

As at 30 June 2019, deferred cash bonuses of US$30.4 million (31 December 2018: US$20.2 million) in respect of services performed in prior years were payable to directors of the Company and key executives of the Group.

As at 30 June 2019, the Group granted 457,353 and 643,571 (31 December 2018: 234,263 and 351,472) RSUs to directors of the Company and key executives of the Group respectively.

The share-based compensation expense for the period ended 30 June 2019 was US$0.4 million (2018: US$0.1 million) and US$0.5 million (2018: US$0.1 million) for directors of the Company and key executives of the Group respectively.

22. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Please refer to the Group's audited consolidated financial statements for year ended 31 December 2018 for a detailed discussion on how management manages its key financial risks.

23. Capital management

The primary objective of the Group's capital management is to maximise shareholder value given an optimal debt to equity structure.

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders. The changes in share capital and dividends are disclosed in Note 16 and Note 27 respectively. There were no changes made in the objectives, policies or processes during the period from 1 January 2019 to 30 June 2019 and the year ended 31 December 2018.

The Group monitors its gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in its loan facilities and to maintain its investment grade credit rating. Gross debt comprises the Group's loans and borrowings before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Total equity refers to the equity attributable to owners of the Company.

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Gross debt	**13,103,912**	12,475,622
Total equity	**4,291,639**	4,199,026
Gearing (times)	**3.1**	3.0

24. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 30 June 2019 and 30 June 2018.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share:

	Unaudited 1 January 2019 to 30 June 2019	Unaudited 1 January 2018 to 30 June 2018
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the period attributable to owners of the Company) (US$'000)	**321,091**	297,020
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	**694,010**	694,010
Basic earnings per share (US$)	**0.46**	0.43
Diluted earnings per share (US$)	**0.46**	0.43

25. Segmental analysis

All revenues are derived from the Group's principal activities of leasing and management of aircraft leases and other related activities. There is no known seasonality of the Group's contracted revenues. The main revenue and assets are analysed by geographical region as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income by the operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	Unaudited 1 January 2019 to 30 June 2019		Unaudited 1 January 2018 to 30 June 2018	
	US$ million	**%**	US$ million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**195**	**23.4**	182	24.2
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**251**	**30.2**	218	29.0
Americas	**82**	**9.9**	100	13.2
Europe	**211**	**25.4**	184	24.4
Middle East and Africa	**93**	**11.1**	69	9.2
	832	**100.0**	753	100.0

Other than the lease rental income attributable to the Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 30.2% (2018: 29.0%) of the total lease rental income, there was no other country concentration in excess of 10% of the total lease rental income for the period ended 30 June 2019.

25. Segmental analysis (cont'd)

(b) Net book value of aircraft

The distribution of net book value of the aircraft by the operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	Unaudited 30 June 2019		Audited 31 December 2018	
	US$ million	**%**	US$ million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,526**	**22.2**	3,424	22.9
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**4,902**	**30.8**	4,685	31.3
Europe	**4,283**	**27.0**	3,536	23.6
Middle East and Africa	**1,883**	**11.8**	1,918	12.8
Americas and others	**1,311**	**8.2**	1,395	9.4
	15,905	**100.0**	14,958	100.0

Other than the net book value of aircraft leased to operators in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 30.8% of the total net book value as at 30 June 2019 (31 December 2018: 31.3%), there was no other country concentration in excess of 10% of total net book value.

26. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities, as defined in IFRS 9/SFRS(I) 9, are disclosed either in the statement of financial position or in the notes to the financial statements.

Financial assets measured at amortised cost comprise trade receivables (Note 9), other non-current assets, other receivables (Note 10), short-term deposits and cash and bank balances (Note 11).

As at 30 June 2019, the financial assets measured at amortised cost for the Group were US$374.9 million (31 December 2018: US$254.2 million).

Financial liabilities measured at amortised cost comprise trade and other payables (Note 12), loans and borrowings (Note 13), lease liabilities (Note 14), security deposits and other non-current liabilities.

As at 30 June 2019, the financial liabilities measured at amortised cost for the Group were US$13,445.2 million (31 December 2018: US$12,770.3 million).

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 17).

The fair values of the derivative financial instruments are determined by reference to marked-to-market values provided by counterparties. The fair value measurement of all derivative financial instruments under the Group are classified under Level 2 of the fair value hierarchy, for which inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) are included as inputs for the determination of fair value.

(b) Financial instruments whose carrying amounts approximate fair values

Management has determined that, except for derivative financial instruments, the carrying amounts of current financial assets and liabilities reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

The carrying amounts of non-current loans and borrowings that are floating rate instruments reasonably approximate their fair values because these are repriced to market interest rates on or near the end of each period/year.

26. Classification of financial instruments and their fair values (cont'd)

(c) Financial instruments not measured at fair value, for which fair value is disclosed

Set out below is a comparison of carrying amounts and fair values of the Group's financial instruments not measured at fair value:

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Medium term notes :		
Carrying amounts	**5,877,111**	4,578,648
Fair values	**5,986,956**	4,492,516

As at 30 June 2019, the fair value measurement of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$159.4 million (31 December 2018: US$102.2 million) with fair value of US$160.9 million (31 December 2018: US$98.5 million) which was classified under Level 2 of the fair value hierarchy as it was determined based on indicative bid price obtained from a counterparty.

27. Dividends

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Declared and paid during the period:		
Final dividend for 2018: US$0.1845 (2017: US$0.192) per share	**128,045**	133,250
Proposed as at 30 June:		
Interim dividend for 2019: US$0.1388 (2018: US$ 0.1284) per share	**96,329**	89,111

At the Annual General Meeting held on 29 May 2019, the shareholders approved a final dividend of US$0.1845 per ordinary share, which amounted to US$128.0 million, in respect of the profit for the year ended 31 December 2018. This dividend was paid in June 2019.

At a meeting on 16 August 2019, the directors declared an interim dividend of US$0.1388 per ordinary share for the period ended 30 June 2019 amounting to US$96.3 million. This declared interim dividend is not reflected as a dividend payable in this interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

28. Subsequent events

Subsequent to the period ended 30 June 2019, the Group has contracted to sell certain aircraft, including a portfolio sale to Silver Aircraft Lease Investment Limited, with net book value of US$678.7 million as at 30 June 2019 in the second half of 2019. The profits on sale and the disposal of aircraft will be recognised in the financial statements as and when the title to each aircraft is transferred to the buyer in the second half of 2019.

29. Authorisation of interim financial statements for issue

The interim financial statements for the period from 1 January 2019 to 30 June 2019 were authorised for issue in accordance with a resolution of the directors passed on 16 August 2019.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out our capitalization and indebtedness as derived from our unaudited interim condensed consolidated financial statements as at June 30, 2019, prepared in accordance with International Financial Reporting Standards and Singapore Financial Reporting Standards (International). The table should be read in conjunction with our unaudited interim condensed consolidated financial statements as at June 30, 2019 and the notes thereto included in this Supplemental Offering Circular.

As at June 30, 2019, we had an issued share capital of U.S.$1,157.8 million. The number of ordinary shares issued was 694,010,334. We have only one class of ordinary shares and all of our share capital comprises fully paid shares.

	As at June 30, 2019
	(in U.S.$ million)
Indebtedness	
Unsecured medium term notes	8,172
Unsecured loan financing	3,460
Secured loan financing	1,472
Total indebtedness	**13,104**
Equity attributable to owners of the Company	
Share capital	1,158
Retained earnings	3,231
Statutory and share-based compensation reserves	4
Hedging reserves	(101)
Total equity	**4,292**
Total capitalization and indebtedness	**17,396**

Indebtedness comprises loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.

Other than as disclosed in "– Amendments and Updates to the Original Offering Circular – Indebtedness," there have been no material changes in our capitalization, indebtedness or contingent liabilities since June 30, 2019.

AMENDMENTS AND UPDATES TO THE ORIGINAL OFFERING CIRCULAR

Please note the following amendments and updates that should be read in conjunction with the Original Offering Circular.

BOARD AND MANAGEMENT

Change of information in respect of directors:

Mr. FU Shula, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Besunyen Holdings Company Limited with effect from April 1, 2019.

Dr. YEUNG Yin Bernard, an independent non-executive Director of the Company, ceased to be the Dean at National University of Singapore Business School with effect from June 1, 2019.

INDEBTEDNESS

As of the date of this Supplemental Offering Circular, we had U.S.$616 million utilized under our unsecured revolving credit facilities.

Subsequent to June 30, 2019 we entered into and closed the following debt transactions:

- US$700 million in syndicated term loan facilities which remained undrawn as of the date of this Supplemental Offering Circular
- US$750 million in syndicated revolving credit facilities which remained undrawn as of the date of this Supplemental Offering Circular
- US$100 million bilateral term loan facility which has been fully drawn
- A$200 million bond

We also terminated a US$750 million revolving credit facility that was due to expire in October 2019.

Other than as is disclosed here, there have been no material changes in our capitalization, indebtedness or contingent liabilities since June 30, 2019.

RISK FACTORS

The following paragraph shall be inserted after the risk factor entitled "The book-entry registration system of the Notes may reduce the liquidity of any secondary market for the Global Notes under the Program and may limit the receipt of payments by the beneficial owners of the Global Notes under the Program" on page 42 of the Original Offering Circular:

"**Application of Singapore insolvency and related laws to us may result in a material adverse effect on the Noteholders**

There can be no assurance that we will not become bankrupt or insolvent or the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency-related proceedings or procedures. In the event of our insolvency or near insolvency, the application of certain provisions of Singapore insolvency and related laws may have a material adverse effect on the Noteholders. Without being exhaustive, below are some matters that could have a material adverse effect on the Noteholders.

Where we are insolvent or close to insolvent and undergo certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to us. It may also be possible that if a company related to us proposes a creditor scheme of arrangement and obtains an order for a moratorium, we may also seek a moratorium even if we are not in ourselves proposing a scheme of arrangement. These moratoriums can be lifted with court permission and in the case of judicial management, additionally with the permission of the judicial manager. Accordingly, if for instance there is any need for a Noteholder to bring an action against us, the need to obtain court permission may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

Further, Noteholders may be made subject to a binding scheme of arrangement where the majority in number representing 75% in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, recent amendments to the Companies Act in 2017 have introduced cram-down provisions for where there is a dissenting class of creditors. The court may notwithstanding a single class of dissenting creditors approve a scheme provided an overall majority in number representing 75% in value of the creditors meant to be bound by the scheme have agreed to it and provided that the scheme does not unfairly discriminate and is fair and equitable to each dissenting class and the court is of the view that it is appropriate to approve the scheme. In such scenarios, Noteholders may be bound by a scheme of arrangement to which they may have dissented.

Further to the amendments that took effect on May 23, 2017 (some of which have been highlighted above), the Insolvency, Restructuring and Dissolution Bill (the "**IRD Bill**" or as passed, the "**IRD Act**") was passed in Parliament on October 1, 2018, but is not yet in force. The IRD Act includes a prohibition against terminating, amending or claiming an accelerated payment or forfeiture of the term under, any agreement (including a security agreement) with a company that commences certain insolvency or rescue proceedings, by reason only that the proceedings are commenced or that the company is insolvent. The extent to which the provisions in the IRD Act will impact the transactions contemplated under this Program (if at all) will depend on the extent to which such transactions will be exempted from the application of such provisions. While the relevant authorities have indicated that bonds will generally be exempted from the prohibition described above, the relevant details are not yet available and there is no certainty as to whether or the extent to which the transactions contemplated under this Program will fall within such exemptions."

The section headed "Singapore taxation risk" on page 44 of the Original Offering Circular shall be replaced by the following:

"**Singapore taxation risk**

The Notes to be issued from time to time under the Program, during the period from the date of this Offering Circular to December 31, 2023 are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore subject to the fulfillment of certain conditions more particularly described in the section "Taxation – Singapore." However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time."

APPLICABLE PRICING SUPPLEMENT

The paragraph headed "PRIIPs/IMPORTANT – EEA RETAIL INVESTORS" on page 50 of the Original Offering Circular shall be replaced by the following:

"**PRIIPs/IMPORTANT – EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation."

TAXATION

The section headed "Singapore – 2. Capital Gains" on page 171 of the Original Offering Circular shall be replaced by the following:

"**2. Capital Gains**

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard (**FRS**) 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) may, for Singapore income tax purposes, be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes."

SUBSCRIPTION AND SALE

The section headed "PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE" on pages 179 and 180 of the Original Offering Circular shall be replaced with the following:

"PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the of fering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

    (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

    (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**); and

(b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(C) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129."

The section headed "SINGAPORE" on page 182 shall be replaced with the following:

"**SINGAPORE**

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each future Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act (b) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1), or to any person pursuant to Section 275(1A), of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the Securities and Futures Act; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the Securities and Futures Act is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time."

GENERAL INFORMATION

AUTHORIZATION

The establishment and update of the Program and the issue of Notes have been duly authorized by resolutions of our Board of Directors dated September 16, 2012, April 10, 2014, March 16, 2015 and December 13, 2016.

LISTING OF NOTES

Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of our merits or the merits of our subsidiary companies, their affiliated companies, the Program or the Notes. The Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 so long as any of the Notes remain listed on the SGX-ST.

DOCUMENTS AVAILABLE

For the period of 12 months following the date of this Supplemental Offering Circular, copies of the following documents will, when published, be available for inspection from our registered office and from the specified offices of the Paying Agents for the time being in Singapore:

(a) our constitutional documents;

(b) the audited consolidated financial statements of the Group in respect of the financial years ended December 31, 2016, 2017 and 2018. The Group currently prepares audited consolidated accounts on an annual basis;

(c) the unaudited interim condensed consolidated financial statements of the Group in respect of the six months ended June 30, 2019;

(d) the Program Agreement, the Agency Agreement, the Deed of Covenant, the CDP Deed of Covenant and Deed Poll;

(e) a copy of this Supplemental Offering Circular and the Original Offering Circular; and

(f) any future offering circulars, prospectuses, information memoranda, supplements and Pricing Supplement (save that a Pricing Supplement relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to us and the Agent as to its holding of Notes and identity) to the Offering Circular and any other documents incorporated herein or therein by reference.

CLEARING SYSTEMS

Each series of Bearer Notes will be initially represented by either a Temporary Global Note or a Permanent Global Note that will be deposited on the issue date thereof with either (i) CDP; (ii) a common depositary on behalf of Euroclear and Clearstream, Luxembourg or any other agreed clearance system compatible with Euroclear and Clearstream, Luxembourg; or (iii) a sub-custodian for the CMU Service. Each series of Registered Notes will be initially represented by interests in a Registered Global Note and deposited on the issue date thereof with (i) a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg; or (ii) deposited with, and registered in the name of CDP; or

(iii) a sub-custodian for the CMU Service. The Common Code, the relevant ISIN number and, if applicable, the relevant CMU instrument number for each Series of Notes, will be contained in the applicable Pricing Supplement. In addition, we may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

CONDITIONS FOR DETERMINING PRICE

The price and amount of Notes to be issued under the Program will be determined by us and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial or trading position of the Group since June 30, 2019 and there has been no material adverse change in the financial position of the Group since June 30, 2019.

LITIGATION

We are not and have not, and no member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) in the 12 months preceding the date of this document which may have or have in such period had a material adverse effect on our or the Group's financial condition or business.

INDEPENDENT AUDITOR

The Original Offering Circular included our audited consolidated financial statements as at and for the years ended December 31, 2017 and 2018 and the Supplemental Offering Circular includes our unaudited interim condensed consolidated financial statements as at and for the six months ended June 30, 2019. For the audit and review of these financial statements, respectively, our independent auditor was Ernst & Young LLP, Public Accountants and Chartered Accountants, Singapore, located at 1 Raffles Quay, North Tower, Level 18, Singapore 048583. The reports of our independent auditor are included in the form and context in which they are included, with the consent of the independent auditor who has authorized the contents of that part of the Original Offering Circular and Supplemental Offering Circular.

DEALERS TRANSACTING WITH US

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, us and our affiliates in the ordinary course of business.

IMPORTANT NOTICE

THE SECURITIES DESCRIBED HEREIN ARE AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OF THE SECURITIES ACT (AS DEFINED BELOW) OR (2) ADDRESSEES WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page. You are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from BOC Aviation Limited (the **Company**) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your Representation: In order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act) or (2) addressees who are non-U.S. persons as defined under Regulation S purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing this offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such offering circular by electronic transmission.

You are reminded that this offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or change during the process of electronic transmission and, consequently, none of BOCI Asia Limited, Citigroup Global Markets Singapore Pte. Ltd. and The Hongkong and Shanghai Banking Corporation Limited as Dealers, nor any person who controls any of them nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

BOC AVIATION LIMITED

(*incorporated in the Republic of Singapore with limited liability*)

U.S.$10,000,000,000
Global Medium Term Note Program

Under this U.S.$10,000,000,000 Global Medium Term Note Program (the **Program**), we may from time to time issue notes (the **Notes**) denominated in any currencies agreed between us and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$10,000,000,000 (or its equivalent in other currencies calculated as described in the Program Agreement described in "Subscription and Sale"), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Program" and any additional Dealer appointed under the Program from time to time by us (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this offering circular (the **Offering Circular**) to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Program involves certain risks. For a discussion of these risks see "Risk Factors."

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in, and for quotation of, any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of our merits or the merits of our subsidiary companies, their affiliated companies, the Program or the Notes. Unlisted Notes may be issued under the Program. The relevant Pricing Supplement (as defined below) in respect of any Series (as defined in the "Terms and Conditions of the Notes") will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a Pricing Supplement (each, a **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of Notes of such Tranche.

The Program provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between us and the relevant Dealer. We may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered in the United States, or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered and sold only (i) in the United States to qualified institutional buyers (**QIBs**) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. See "Form of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale" and "Transfer Restrictions."

Notes issued under the Program may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

We may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arrangers

CITIGROUP **HSBC**

Dealers

BOC INTERNATIONAL **CITIGROUP** **HSBC**

Offering Circular dated March 27, 2019

IMPORTANT NOTICES

Unless the context otherwise requires, all references in this Offering Circular to "BOC Aviation," "we," "our," "ours," "us" or similar terms mean, BOC AVIATION LIMITED (formerly known as BOC AVIATION PTE. LTD.) and its consolidated subsidiaries and references to the "Issuer" or the "Company" shall be to BOC AVIATION LIMITED, and, for the purpose of listing Notes on the Singapore Stock Exchange to be traded on the Alternative Securities Market, references to Offering Circular will be deemed to be references to the listing particulars.

We, having made all reasonable inquiries, confirm that this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers, the Paying Agents, the Transfer Agents and the Registrars as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by us in connection with the Program.

No person is or has been authorized by us to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by us, any of the Dealers, the Paying Agents, the Transfer Agents and the Registrars that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of our financial condition and affairs, and its own appraisal of our creditworthiness. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by us or on our behalf or by or on behalf of any of the Dealers, the Paying Agents, the Transfer Agents and the Registrars to any person to subscribe for or to purchase any Notes where such offer would be prohibited.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Paying Agents, the Transfer Agents and the Registrars expressly do not undertake to review our financial condition or affairs during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither we nor the Dealers, the Paying Agents, the Transfer Agents and the Registrars represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required.

Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including, for the purposes of this Offering Circular, the United Kingdom), Japan, Hong Kong and Singapore; see "Subscription and Sale" and "Transfer Restrictions."

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE NOTES BEING OFFERED, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. NEITHER WE NOR THE DEALERS MAKE ANY REPRESENTATION TO ANY INVESTOR IN THE NOTES REGARDING THE LEGALITY OF ITS INVESTMENT UNDER ANY APPLICABLE LAWS. ANY INVESTOR IN THE NOTES SHOULD BE ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME.

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration such target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Section 309B Notification: Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Program shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors (as defined under "Form of the Notes") for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Program. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the **Code**) and the Treasury Regulations promulgated thereunder.

Registered Notes may be offered or sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act or within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act (**Rule 144A**) or any other applicable exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "Terms and Conditions of the Notes"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together, the **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "Subscription and Sale" and "Transfer Restrictions." Unless otherwise stated, terms used in this paragraph have the meanings given to them in "Form of the Notes."

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a corporation organized under the laws of Singapore. All of the officers and directors named herein reside outside the United States and a substantial portion of our assets and our officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Singapore upon us or such persons, or to enforce judgments against them obtained in courts outside Singapore predicated upon our civil liabilities or our directors and officers under laws other than Singapore law, including any judgment predicated upon United States federal securities laws. Allen & Gledhill LLP, counsel to the dealers as to Singapore law, has advised that there is doubt as to the enforceability in Singapore in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

CERTAIN DEFINED TERMS AND CONVENTIONS

Capitalized terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references in this document to *U.S. dollars*, *U.S.$* and *$* refer to United States dollars, to *Singapore dollars* and *S$* refer to Singapore dollars, to *Hong Kong dollars* and *HK$* refer to Hong Kong dollars and to *Australian dollars* and *A$* refer to Australian dollars. In addition, all references to *Sterling* and *£* refer to pounds sterling and references to *Euro* and *€* refer to euro and refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. References to *CNY*, *Chinese yuan*, *Renminbi* and *RMB* are to the lawful currency of the People's Republic of China (the PRC).

References in this document to the *Group* shall mean us together with our subsidiaries.

References to the *Relevant Period* shall mean the three years ended December 31, 2018.

References to a billion are to a thousand million.

References to *NBV* shall mean net book value.

FORWARD LOOKING STATEMENTS

This Offering Circular contains forward-looking statements, including statements concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on our management's current beliefs and projections about future events and financial trends affecting our business. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe," "expect," "may," "will," "could," "should," "shall," "intend," "estimate," "aims," "plan," "predict," "assume," or "anticipate" or similar words or statements in particular, in the sections entitled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular in relation to future events, our prospects, our expected financial condition, our business strategies, the future developments of the Group's operations and industry and the future development of the general domestic, regional and global economy. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. Many important factors, in addition to those discussed in this Offering Circular, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- the availability of capital to us and to our customers and changes in interest rates;
- the ability of our airline customers and potential airline customers to make operating lease rental and other payments to us and to fulfill their other obligations to us;
- our ability to successfully negotiate aircraft purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;
- the ability of manufacturers to deliver new aircraft on time;
- decreases in the overall demand for aircraft operating leasing services;
- the economic condition of the aircraft operating lease industry;
- changes in management;
- competitive pressures within the aircraft operating lease industry; and
- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes.

Forward-looking statements speak only as of the date they were made and we undertake no obligation to update publicly or to revise any forward-looking statements because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances described in this Offering Circular might not occur and are not guarantees of future performance. The factors described above should not be construed as exhaustive and should be read in conjunction with the other cautionary statements and the risk factors that are included in "Risk Factors" and "Business" in this Offering Circular. Should one or more of these or other risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Notes, for so long as any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we have agreed to furnish upon request of a holder of Notes, or of a beneficial owner of an interest therein, to such holder or beneficial owner, or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act if, at the time of such request, we are neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. Such information will be made available for inspection at the specified offices of the Paying Agents.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Group;

(b) the quarterly operational data as announced by the Company and filed with the Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**) from time to time; and

(c) all supplements or amendments to this Offering Circular circulated by us from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any published unaudited interim financial statements of the Group which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or subject to review by the independent auditors of the Group, unless indicated otherwise. Accordingly, there can be no assurance that, had an audit or review been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

We will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to us at our registered office set out at the end of this Offering Circular. We have given an undertaking to the Dealers that as and when it is proposed that Notes be issued under the Program, if any event shall have occurred as a result of which this Offering Circular, as amended or supplemented, would include a statement of fact which is not true and accurate or omit any fact the omission of which is material in the context of the Program or the issue of Notes, or if there is a change in our condition which is material in the context of the Program or the issue of Notes, a new offering circular will be prepared in each case in a form approved by the Dealers.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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SUMMARY

This summary highlights significant aspects of our business, but it is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire Offering Circular, including the information presented under the section entitled "Risk Factors" and our audited consolidated financial statements and related notes included elsewhere in this Offering Circular, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward looking statement as a result of certain factors, including those set forth in "Risk Factors" and "Forward Looking Statements."

OVERVIEW

We are a leading global aircraft operating leasing company based in Singapore. We are the largest aircraft operating leasing company headquartered in Asia, and one of the largest global aircraft operating leasing companies, in each case as measured by the value of owned aircraft as at December 31, 2018 (excluding aircraft ordered but undelivered). On June 1, 2016, we completed a public listing of our shares on the main board of the Hong Kong Stock Exchange.

Our business model is underpinned by strong global trends in the aviation industry. Our business benefits from (i) strong growth in travel volume and an increasing propensity to fly, particularly in the Asia Pacific region, driving the demand for new aircraft, and (ii) an increasing preference for many airlines to lease rather than to purchase aircraft. Our aircraft are mobile, can be redeployed throughout the world, and have long economic lives. We also benefit from long-term, U.S. dollar-denominated cash flows from a global customer base who lease our aircraft, and from owning assets with values denominated in U.S. dollars, which enables us to operate a global business without exposing us to currency risk. We believe the scale of our business and our investment grade credit ratings make us an attractive counterparty to both aircraft manufacturers and airline customers, which further reinforces our competitiveness.

Our specialized aviation industry knowledge, our relationships with airline customers, aircraft manufacturers and other key aviation industry participants, together with the long-term experience and talent of our senior management team and other key employees have enabled us to deliver strong operational and financial results through multiple industry cycles. In particular, we have delivered 25 years of unbroken profitability, with U.S.$3.7 billion in cumulative profits from inception through 2018.

Our core business model is focused on purchasing new, fuel-efficient, in-demand aircraft at competitive prices directly from aircraft manufacturers, financing those aircraft purchases efficiently, placing our aircraft on long-term operating leases with a globally diversified customer base and selling our aircraft to maintain a young fleet, to mitigate risks in our aircraft portfolio and to generate gains on sale, as well as reinvesting the sale proceeds in new aircraft investments. From our inception in 1993 to December 31, 2018, we have:

- purchased and committed to purchase more than 800 aircraft with an aggregate purchase price in excess of U.S.$44 billion;
- executed more than 860 leases with more than 160 airlines in 57 countries and regions;
- raised nearly U.S.$25 billion in debt financing since January 1, 2007;
- sold 330 owned and managed aircraft; and
- transitioned more than 80 aircraft at lease end, and repossessed 38 aircraft from airline customers based in 14 jurisdictions.

We maintain a fleet of young, fuel-efficient, in-demand aircraft types. As at December 31, 2018, our aircraft fleet comprised 328 aircraft, of which 303 were owned aircraft and 25 were managed on behalf of third party customers, and these aircraft are on lease to 93 airlines in 37 countries and regions. As at December 31, 2018, the average aircraft age of our owned aircraft fleet was 3.0 years weighted by net book value, making our owned fleet one of the youngest in the aircraft operating lease industry. The average remaining lease term of our owned aircraft operating leases as at December 31, 2018 was 8.3 years, which is one of the longest in the industry. We also have a significant order book of 183 aircraft as at December 31, 2018. Our order book comprises principally popular single-aisle aircraft, such as the Airbus A320 family and Boeing 737 family, including the A320NEO and 737 MAX family new technology models.

We benefit from a low average cost of debt[(1)], which was 3.3% in 2018, supported by our strong corporate credit ratings, which were A- from both S&P Global Ratings (as at March 22, 2019) and Fitch Ratings (as at March 25, 2019) and a diversified range of funding sources. Unsecured bonds and third-party commercial bank financing are our primary sources of debt funding.

We enjoy strong and committed support from Bank of China. Bank of China has provided us with a U.S.$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. Notwithstanding that Bank of China and its subsidiaries (the **Bank of China Group**) have provided certain credit facilities and loans to the Group, the Group is able to operate financially independently from the Bank of China Group. Following the listing of our shares on the Hong Kong Stock Exchange, Bank of China has retained a shareholding of 70% of outstanding shares.

Our senior management team is highly experienced and stable, with Mr. Robert Martin (our Managing Director and Chief Executive Officer) and Mr. Phang Thim Fatt (our Deputy Managing Director and Chief Financial Officer) having worked together at the Company since 1998. This team has successfully managed the Group through multiple industry cycles. They are key to the Group's historical performance in executing successfully our business strategy and, in particular, in overseeing and leading the Group's active approach to risk management and governance. In addition, many of our senior management have extensive experience working in the aviation industry across multiple jurisdictions.

We have a global presence through which we execute our strategy, with headquarters in Singapore and offices in Dublin, London, New York and Tianjin.

OUR AIRCRAFT FLEET

Our core fleet comprises aircraft types that will appeal to a broad airline customer base over extended periods of time, that are fuel-efficient and technologically advanced, and that have broad appeal to aircraft investors. Our fleet portfolio strategy is determined and regularly reviewed by our management and Board.

Note:

(1) Average cost of debt is calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness. Average total indebtedness equals the total indebtedness at the beginning of the year plus total indebtedness as at the end of the year, divided by two. Total indebtedness represents the loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.

As at December 31, 2018, our fleet and order book comprised the following aircraft types:

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order[1]	Total
Narrowbody Aircraft				
Airbus A320CEO family	130	8	0	138
Airbus A320NEO family	24	0	62	86
Boeing 737NG family	98	8	2	108
Boeing 737MAX family	5	0	90	95
Narrowbody sub-total	257	16	154	427
Widebody Aircraft				
Airbus A330CEO family	12	4	0	16
Airbus A330NEO family	0	0	12	12
Airbus A350 family	6	0	2	8
Boeing 777-300ER	19	3	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	4	0	12	16
Widebody sub-total	41	8	29	78
Freighters	5	1	0	6
Total	303	25	183	511

Note:

(1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.

The following table sets out the growth of our owned and managed fleet over the years.

	As at December 31,									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Number of owned aircraft	118	140	158	179	206	230	227	246	287[1]	303
Number of managed aircraft	24	26	25	24	20	20	43	38	31	25
Total aircraft	142	166	183	203	226	250	270	284	318	328

Note:

(1) Includes one aircraft subject to finance lease.

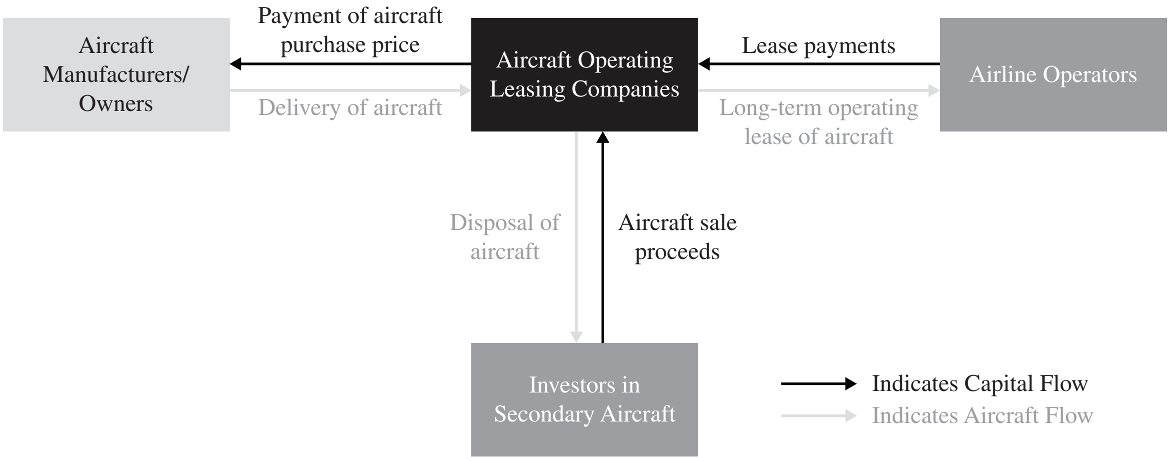
We principally enter into two types of aircraft purchase transactions: (i) aircraft purchases through our order book which involve us placing aircraft purchase orders with the aircraft original equipment manufacturers (or aircraft **OEMs**) and securing an operating lease with an airline customer from delivery, and (ii) aircraft purchases in connection with purchase and leaseback transactions, which typically involve us taking over aircraft purchase commitment(s) an airline has with an aircraft OEM or, buying from the airline at delivery, and in either case leasing the aircraft back to a customer.

As part of our future growth plans we had, as at December 31, 2018, commitments to acquire 183 aircraft, either through our order book with the OEMs or pursuant to purchase and leaseback transactions with airline customers, to be delivered through 2021 as follows:

	Number of aircraft scheduled for delivery during year ended December 31,		
	2019	**2020**	**2021**
Number of aircraft	79	54	50

OUR BUSINESS OPERATIONS

Aircraft leasing is an important part of the global aviation supply chain. However, the characteristics of the aircraft operating lease industry are different from those of aircraft manufacturers and airline operators. In contrast to manufacturers and operators, who are subject to significant volatility in short-term demand and input costs, aircraft operating leasing companies have stable portfolios of long-term lease contracts that provide regular, predictable cash flows, and are typically funded by long-term debt. The following diagram highlights the position of the aircraft operating leasing companies in the aviation industry.



The key elements of our business model are:

- **acquiring aircraft:** acquiring, at competitive prices, aircraft that are expected to appeal to a broad range of airline customers and aircraft purchasers and investors, with strong anticipated residual value and transferability characteristics;

- **leasing aircraft to a geographically diverse group of airline customers on favorable lease terms:** maintaining and seeking to continually develop relationships with a geographically diversified group of airline customers for aircraft lease placements, with favorable lease pricing, tenure and other terms and conditions;

- **selling aircraft:** as part of our active portfolio management and risk management program, regularly reviewing our portfolio to ensure aircraft are offered for sale at optimal times and to generate attractive returns on sale that can be reinvested in new aircraft; and

- **driving down funding costs:** continually seeking to obtain financing at the lowest available cost and most favorable terms, with a well-dispersed repayment profile.

We have strong and proven aircraft placement capabilities. Our aircraft are typically committed for lease well in advance of their delivery to us, and our aircraft utilization rate (being the total number of on-lease days as a percentage of available lease days) was 99.8% between January 1, 2008 and December 31, 2018.

Our airline customers are geographically diverse. As at December 31, 2018, our fleet of 328 owned and managed aircraft were leased to 93 airlines in 37 countries and regions. The following table highlights the geographical diversification by net book value of our owned aircraft portfolio as at December 31, 2018[(2)]:

Region[(1)]	**As at December 31, 2018**
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	23.0%
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	31.5%
Americas	8.8%
Europe	23.8%
Middle East & Africa	12.9%

Note:

(1) Based on the jurisdiction of the primary obligor under the relevant operating lease. Excludes two Airbus A320 aircraft off lease as at 31 December 2018 which were delivered to a customer in Americas in January 2019.

In addition, our lease expirations are well-dispersed, with relatively few near-term expiries. The following table sets out the breakdown between fixed and floating rate rental terms by net book value of owned aircraft[1].

	Percentage by NBV as at December 31,		
	2018	**2017**	**2016**
Fixed rate rental terms	76%	66%	54%
Floating rate rental terms	24%	34%	46%

Note:

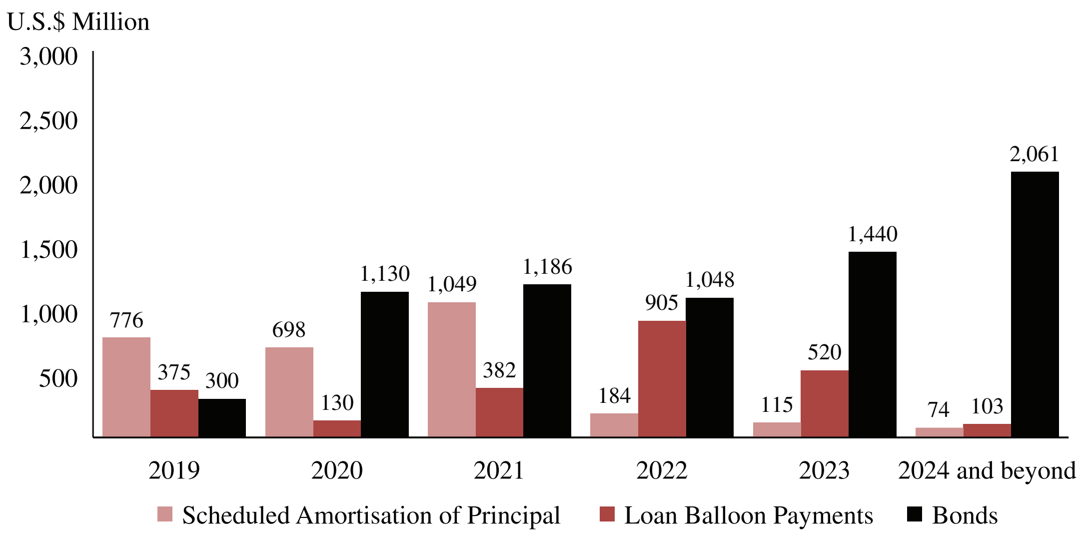
(1) Includes aircraft held for sale. Excludes aircraft subject to finance lease as well as aircraft off lease.

Our diverse portfolio of long-term leases drives our profitability and has historically produced a stable revenue base. Because leasing aircraft produces the majority of our earnings, we have historically grown our earnings as our fleet has grown. In addition, the combination of our mix of floating and fixed rate leases and floating and fixed rate debt, and our active interest rate hedging program, has produced a resilient net lease yield (defined as lease rental revenue less finance expenses, divided by average net book value of aircraft and multiplied by 100%). In 2018, our net lease yield was 8.3%, as compared with 8.4% in 2017.

FINANCING

Financing cost is our second largest operating cost in the current low interest rate environment, after depreciation on our aircraft portfolio, and is our largest cash operating cost. We focus on maintaining a competitive debt funding cost, and we achieve this by adopting a proactive approach to debt financing and by maintaining a diverse range of financing sources. This has enabled us to achieve an average cost of debt of 3.3% in 2018, which we believe was one of the lowest among aircraft operating leasing companies. Our diverse sources of financing include: (i) loan financing, consisting of term loans, committed unsecured revolving credit facilities and finance lease payables, (ii) debt capital markets, consisting of medium term notes issuances, and (iii) financing supported by the Export-Import Bank of the United States (**U.S. Exim**) and the export credit agencies of France, Germany and the United Kingdom (the **European Export Credit Agencies**).

We carefully evaluate and monitor our debt repayment profile to ensure that our refinancing requirements are well-dispersed, without any debt repayment spike in any single year. The following graph details our debt repayment (including finance lease payments) profile as at December 31, 2018.



As at December 31, 2018, we had committed unsecured revolving credit facilities of U.S.$4.3 billion, of which U.S.$2.8 billion were undrawn as at the same date. These facilities include a committed unsecured revolving credit facility of U.S.$2.0 billion, which matures in April 2022, obtained from the Bank of China Group on terms commensurate with the terms of other revolving committed unsecured credit facilities provided by third parties. This facility had not been drawn down during the years ended December 31, 2016, 2017 and 2018 (the **Relevant Period**) and serves as a source of temporary financing only rather than long-term financing.

COMPETITIVE STRENGTHS

- A young aircraft fleet and an aircraft order book comprised primarily of fuel-efficient, in-demand aircraft
- Scale and well-established long-standing relationships with aircraft manufacturers, airline customers and aircraft investors
- Long-term contracted cash flows from a globally diversified customer base
- Disciplined and active aircraft portfolio management to ensure a high quality aircraft fleet
- Strong credit ratings and proven access to competitively priced debt funding
- Experienced senior management team with a proven track record through multiple industry cycles and a strong risk-aware culture

BUSINESS STRATEGIES

- Continue to grow our young, liquid aircraft portfolio with a disciplined approach and focus on in-demand aircraft
- Actively manage our existing aircraft portfolio to mitigate risk with a view to maximizing long term value
- Continue to develop and grow our long-standing relationships with key industry participants
- Further diversify our financing sources to maintain our low cost of funding, financing flexibility and efficient capital structure

See “Business” for further details.

RISK FACTORS

Investing in the Notes involves risks. You should carefully consider all the information in this Offering Circular prior to investing in the Notes. In particular, the Company urges you to consider carefully the factor set forth under “Risk Factors” in this Offering Circular.

INFORMATION ABOUT THE COMPANY

We are a company incorporated in Singapore with limited liability. Our registered office is located at 8 Shenton Way #18-01, Singapore 068811 (telephone number: +65 6323 5559). The Company’s website address is: www.bocaviation.com. Information on or accessible through our website does not form part of this Offering Circular and should not be relied on.

SUMMARY OF THE PROGRAM

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. We and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this Overview.

Issuer:	BOC Aviation Limited.
Description:	Global Medium Term Note Program.
Arrangers:	Citigroup Global Markets Singapore Pte. Ltd. and The Hongkong and Shanghai Banking Corporation Limited.
Dealers:	BOCI Asia Limited, Citigroup Global Markets Singapore Pte. Ltd., and The Hongkong and Shanghai Banking Corporation Limited and any other Dealers appointed in accordance with the Program Agreement (see "*Subscription and Sale*").
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale" and "Transfer Restrictions") including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the UK Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "Subscription and Sale" and "Transfer Restrictions."
(i) Agent (in the case of all Notes cleared through Euroclear and Clearstream):	The Bank of New York Mellon, London Branch.
(ii) CDP Paying Agent, Transfer Agent and Registrar (in the case of CDP Notes):	The Bank of New York Mellon, Singapore Branch.
(iii) Registrar and Transfer Agent (in the case of Notes cleared through Euroclear and Clearstream):	The Bank of New York Mellon SA/NV, Luxembourg Branch.
(iv) U.S. Paying Agent, U.S. Transfer Agent and U.S. Registrar (in the case of DTC Notes):	The Bank of New York Mellon.

(v) CMU Lodging and Paying Agent, CMU Transfer Agent and Registrar (in the case of CMU Notes):	The Bank of New York Mellon, Hong Kong Branch.
Program Size:	Up to U.S.$10,000,000,000 (or its equivalent in other currencies calculated as described in the Program Agreement) outstanding at any time. We may increase the amount of the Program in accordance with the terms of the Program Agreement.
Risk Factors:	There are certain factors that may affect our ability to fulfill our obligations under Notes issued under the Program. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between us and the relevant Dealer.
Redenomination:	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities:	The Notes will have such maturities as may be agreed between us and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to us or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form or in registered form as described in "Form of the Notes." Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between us and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between us and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

	(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between us and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between us and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as we and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by us and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between us and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as we and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at our option and/or the option of the Noteholders upon giving notice to the Noteholders or us, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between us and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between us and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above. Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of U.S.$100,000 (or its equivalent in any other currency) and higher integral multiples of U.S.$1,000 (or its equivalent as aforesaid) or the higher denomination or denominations specified in the applicable Pricing Supplement. Registered Notes sold in the United States to institutional accredited investors pursuant to Section 4(a)(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act will be in definitive form (the Definitive IAI Registered Notes) and shall be issued in minimum denominations of U.S.$250,000 or its equivalent in any other currency) and higher integral multiples of U.S.$1,000 (or its equivalent as aforesaid) or the higher denomination or denominations specified in the applicable Pricing Supplement and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be C200,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 9. In the event that any such deduction is made, we will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute our direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all our other unsecured obligations (other than subordinated obligations, if any), from time to time outstanding.
Rating:	The Program has been rated A- by Fitch Ratings (as at March 25, 2019) and A- by S&P Global Ratings (as at March 22, 2019). Notes issued under the Program may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Program and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Listing and admission to trading:	Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Notes may also be listed or admitted to trading on or by such other or further stock exchange(s) and/or competent listing authorities as may be agreed between us and the relevant Dealer and specified in the applicable Pricing Supplement. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between us and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Use of Proceeds:	The net proceeds of issuance of Notes under the Program (after deduction of underwriting fees, discounts and commissions, and other expenses incurred by us in connection with the Program or the Notes) will be used by us or the Group for the purpose of funding new capital expenditure, funding for general corporate purposes and/or refinancing existing borrowings or such purposes as may be specified in the applicable Pricing Supplement.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale.*"
United States Selling Restrictions:	Regulation S, Category 2. Rule 144A and Section 4(a)(2), as specified in the applicable Pricing Supplement. Bearer Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **D Rules**) unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **C Rules**) or (ii) Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

Clearing Systems:	Euroclear, Clearstream, Luxembourg, DTC (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement. See "*Form of the Notes*."
ERISA Considerations:	The Notes may not be acquired by an "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended, (ERISA)) that is subject to Title I of ERISA, a "plan" subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential investors should read the sections entitled "Certain ERISA Considerations" and "Transfer Restrictions."

RISK FACTORS

In purchasing Notes, investors assume the risk that we may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in our becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as we may not be aware of all relevant factors and certain factors which we currently deem not to be material may become material as a result of the occurrence of events outside our control. We have identified in this Offering Circular a number of factors which could materially and adversely affect our business and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS AND THE AIRCRAFT OPERATING LEASE INDUSTRY

The risks related to our business and operations and the aircraft operating lease industry generally can be categorized into four broad areas, namely (i) risks directly relating to our business and operations, (ii) risks related to the aviation industry which affect the Group, (iii) risks related to, and which are associated with, our financing arrangements, and (iv) other external risks related to our business and operations. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations, our ability to meet our financial obligations and/or the value of the Notes.

Risks Directly Relating to Our Business and Operations

Our business is particularly exposed to the performance of the aviation industry.

Our principal business objective is to purchase and own a portfolio of aircraft which are placed on operating leases with airline customers. We are particularly susceptible to downturns, disruptions or weaknesses in the aviation industry since our business depends almost entirely on the willingness and/or ability of our airline customers to enter into new aircraft operating leases and to perform their payment and other obligations under their existing or future operating leases.

If general geopolitical, economic, financial market and/or business conditions worsen, this may have a material adverse effect on the demand from our airline customers for leased aircraft, including particular types of aircraft in our fleet, which could in turn have a material adverse effect on our business, financial condition, results of operations and our ability to meet our financial obligations as well as the value of the Notes. See "– We are exposed to regional economic and political conditions that affect our airline customers" below.

The ability of each airline customer to perform its obligations under a lease will depend primarily on its financial condition, available liquidity, cash flow generating capacity and access to capital, which are also affected to a significant extent by general geopolitical, economic, financial market and business conditions beyond our control. We enter into contractual commitments to deliver multiple aircraft on-lease to airline customers over periods of several years. Customer exposure as represented by net book value as set forth in this Offering Circular may not be representative of our airline customer counterparty risk based on contractual commitments. See "*– Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs*" below.

General geopolitical, economic, financial market and business conditions that could affect demand from our airline customers for leased aircraft and/or the ability of each airline customer to perform its obligations under a lease entered into with us, and which could therefore in turn affect us, include:

- regional or country-specific political instability, social unrest and civil war. See "– We are exposed to regional economic and political conditions that affect our airline customers" below;
- volatility or increases in interest rates;
- recession or slowing (or slower than forecasted) economic growth;
- economic or trade policies aimed at protecting national interests to the detriment of international trading activities and trade disputes arising therefrom, including with respect to the United Kingdom's anticipated withdrawal from the EU, trade friction involving major economies such as the United States and China and any retaliatory measures enacted in response, such as additional tariffs, or any changes in customer demand that may result or be connected to any of the foregoing, whether or not part of retaliatory measures or formal policy changes. See "– Trade restrictions and trade friction could materially affect the airline and aircraft manufacturing industries, which in turn could adversely affect our business and ability to procure aircraft in a timely and cost-effective manner" below;
- economic and business disruption arising from fragmentation of political or economic unions or entities such as the anticipated withdrawal of the United Kingdom from the EU;
- sudden increases in inflation or deflation;
- financial system distress or any other event or circumstance which may lead to a reduction in available financial liquidity;
- oil or other commodity market volatility, which may affect demand for fuel-efficient aircraft and equipment;
- the availability and price of jet fuel. See "– Increases in jet fuel costs may impact our airline customers, which could in turn negatively impact our business" below;
- margin calls or losses under fuel hedging contracts or other derivative instruments;
- foreign exchange rate fluctuations, particularly for airlines with a high proportion of revenues in currencies other than U.S. dollars;
- aircraft accidents, acts of terrorism, wars, epidemics, or other natural or man-made calamities. See "– Aircraft accidents, acts of terrorism, wars, epidemics or other natural or man-made calamities may negatively affect our airline customers and the airline industry and therefore may also adversely affect our business" below;
- disruptions in operations of or supply of aircraft from manufacturers due to regulatory actions, including the grounding of aircraft like the 737 MAX;
- adverse changes in industry regulations or taxation, including environmental regulations and the imposition of new cross-border or border adjustment taxes;
- adoption of changes in international financial reporting standards for leases by our customers;
- excessive competition among, or over-ordering by, airlines;
- regulatory and operating conditions or constraints at airports and related infrastructure; and
- any other event or circumstance that could adversely affect general geopolitical stability, the general economy, financial markets and/or general business conditions or the demand for air travel or air cargo transportation services.

The airline industry is cyclical. Demand for passenger travel and air cargo transportation services – and therefore also the demand for passenger and cargo aircraft (as well as the leasing of these aircraft) – has a strong positive correlation with economic activity. Growth or decline in economic activity, including as a result of the implementation or removal of trade barriers or other operating constraints which may impede or stimulate economic activity may directly affect demand for passenger travel and air cargo transportation services. A severe or prolonged recession, either regionally or globally, could result in lower demand for passenger travel and air cargo transportation services, lower lease rates for our aircraft (or certain types of our aircraft) and a decline in the asset value of our aircraft portfolio. Our business, financial condition and results of operations are dependent on the performance of our airline customers and their ability to manage these risks effectively.

To the extent that the airline industry or our airline customers experience negative effects from these or any other risk factors, we may experience:

- a reduced demand for our aircraft (or certain types of our aircraft);
- impairment charges and lower aircraft sale prices, resulting from, among other factors, lower appraised values for our aircraft;
- a higher incidence of lease defaults resulting in lost revenue from a delay or interruption in payments and/or termination of leases and higher legal, technical and other costs associated with the repossession and redeployment of aircraft, as well as lower future rentals when aircraft are redeployed;
- a need to restructure lease payments for delinquent airlines or airlines in financial difficulty which may result in lower lease revenue, increased provisions for rental amounts in arrears and losses if we fail to collect such rentals and/or maintenance payments at lease-end. See "– Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs" below; and
- an inability to place available aircraft on lease on acceptable terms, which could result in our incurring financing costs while not collecting revenue in relation to the relevant aircraft and incurring storage, insurance, maintenance and modification costs resulting from the grounding, repossession and preparation for re-lease of the aircraft (and at potentially lower lease rates than the original lease in the case of re-leases following a default or in the midst of such negative effects).

The occurrence of one or more of these events could result in a material adverse effect on our business, financial condition, results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Our business model is dependent to a large extent on our ability to acquire aircraft at competitive prices or in a timely fashion.

Our business model depends to a large extent on acquiring at competitive prices those models of passenger aircraft with more than 100 seats and freighters which we believe will generate sufficient revenues to finance our operations, service our debt and other financing obligations, and provide an acceptable return on our invested capital. Our ability to acquire aircraft also depends to a large extent on our ability to access financing. See "– Risks Related to Our Financing Arrangements" below.

We are primarily focused on the passenger aircraft market. The supply of new aircraft with more than 100 seats is presently dominated by two aircraft manufacturers, namely Airbus and Boeing, a small number of engine manufacturers and a number of suppliers of avionics, aircraft interiors, spares and other equipment (including seats and galleys) fitted to aircraft. In addition, we seek to source and enter into aircraft purchase and leaseback transactions with a variety of diverse potential airline counterparties. Should we experience any material deterioration in our relationships with Airbus or Boeing, engine manufacturers, other suppliers and/or those counterparties with whom we seek to enter into aircraft purchase and leaseback transactions or if we are unable to source and execute appropriate aircraft purchase and leaseback transactions, we may experience difficulty in purchasing aircraft at competitive prices and/or in acquiring those models of aircraft which we believe to be most beneficial to our business strategy. This may in turn materially and adversely affect our business, growth prospects, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

The ability of aircraft manufacturers and their suppliers to remain financially viable and produce aircraft and related components that meet airlines' requirements has an impact on us. Should a manufacturer or any of their suppliers fail to respond appropriately to changes in the market environment (due to, among other matters, changes in technology or their financial viability), experience delays and/or technical or other problems associated with the roll out or entry into service of new technology or fail to fulfill its or their respective contractual obligations to us, we may experience:

- an adverse impact on demand for leased aircraft, market lease rates and aircraft values resulting from an oversupply or undersupply of aircraft due to changes in the production rates of manufacturers;

- failure to deliver or delayed delivery of aircraft we have ordered, resulting in our inability to fulfill our contractual obligations to our airline customers, which could in turn result in lost or delayed revenues, lower revenue growth rates and strained airline customer relationships;

- delays in certifications or deliveries of new aircraft types, to which many new aircraft programs have been subject. Significant delays could result in failure to obtain aircraft to lease and a change in the market perception for the delayed aircraft type;

- delays in import or other authorizations which may be required for our customers to take delivery of our aircraft, which could cause delays to our receipt of revenues;

- poor manufacturer support for the aircraft and/or components from a particular manufacturer which could affect the demand, market lease rates and/or residual values for certain aircraft in our fleet; and/or

- direct losses as a result of their failure to fulfill their contractual obligations to us, for example in connection with aircraft pre-delivery payments.

Airbus and Boeing have indicated publicly that they intend to increase production rates for certain aircraft. However, there can be no assurance that they and other aircraft manufacturers can successfully increase production while maintaining timely deliveries of our aircraft orders to us. Any delay or other obstacle that they encounter in aircraft production or in regulatory certification may in turn delay delivery of such aircraft to us. As we typically arrange for new aircraft to be placed with lessees immediately upon delivery from the manufacturer to us, any delays in receiving aircraft deliveries would adversely affect our ability to timely generate revenue from such aircraft.

Moreover, historically there have been periods of oversupply which have resulted in lower lease rates and aircraft values. Should global financial turmoil or uncertainty result in a recession there can be no assurance that the airlines who originally ordered these aircraft will be in a position to take delivery of them or that these firm order positions will not be deferred or canceled. Should manufacturers experience significant deferrals or cancellations, there can be no assurance that they will not seek to lower sales prices of new aircraft in order to maintain production levels. This could in turn result in lower lease rates for new aircraft we lease and/or lower re-lease or sales prices for used aircraft as a result of a surplus of new aircraft, thus materially and adversely affecting our business, financial condition and results of operations as well as the value of the Notes.

Our business model is dependent to a large extent on our ability to lease and re-lease aircraft.

Our business model depends to a large extent on the leasing and re-leasing of aircraft in order to generate sufficient revenues and cashflows to finance our operations and service our debt financing and other financial obligations. We bear the risk of leasing aircraft which we commit to purchase and the risk of re-leasing aircraft in our portfolio prior to or at the time when leases expire or when aircraft are returned to us prior to the expiration of a lease. We commit to purchase certain types of new aircraft through our orders with the aircraft manufacturers, relying on our ability to place those aircraft on lease at or prior to delivery in order to generate future revenues. We evaluate the creditworthiness of a prospective airline customer when agreeing to a lease and, if our assessment is incorrect or subsequent adverse events affect the airline customer, we are at risk of financial loss in the event that the airline customer fails to perform all of their obligations under the lease. In addition, because we enter into operating leases, only a portion of an aircraft's value is covered by revenues generated from the lease and we may not be able to realize the aircraft's residual value after expiration of the initial lease.

Our ability to lease and re-lease aircraft depends on the conditions in the aviation industry and general market and competitive conditions at the time each operating lease is entered into or, as relevant, expires or otherwise terminates. In addition, our ability to lease and re-lease our aircraft will be affected by the particular configuration, range or payload capabilities, maintenance history and condition, damage (whether or not repaired) and technical operating history reflected in the maintenance records of each aircraft and its engines. Furthermore, we may not be able to avoid significant off-lease time for any of our aircraft if, among other things, the cost of jet fuel increases or remains volatile, the financial condition of particular airlines or demand for air travel deteriorates, or an airline customer is bankrupt or in significant financial distress, large numbers of repossessed aircraft are placed on the market or stored pending re-lease for sale or are sold, newer or improved models of aircraft are introduced or other factors that lead to oversupply of aircraft, including increased manufacturer production rates, or political or economic uncertainties or other adverse events occur.

Any adverse impact on our ability to lease and re-lease aircraft and/or the rental rates we can realize could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Our business model is dependent to a large extent on our ability to sell aircraft.

Our business model depends to a large extent on our ability to sell aircraft. Aircraft sales allow us to maintain a young fleet, reduce portfolio concentration risk, maintain aircraft purchasing pricing discipline, exit from non-core aircraft types and generate gains on sale. In addition, the proceeds of aircraft sales represent a significant part of our cash flow from operations, which we use to invest in new aircraft and to service our debt financing and other financial obligations. We sell aircraft with leases attached and without leases attached, for instance when leases expire or when aircraft are returned to us prior to the expiration of a lease.

As we predominantly sell aircraft with a lease attached, and also from time to time sell aircraft to airlines, our ability to sell aircraft depends on the overall market condition, U.S. dollar liquidity, the level of demand for additional aircraft from our airline customers and the supply of competing aircraft available in the marketplace for lease or sale. In particular, the ability of potential buyers of our aircraft to access financing has a material impact on our ability to sell aircraft. Potential buyers' access to financing depends on a number of factors including their historical and expected performance, the type and availability of financing sought, their compliance with the terms of their existing debt agreements, credit standing, general market conditions (including, for example, market disruptions and the cyclicality of the aviation industry), interest rate fluctuations and the relative attractiveness of alternative investments. If the conditions in the aviation industry, general market or competitive conditions deteriorate, our ability to sell aircraft at all and/or at acceptable prices may be adversely affected.

In addition, our ability to sell our aircraft will be affected by the particular configuration, range or payload capabilities, maintenance history and condition, damage (whether or not repaired) and technical operating history reflected in the maintenance records of each aircraft and its engines, as well as prevailing jet fuel prices at the time of any sale (which may in turn influence the appetite of potential airline or other aircraft operators for acquiring new fuel-efficient technology aircraft as compared with older, less fuel-efficient aircraft). If we fail to purchase aircraft with appropriate or suitably popular configurations or capabilities, or our aircraft and their engines are not adequately maintained by their lessees, our ability to sell aircraft at all and/or at acceptable prices may be adversely affected.

There is no assurance that we will be able to continue to sell our aircraft at all times during the business cycle or that we will be able to continue to sell aircraft at prices that generate revenue or that do not result in a loss on sale. See "Business – Our Business Operations."

Any adverse impact on our ability to sell aircraft at all and/or at acceptable prices could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

The market value and/or market lease rates for aircraft could decline.

The respective values of aircraft and market lease rates have at various times experienced sharp declines due to a number of factors including, but not limited to, decreases in demand for passenger travel and air cargo transportation services, sudden increases in jet fuel costs, changes in or new government and supra-national regulation, changes in interest rates, acts of terrorism, wars, epidemics and other natural or man-made calamities and/or sudden deteriorations in the global economy. In addition, the aviation industry has experienced periods of aircraft oversupply and undersupply. Since only a portion of an aircraft's value is covered by the contracted cash flows payable by the airline customer under a lease, aircraft operating leases place the risk of realizing the residual value of an aircraft upon the sale or part out of the aircraft with the operating lessor. In addition, factors linked to the airline industry generally, along with many other factors, may affect the value of our aircraft and the market rates for our leases, including:

- manufacturer, type and model of aircraft or engines, including the number and geographical profile of operators using that type of aircraft;

- whether the aircraft is subject to a lease, and if so, whether the lease terms are advantageous for the lessor;

- decreases in the creditworthiness of the relevant airline leasing customer;

- aircraft age;

- the production of newer models of such aircraft or aircraft types competing with such aircraft;

- the regulatory authority under which the aircraft is operated and regulatory actions, including mandatory grounding of the aircraft;

- the particular maintenance, damage, technical operating history and inadequate or incomplete documentary records for the aircraft and its engines;

- any renegotiation of an existing lease on less favorable terms;

- any tax, customs, regulatory and/or legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased; and

- compatibility of aircraft configurations or specifications with other aircraft in the airline customer's existing or anticipated prospective fleet.

In addition, aircraft appraisers play a significant role in shaping market perception of aircraft market values. Each appraiser's valuation is based on that appraiser's professional opinion. Appraisals are subjective to the extent they are based on various assumptions with regard to the specific aircraft appraised, an assessment of general macroeconomic conditions and outlooks, as well as an assessment of conditions affecting the airline industry generally, and the appraisal data may not accurately reflect values available in the market. A decrease in the valuation of our aircraft by independent appraisers could adversely affect our ability to sell our aircraft on favorable terms, or at all, or could decrease amounts available to us or to our prospective aircraft buyers under existing and future debt financing arrangements in respect of which such aircraft serve as collateral. In addition, we may be required to incur impairment charges or fair value adjustments to the extent that the appraiser's valuation of our aircraft is less than the depreciated book value of the aircraft on our balance sheet.

Any or all of these factors could also materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

The loss of key personnel could adversely affect our reputation and relationships with stakeholders including airline customers, manufacturers, buyers and financiers of aircraft, which are critical elements to our performance.

Our historical success is substantially attributable to the contributions of our senior management team and key employees. These individuals have the ability to successfully execute our business strategy and many of them have extensive experience working in the aviation industry in many jurisdictions. Our future success depends significantly on the continued services of these key executives and employees and our ability to retain and recruit senior personnel. We may not be able to locate suitable or qualified replacements for such personnel and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and growth. Furthermore, we face significant competition in recruiting and retaining quality professionals. Such competition may require us to offer higher compensation and other benefits, which could result in additional costs.

Our inability to retain or replace key executives and employees or hire qualified new executives and employees could adversely affect our ability to achieve our objectives and business strategy and could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Our growth prospects may be limited if we do not successfully implement our business plan and growth strategies.

We plan our growth by reference to global financial market and business conditions and possible future developments within the commercial airline and aerospace manufacturing industries, among other things. This strategy is subject to risks and uncertainties at different stages of implementation. Our growth is based on assumptions of future events which include, without limitation, our ability to access financing and the cost of financing, the residual value of our aircraft, lease rates and terms, our ability to purchase and to sell aircraft at favorable prices, competitive pressures and on business relationships with our airline customers. If the assumptions which underpin our strategy prove to be incorrect, whether due to global financial market and/or business conditions or otherwise, we may need to alter our strategy, which may have a material adverse impact on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

In particular, we cannot assure you that we will continue to be able to execute suitable aircraft acquisitions, successfully maintain a high aircraft utilization rate and/or maintain a young fleet and diverse customer base and/or be able to sell our aircraft. In addition, our failure to effectively manage business growth may lead to increased costs, reduced competitiveness and decreased profitability or even to our incurring losses.

Any or all of these factors could adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Risks Related to the Aviation Industry Which Affect the Group

Competition may have an adverse effect on our business.

We face competition from various competitors and/or owners of aircraft in our business of purchasing, leasing, re-leasing, and selling aircraft and of providing related services, including:

- other aircraft leasing companies,
- aircraft manufacturers, including their vendor financing divisions or subsidiaries,
- financial investors, including banks, hedge funds and other funds, private equity firms and tax lessors, and
- airlines, both as potential purchasers of aircraft and, where relevant, through their own captive aircraft leasing operations as lessors,

in all cases from both existing and potential new market participants.

In each potential lease transaction, we may compete with others on the overall economic attributes of the transaction, the availability, specification and delivery dates of the aircraft types that meet a customer's needs, lease rates, terms and conditions of the lease and security deposits, maintenance reserves, delivery and redelivery conditions and technical conditions, among other factors. Our revenue and our growth are affected by these competitive factors and our success is dependent on our ability to react to the dynamic business environment posed by these and other factors.

In addition, some competing aircraft lessors may provide inducements to potential airline customers that we cannot match. Certain of our competitors, including new entrants to the market, may have significantly greater financial resources than us and/or a lower overall cost of capital, lower target revenues, or other competitive advantages or may be able to provide other inducements to potential airline customers that could place us at a cost and/or price disadvantage. Our failure to effectively compete and the strategy of some of our competitors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes. See "Business – Competition."

Sustained periods of financial strength and stability for certain airline customers may result in their purchasing their own aircraft or future aircraft deliveries, entering into fewer aircraft leases with us and/or competing with us, which may have an adverse effect on our business.

In addition to facing competition from other aircraft operating leasing companies, aircraft manufacturers, financial investors (including hedge funds and other funds and private equity firms), tax lessors and airlines, we are also exposed to the risk that, during periods of strong demand for passenger travel and air cargo transportation services which typically lead to sustained periods of financial strength and stability for certain airline customers, we may face a reduction in demand for leasing of our aircraft as certain airline customers seek to purchase their own aircraft rather than entering into aircraft leasing arrangements. In addition, airline consolidation, sustained low interest rates, low jet fuel prices, industry liberalization or deregulation, removal of visa or travel restrictions and growth in new airline business models may also lead to periods of stronger financial performance by our airline customers, resulting in a reduced propensity to lease aircraft. Airlines or other aircraft owners may also seek to lease out their own aircraft, thereby leading to increased competition for our aircraft.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Any change to our ability to continue to benefit from Singapore's Aircraft Leasing Scheme or any change in the number of aircraft we acquire or sell may adversely affect our tax position.

We benefit from a concessionary tax rate in Singapore. Singapore's Aircraft Leasing Scheme (the **ALS**) is an incentive scheme under which income derived from aircraft leasing operations is taxed at a concessionary tax rate rather than the prevailing corporate tax rate in Singapore of 17%. See note 3.1(f) to the audited consolidated financial statements for the financial year ended December 31, 2018 in this Offering Circular for further details.

In addition, it is typical in the aircraft operating lease industry for companies that frequently acquire aircraft to incur significant tax depreciation or capital allowances, which offsets taxable income. The deferred tax liability on the Company's balance sheet is attributable to the excess of the depreciation claimed for tax purposes over the depreciation deducted from accounting profits. The deferral of tax liability may reverse into a tax payable position if we sell a substantial part of our assets and are unable or elect not to acquire additional aircraft at a sufficient pace. This would result in the cash payment of taxes that were previously deferred.

The occurrence of any or all of these events or circumstances could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Changes in tax treatment in connection with the BEPS Project could adversely affect us

The Organisation for Economic Cooperation and Development (**OECD**) has undertaken the Base Erosion and Profit Shifting (**BEPS**) project with the aim of addressing perceived flaws in international tax rules by recommending that OECD member states change domestic tax laws and introducing additional or amended provisions in double taxation treaties. It is the responsibility of OECD members to consider how the BEPS recommendations should be reflected in their national legislation. Several areas of tax law on which BEPS focuses are potentially relevant to our ability to efficiently realize and/or repatriate income and capital gains from the jurisdictions in which they arise. Depending on the extent to and manner in which relevant jurisdictions implement changes in those areas of tax law, our ability to do those things may be adversely impacted. There are likely to be significant changes in the tax legislation of the various OECD jurisdictions during the period of implementation of BEPS, and it is not clear precisely how such changes may impact us. It is possible that the implementation of BEPS in specific jurisdictions may have negative implications for us, including the proposed transfer pricing rules, changes to the permanent establishment definition in tax treaties and the potential for a reduction in the tax deductibility of debt interest.

We are exposed to regional economic and political conditions that affect our airline customers.

We are exposed to regional economic and political conditions that can influence the financial performance of airline customers located in a particular country or region. The effect of these conditions on our airline customers and, in turn, on payments from them to us will be more or less pronounced depending on the concentration of airline customers in any country or region experiencing particularly adverse conditions. As explained in "– *Our business is particularly exposed to the performance of the aviation industry*" above, the aviation industry is highly sensitive to general economic and political conditions.

Airline customers based in the Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) region accounted for 23.0% by net book value[(1)] as at December 31, 2018. Incumbent carriers in this region have faced increased competition from low cost carriers in domestic and regional markets, and from Middle East-based carriers on long haul international routes. If lower levels of economic growth in the region and/or globally were to persist, then slower passenger and air cargo growth rates within the Asia Pacific region and between the Asia Pacific region and other regions could adversely impact aircraft demand, or lead to an oversupply of aircraft in the region that could adversely impact lease rates and our ability to lease and re-lease or sell the affected aircraft.

Airline customers based in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 31.5% by net book value[(1)] as at December 31, 2018. Increased competition from low cost carriers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan and a soft air cargo market are impacting the financial performance of the airline industry in the region. Moreover, if lower levels of economic growth in China or in the region were to persist, demand for leased aircraft in the region could be adversely impacted, with a consequent adverse impact on lease rates and our ability to lease, re-lease or sell our aircraft. Furthermore, China and the U.S. have recently been involved in economic disputes which may result in trade friction and retaliatory measures enacted in response. This may lead to additional tariffs and increase the cost of carrying out economic activities involving China and the U.S.

Airline customers based in the Americas accounted for 8.8% by net book value[(1)] as at December 31, 2018. While consolidation among the major airlines has helped drive capacity and pricing discipline in the U.S., one or more of these airlines or new entrants could add capacity and adversely impact load factors and yields, in turn adversely impacting financial results. Interest rate increases in the U.S. could also have an adverse impact on economic conditions in the U.S. and elsewhere in the region. In addition, volatility in commodities pricing and in currency exchange rates, as well as lower growth and/or political instability in the largest economies in South America, may have an adverse impact on demand for air travel in South America, including Brazil where one of our airline customers operates. Also, if the lower levels of global economic growth experienced in recent years persist or any pandemic affects air traffic volumes, then economies in the Americas could be adversely impacted. Furthermore, there are various uncertainties relating to the current U.S. presidential administration's economic and geopolitical policies, including the possibility of trade friction involving the U.S. and other major economies such as China. These factors could adversely affect the financial condition of airlines in the Americas, including our airline customers, which would adversely impact aircraft demand and lease rates and our ability to lease and re-lease our aircraft. See "– Trade restrictions and trade friction could materially and adversely affect our business, financial condition, results of operations and prospects" below.

Note:

(1) Based on the jurisdiction of the primary obligor under the relevant operating leases. Excludes two Airbus A320 aircraft off lease at December 31, 2018 which were delivered to a customer in the Americas in January 2019.

Airline customers based in Europe accounted for 23.8% by net book value[(1)] as at December 31, 2018. Commercial airlines in Europe face, and can be expected to continue to face, increased competition, which could adversely impact aircraft demand and could adversely impact lease rates. In addition, terrorism, adverse geopolitical developments, uncertain socioeconomic conditions, the uncertain timing and potential impact of Brexit, volatility in commodities prices and weak local currencies may have a material adverse effect on the creditworthiness of airlines in the region, including our airline customers, which may impact their ability to meet their financial and other obligations under their leases.

Airline customers based in the Middle East and Africa accounted for 12.9% by net book value[(1)] as at December 31, 2018. Volatility in commodity prices, as well as continued unrest and instability in parts of North Africa and the Middle East and regional pandemics could adversely affect some of the major Middle East and African economies or the demand for air travel in the affected countries and have a material adverse effect on the financial performance of airlines, including our airline customers, in the regions and could adversely impact aircraft demand and lease rates. See “Business – Our Airline Customers.”

The occurrence of any or all of these events or circumstances could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Trade restrictions and trade friction could materially affect the airline and aircraft manufacturing industries, which in turn could adversely affect our business and ability to procure aircraft in a timely and cost-effective manner.

We are subject to risks relating to changes in trade policies, tariff regulations, embargoes or other trade restrictions adverse to the airline and aircraft manufacturing industries generally. Any trade restrictions, trade friction or travel bans could materially and adversely affect the businesses of our airline customers and their demand for aircraft from us, as well as our ability to procure aircraft in a timely and cost-effective manner. In particular, in recent years, the U.S. government has indicated and demonstrated its intent to alter its approach to international trade policy through, among other things, imposing tariffs on a wide range of products and other goods from, China, members of the EU, Russia, countries in the Middle East and Africa and other countries. These measures have led to other countries, including those targeted by the U.S. tariffs, to enact their own tariffs against imported goods from the U.S. in retaliation. This trade friction may escalate going forward and may result in substantial additional tariffs on certain types of goods, such as aircraft and aircraft components, making it significantly more difficult and expensive to export such goods internationally. As a result, aircraft manufacturers may experience delays or increased costs in producing and delivering aircraft, which they may pass on to us, and we in turn may need to pass on any such delays or increased costs on to our customers, which we may not be able to do on commercially acceptable terms or at all. In addition, trade friction and changes in trade policies may adversely impact airline demand for leased aircraft which may adversely impact our ability to place aircraft on lease in China or in other countries, or adversely impact the returns we receive from such lease placements. We cannot predict future trade policies or tariffs, or any retaliatory measures in response, which may be enacted, or any changes in demand which may be connected to the foregoing, and any such developments which negatively impact the airline and aircraft manufacturing industry or airline demand may in turn have a material adverse effect on our business financial condition, results of operations and prospects.

The aviation industry has experienced periods of aircraft oversupply during which lease rates and aircraft values have declined, and any future oversupply could have a material adverse effect on our business.

Historically, the aviation industry has experienced periods of aircraft oversupply. The oversupply of a specific type of aircraft is likely to depress the lease rates for, and the market and appraised value of, that type of aircraft. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are outside of our control, including for example demand for passenger travel and air cargo transportation services, operating costs (including jet fuel costs), the availability of credit, geopolitical events, manufacturer production levels and technological innovation and the reintroduction into service of parked aircraft.

During recent years, the aviation industry has ordered a significant number of aircraft from the manufacturers. Airbus and Boeing have publicly indicated that they intend to increase production rates for single-aisle aircraft. The increase in these production levels could result in an oversupply of aircraft if growth in demand for passenger travel and air cargo transportation services does not meet industry expectations. An oversupply of new aircraft could also adversely affect the lease rates for, and market values of, used aircraft.

In addition, many airlines have eliminated certain types of aircraft from their fleets. The elimination of certain aircraft types results in increased availability of those aircraft types or competing aircraft types in the market, a decrease in lease rates for those aircraft types and a decrease in relevant market values. We cannot assure you that airlines will continue to acquire or operate the same types of aircraft, or that our aircraft will continue to be in demand by our existing and potential airline customers.

Any or all of these factors may produce sharp and prolonged decreases in aircraft lease rates and values, or may have a negative effect on our ability to lease, re-lease or sell the aircraft in our fleet and/or in our order book. Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Aircraft accidents, acts of terrorism, wars, epidemics or other natural or man-made calamities may negatively affect our airline customers and the airline industry and therefore may also adversely affect our business.

Aircraft accidents, acts or threats of terrorism and war, ongoing conflicts in various regions, military action or other responses to acts of terrorism, and civil or political strife may lead to a fear of travel to particular countries or regions, resulting in a reduction in demand for air travel. In addition, concerns regarding acts of terrorism and war could continue to adversely affect our airline customers as a result of various factors, including higher costs due to increased security measures, operational disruption due to flight or security-related delays, significantly higher costs or the lack of availability of insurance coverage for future claims caused by acts of war or terrorism or specific charges and costs incurred by airlines due to the grounding of aircraft as a result of terrorist attacks.

Cyber-attacks on IT systems that affect the operations of our airline customers or the airline industry more generally, including IT systems used or operated by global distribution services providers, online reservation agents, credit card processers, airports and immigration authorities, among others, could have a materially adverse effect on the operations of our airline customers and in turn our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

The outbreak of any contagious disease such as severe seasonal influenza, measles, SARS, MERS, Ebola or Zika that escalates into a regional or global pandemic, or the fear of such events, may also have an adverse impact on airlines that operate to or from affected areas or regions. Travel bans could be imposed or air travel may be severely reduced even though international and national response plans to address such events have been developed or are in development. Other natural calamities such as earthquakes, floods or tsunamis may devastate popular business or tourist travel destinations and significantly reduce travel to affected areas for a period of time.

The occurrence of any one or more of such events could materially and adversely affect the airline industry, the economies where our airline customers operate and the operations, revenue and profitability of airlines, which may in turn affect the financial condition and cash flows of our airline customers and their ability to perform their obligations under their leases entered into with us. Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Increases in jet fuel costs may impact our airline customers, which could in turn negatively impact our business.

Jet fuel costs represent a major operating expense to airlines. Jet fuel prices can fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and regulation, natural disasters, conflicts, wars, regulatory changes and foreign exchange rates. As a result, jet fuel prices are not within the control of our airline customers and significant changes in jet fuel prices, which in turn impact gains or losses in any fuel hedging position held by our airline customers, could materially and adversely affect their operating results. Other factors and events can also significantly affect jet fuel availability and prices, including the availability of sufficient global refining capacity, natural disasters, decisions made by leading oil producers regarding their production output, changes in oil exploration and production techniques and changes in global demand for oil from emerging economies.

Historically, high or volatile jet fuel costs have had a material adverse impact on airline profitability, including the profitability of our airline customers. Due to the competitive nature of the airline industry, airlines may not be able to fully pass on increases in jet fuel prices to their customers by increasing fares or surcharges. In addition, airlines may not be able to adequately manage this risk due to inadequate hedging their exposure to jet fuel price fluctuations, or no hedging at all. For these reasons, if jet fuel prices increase in the future due to adverse supply and demand conditions, future terrorist attacks, acts of war, armed hostilities or natural disasters or for any other reason, our airline customers may incur higher costs and generate lower revenues, which would adversely impact their financial positions. Consequently, these conditions may:

- affect our airline customers' ability to make rental and other payments under their leases;
- result in lease restructurings and aircraft repossessions;
- result in us having to service and market aircraft, which in turn would involve us incurring additional costs;
- impair our ability to re-lease or otherwise dispose of aircraft on a timely basis and/or at acceptable rates; and/or
- reduce the value received for aircraft upon disposal.

Moreover, a sustained period of lower fuel costs may:

- cause our airline customers to seek to continue to operate older, less fuel-efficient aircraft (which do not form a significant part of our aircraft fleet) either for extended periods of time or as an alternative to new fuel-efficient technology aircraft;
- reduce the premium that our airline customers are willing to pay for new fuel-efficient technology aircraft; and/or
- adversely affect our ability to lease or dispose of our fleet of newer more fuel-efficient technology aircraft.

Any or all of these conditions could reduce airlines' desire to lease our aircraft, a significant portion of which comprise young, fuel-efficient aircraft, and could impact our ability to lease on attractive terms the significant number of new technology aircraft which we currently have on order.

These factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs.

Delayed, reduced or missed payments from an airline customer decreases our revenues and cash flow and adversely impacts our ability to sell the affected aircraft with a lease. An airline customer may also fail to perform its aircraft maintenance obligations under the lease under the terms of which it is primarily responsible for maintaining the aircraft and its records in accordance with the manufacturers' and governmental regulatory standards, or it may otherwise fail to operate the aircraft in accordance with all applicable laws and regulations.

The standard of maintenance adopted by the airline customer during the lease term and the condition of the aircraft at lease maturity or upon early return of the aircraft to us may affect the future rental or sales value of the aircraft. If an airline customer fails to return an aircraft on the redelivery date or in the condition specified in a lease, we may not be able to re-lease or sell the aircraft in a timely manner or obtain the benefits we expect to obtain from the re-lease or sale transaction(s). Any or all of the foregoing may result in us incurring additional costs, which could be substantial, to restore the aircraft to an acceptable condition prior to sale or re-lease.

All of our aircraft are required to be registered at all times with, and to maintain airworthiness certification from, appropriate governmental authorities and to be operated in accordance with all applicable laws and regulations. Failure by an airline customer to maintain the registration and/or airworthiness of a leased aircraft typically would be a default under the applicable lease, entitling us to exercise our rights and remedies thereunder. If an aircraft were to be operated without a valid registration or airworthiness certification, the airline customer or, in some cases, the owner or lessor might be subject to penalties, which could result in a security interest being placed on such aircraft. Lack of registration or certification could have other adverse effects, including inability to operate the aircraft and loss of insurance. In addition, notwithstanding the obligations on our airline customers under our lease terms to operate aircraft in accordance with all applicable laws and regulations, we may suffer losses and incur costs and damages as a result of, or arising from, claims asserted in relation to the alleged operation of our aircraft by our airline customers in breach of applicable laws and regulations.

The occurrence of any or all of these events or circumstances could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Airline bankruptcy, liquidations or reorganizations could impair our airline customers' ability to comply with their lease payment obligations to us.

Airline bankruptcies, liquidations or reorganizations may result in aircraft on operating lease becoming available for lease or purchase in a short period of time at reduced lease rates or acquisition prices and reduce the number of potential airline customers and operators of particular models of aircraft, either of which could result in inflated supply levels and consequently decreased aircraft values for any such models and lease rates in general.

Historically, some airlines involved in reorganizations have undertaken substantial fare discounting to maintain cash flows and encourage continued customer loyalty. Bankruptcies, liquidations and reorganizations may lead to the grounding or abandonment of significant numbers of aircraft, rejection or other termination of leases and negotiated reductions in aircraft lease rates, with the effect of depressing aircraft market values. In addition, requests for labor concessions may result in significant labor disputes involving strikes or slowdowns or may otherwise adversely affect labor relations, thereby worsening the financial condition of the airline industry and the ability of our airline customers to meet their lease obligations.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

We may incur costs and suffer negative consequences resulting from repossession of, or attempts to repossess, aircraft.

If we are required to repossess an aircraft following a default by an airline customer, we may be required to incur significant costs. Those costs may include legal and other expenses of court or other judicial and/or governmental proceedings, including the cost of posting security bonds or letters of credit necessary to effect repossession of the aircraft. These costs may be particularly high if the airline customer contests the proceedings or is in bankruptcy or some other analogous position or proceedings. In addition, during these proceedings the relevant aircraft may not be generating revenue for us and its physical condition and value may decline as a consequence of its continued utilization or inadequate maintenance by a defaulting airline customer. We may also incur other costs in connection with the physical repossession of the aircraft, including:

- paying amounts claimed by third parties such as airport operators, including amounts which may have been incurred by the airline customer;
- amounts necessary to perform maintenance on an aircraft, or to prepare it for re-lease or sale;
- the costs of casualty, liability or war risk insurance and the liability costs or losses when insurance coverage has not been or cannot be obtained as required or is insufficient in amount or scope;
- the costs of licensing, exporting or importing an aircraft, costs of storing and operating an aircraft, airport taxes, custom duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions; and

- penalties and costs associated with the failure of airline customers to keep the aircraft registered under all appropriate local requirements or obtain required governmental licenses, consents and approvals.

In addition, in the normal course of business, security interests that secure the payment of airport fees and taxes, custom duties, air navigation charges, landing charges, crew wages, repairers' charges, salvage or other obligations are likely, depending on the laws of the jurisdiction where the aircraft operates, to attach to the aircraft or its engines if these charges, wages, fees, duties and/or taxes are unpaid by the airline customer. The security interests may secure substantial sums that may, in certain jurisdictions or for limited types of security interests (or liens), particularly so-called "fleet liens," exceed the amounts incurred with respect to an individual aircraft, or in particularly acute circumstances exceed the value of the particular aircraft to which the liens have attached. In some jurisdictions, aircraft security interests or separate security interests on engines and/or parts may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft, engine or parts. We may, in some cases, be obliged or find it necessary to pay the claims secured by such security interests in order to repossess the aircraft. Until they are discharged, such security interests could impair our ability to repossess, re-lease or sell the aircraft and the cost of discharging these security interests could be substantial. The failure to pay some of these costs may result in security interests on the aircraft or a loss of insurance.

Any of the above events could result in the grounding of the aircraft and could prevent the re-lease, sale or other use of the aircraft until the problem is resolved, which could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Additionally, certain of our airline customers are owned, in whole or in part, by government-related entities, which could complicate efforts to repossess aircraft leased by them. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in repossessing, re-leasing or selling affected aircraft. If we repossess an aircraft, we may not necessarily be able to export or deregister and profitably redeploy the aircraft. For instance, where an airline customer flies only domestic routes in the jurisdiction in which the aircraft is registered, repossession may be more difficult, especially if the jurisdiction permits the airline customer to resist deregistration. We may also incur significant costs in retrieving maintenance records and may be obliged to perform maintenance work required to recreate maintenance records necessary to transition the aircraft to another airline customer or purchaser.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

The operation of aircraft is subject to various laws and regulations, which may in turn adversely affect our business.

The operation of aircraft and the airline industry are subject to international regulatory controls as well as additional laws and regulations that the various national or federal civil aviation authorities may impose within the local jurisdiction, which include the introduction of "Airworthiness Directives" on aircraft operated by airlines within the jurisdiction of such authorities. Regulatory authorities are entitled to suspend or revoke the airworthiness certification for any of our aircraft or the license granted to our airline customers to operate any aircraft for failure to comply with these regulations, resulting in the grounding of aircraft. As at the date hereof, the global fleet of Boeing 737 MAX aircraft is grounded and Boeing has suspended delivery of new 737 MAX aircraft. If the business activities of our airline customers are disrupted by a failure to meet regulatory requirements, the ability of such airline customers to meet their lease obligations towards us may be materially and adversely affected. In addition, a prolonged delay in re-certification of the 737 MAX leading to delays in future deliveries of the 737 MAX may have an adverse impact on the Company's ability to realize its anticipated asset and revenue growth.

Many jurisdictions also require regulatory approvals for the import, re-export, deregistration or registration of aircraft from various jurisdictions. In certain jurisdictions, there are regulations as to the maximum age of aircraft which may be imported and registered. Subsequent changes in applicable laws may modify such requirements or approvals previously granted may be withdrawn. These regulations and any modifications may adversely affect our ability to lease, repossess, re-lease or sell these aircraft and may impair the values of these aircraft and thus have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes. See "Business – Regulation, Licenses and Permits."

The operation of aircraft is subject to environmental laws and regulations, which may in turn adversely affect our business.

Concerns regarding global warming and the environment generally have resulted in many countries and supra-national organizations enacting legislation to impose stricter limits on emissions of carbon dioxide, carbon monoxide and nitrogen oxide from aircraft and their engines. For example, as at January 1, 2012, aviation has been included in the EU's Emissions Trading System (**ETS**). The requirements apply to all flights taking off or landing in the EU, regardless of the origin or destination of flights. In November 2012, the EU proposed to temporarily exempt from enforcement flights into and out of Europe operated in 2010, 2011 and 2012 from ETS in order to allow time for a global solution to be reached at the International Civil Aviation Organization (**ICAO**) General Assembly in late 2013.

Following agreement by the ICAO General Assembly in October 2013 to develop a global market-based mechanism addressing international aviation emissions by 2016 for implementation by 2020, the relevant legislation was subsequently amended by the EU to limit the aviation coverage of the ETS to emissions from flights within the European Economic Area for the period from 2013 to 2016. This applied to all airlines, including non-EU airlines. Subsequently in October 2016, the ICAO agreed on a resolution for the Carbon Offsetting and Reduction Scheme for International Aviation (**CORSIA**), which requires airlines to offset the growth of their emissions from 2021 onwards with the aim to stabilize CO_2 emissions at 2020 levels. Under CORSIA, airlines will be required to (i) monitor emissions on all international routes and (ii) offset emissions from routes included in the scheme by purchasing eligible emission units generated by projects that reduce emissions in other sectors, such as renewable energy. While participation in the first phases of CORSIA is voluntary in its initial phases, all EU states are expected to join CORSIA from its inception. From 2027, participation will be mandatory for all states meeting certain criteria related to their level of aviation activities, with certain exemptions for states depending on their level of development.

The inclusion of aviation within the ETS or any other supra-national global market-based mechanisms or other regulations concerning aircraft or aviation emissions and the costs related to airlines' compliance with environmental regulation in other jurisdictions could result in higher ticket prices, resultant lower demand, and lower airline profitability, which may have an adverse impact on the financial condition of airlines and their ability to make lease payments, and/or reduce the sales proceeds received by us upon disposition of any aircraft, depending on the aircraft's compliance status as regards emissions standards then in effect, in particular aircraft types which might subject operators to a higher cost of complying with environmental regulations. While the airline is primarily responsible for these charges, in the event of the insolvency of the airline, a security interest affecting a leased aircraft could require the lessor to settle unpaid charges in order to recover possession of the leased aircraft.

In March 2017, the ICAO Council adopted a new aircraft CO_2 emissions standard contained in volume III, Annex 16 of the Chicago Convention. These measures represent the world's first global design certification standard governing CO_2 emissions for any industry sector. The new standard, effective from July 2017, would apply to (i) the designs of new aircraft starting from 2020, (ii) new deliveries of current in-production aircraft types starting from 2023, and (iii) all aircraft produced from 2028. The standards will not apply retrospectively to aircraft currently in operation. The proposed standard is particularly stringent regarding aircraft weighing over 60 tonnes but its scope encompasses the full range of sizes and types of aircraft in use in the international airline industry. Over time, it is possible that governments will adopt additional regulatory requirements, taxes, duties, levies and/or market-based policies that are intended to reduce energy usage, emissions, and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts, or other factors, and may also impact the global market for certain aircraft. Compliance with current or future regulations, taxes, duties or levies could cause our airline customers to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel, lower aircraft residual values and adverse impacts on the financial condition of our airline customers and/or could render certain aircraft types less popular which could in turn adversely impact our ability to lease our owned aircraft at all or at favorable rates.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

We may be subject to liability relating to the operation of our aircraft, and our aircraft may not at all times be adequately insured either as a result of our airline customers failing to maintain sufficient insurance during the course of a lease or insurers not being willing to cover certain risks.

Although under the terms of our leases we do not control the operation of our leased aircraft, our ownership of the aircraft could give rise, in some jurisdictions, to strict liability for damage caused by their operation. We are also exposed to the risk of loss of the value of the aircraft and the risk of liability for damages associated with the operation of the aircraft, including in connection with an aircraft accident. Airline customers are required under the terms of our leases to indemnify us for, and insure against, among other contingencies, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Our airline customers are also required to maintain public liability, property damage and hull all risks and hull war risks insurance on the aircraft at agreed-upon levels under the terms of our leases.

There can be no assurance that the airline customer's insurance, or the contingent insurance obtained by us, will be adequate or sufficient to, and/or will in fact (given its or their respective coverage levels) cover all types of claims that may be asserted against us or be adequate to cover the value of the relevant aircraft against loss or damage. Any insurance coverage shortfall or default by airline customers to fulfill their indemnification or insurance obligations, as well as the lack of available insurance (whether generally in respect of particular types of loss or damage or for specific circumstances or events) and any shortfall under our own insurance, could reduce the proceeds upon an event of loss and could subject us to uninsured liabilities, any or all of which could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes. See "Business – Insurance."

Aircraft have finite economic useful lives, depreciate over time and become more expensive to operate as they age, all of which could adversely affect our business.

Aircraft are long-life assets requiring long lead times to develop and manufacture, with particular types and models becoming obsolete and suffering reduced demand over time when newer, more advanced aircraft enter into service with airline customers. As aircraft age, their value depreciates and, typically, they generate lower revenues and cash flows and their value may be more susceptible to risk of impairment. Our existing fleet, as well as the aircraft that we have ordered, have exposure to obsolescence, particularly if unanticipated events occur that shorten the life cycle of such aircraft types. These events include but are not limited to government regulation or changes in our airline customers' preferences, new technology, aircraft redesign and/or upgrading by their manufacturers and aircraft technical, safety or environmental problems. These events may shorten the life cycle for aircraft types in our fleet and, accordingly, may negatively impact lease rates, trigger impairment charges or increase depreciation expense.

If we are unable to replace older aircraft with newer aircraft, our ability to maintain or increase our revenues and cash flow will decline. In addition, if we sell an aircraft for a price that is less than the depreciated book value of the aircraft on our balance sheet, we may recognize a loss on the sale, which could materially and adversely affect our results of operations for the period in which we recognize such loss.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

The advent of superior aircraft technology and/or the introduction of new models of aircraft could cause our fleet of aircraft to become outdated and therefore less desirable for airline customers and potential buyers, which may adversely affect our business.

Over time, when new and more advanced aircraft models are introduced, existing aircraft of a particular type may experience declining demand by airlines and investors or a reduction in economic viability due to government regulation, introduction of more fuel-efficient technology and/or lighter and stronger construction materials, increased range and payload capabilities, technological obsolescence, changing airline preferences or a combination of these or other factors. For example, the demand for a particular aircraft type may be affected by the introduction of a new aircraft type using new technology to lower direct operating costs such as the availability of new engine variants for the Airbus A320 family of aircraft (known as the A320NEO or "New Engine Option"), the new engine variant of the Boeing 737 family (known as the 737 MAX), the new engine variant of the A330-300 (known as the A330 NEO) and by a completely new aircraft family, such as the 787 or A350. These particular new-technology models are expected to deliver improvements in fuel efficiency, airframe maintenance costs, emissions and external noise, among other benefits, and the introduction of these models may have an adverse impact on demand for, and the value of, the aircraft models they replace. Demand for certain aircraft types may also be adversely affected by the introduction of more stringent regulations such as noise or emissions standards. In addition, demand for existing aircraft types may be impacted by the development of new aircraft programs by new market entrants. Such factors may have a negative impact on the demand and lease rates for certain aircraft types and the value of such aircraft may be permanently impaired.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

We focus on acquiring a high concentration of particular models of aircraft and so our business and financial condition may be adversely affected by circumstances affecting the demand for or the viability of such models.

Since we acquire a high concentration of particular models of aircraft, in particular the Airbus A320 and Boeing 737 families, our business and financial results could be adversely affected if market demand for those models declines or if those models experience design or technical problems. A significant technical problem with a specific type of aircraft or engine could result in the grounding of the aircraft. As at the date hereof, the global fleet of Boeing 737 MAX aircraft is grounded and Boeing has suspended delivery of new 737 MAX aircraft. If we acquire a high concentration of a particular aircraft model and such model encounters technical or other problems, or is no longer suited to the operational needs of our airline customers, delivery of new aircraft of that type could be delayed, or significant costs could be required or delivery delays could be experienced in order for technical or other problems to be resolved, the value and lease rates of such aircraft will likely decline and we may be unable to lease or sell such aircraft on favorable terms, if at all. In addition, as aircraft manufacturers continue to introduce technological innovations and new models of aircraft with improved fuel efficiency, range and payload capabilities, some of the aircraft in our fleet could become less desirable to potential airline customers and/or to potential purchasers of those aircraft. Such technological innovations may also accelerate the rate of obsolescence of certain models comprising our aircraft fleet. See "– The advent of superior aircraft technology and/or the introduction of new models of aircraft could cause our fleet of aircraft to become outdated and therefore less desirable for airline customers and potential buyers, which may adversely affect our business" above for further details.

Any decrease in the value and lease rates of our aircraft may have a material adverse effect on our growth prospects and on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes. See "Business – Our Aircraft Fleet."

Risks Related to Our Financing Arrangements

Our ability to obtain financing on acceptable terms is critical to our ability to operate.

Our ability to finance the acquisition of aircraft and to refinance our existing debt and maintain optimum levels of working capital depends to a significant degree on our ability to access financing. Our access to debt and equity financing, whether generally and/or on cost and other terms which are acceptable to us, depends on a number of factors including our historical and expected performance, compliance with the terms of our debt agreements (including our debt covenant ratios), maintaining our credit ratings and credit standing with credit rating agencies, our lenders and other credit providers, general market conditions (including, for example, market disruptions, the availability of particular sources of financing and the cyclicality of the aviation industry), the value of our aircraft portfolio, interest rate fluctuations and the relative attractiveness of alternative investments.

Volatility or disruption in the financing markets could adversely affect banks and financial institutions, causing lenders to increase the costs of such financing, to be reluctant or unable to provide us with financing on terms acceptable to us and/or to reduce the amount of financing available to us. Financial crises, instability and/or other events and factors resulting in volatility in the capital markets may result in a similar adverse impact, as could further consolidation in the banking industry, new global and national capital adequacy or other rules for financial institutions and/or changes to export credit schemes.

In the event our ability to access the financing markets is adversely affected and/or if the various conditions to our existing aircraft acquisition commitments are not satisfied, we may experience:

- difficulty in satisfying or being unable to satisfy our aircraft acquisition commitments. This could in turn result in:
  - lost revenue;
  - forfeiting deposits and pre-delivery payments and our being required to pay and expense certain significant costs relating to terminating or renegotiating these commitments, such as actual damages, and legal, accounting and financial advisory expenses, and not realizing any of the benefits of completing the affected transactions;
  - defaulting on lease commitments, which could result in monetary damages and damage to our reputation and relationships with manufacturers and airline customers; and
  - failing to capitalize on growth opportunities that would not be pursued due to our management's focus on these commitments;
- a loss of our investment grade credit ratings, which could adversely affect the Group's access to liquidity and its competitive position; and/or
- an inability to meet our debt obligations leading to repayment defaults or non-compliance with debt covenants.

We compete with other lessors and airlines, among other market participants, when acquiring aircraft. Our ability to maintain and grow our portfolio on a basis which is consistent with our business strategy, and our ability to maintain or grow our profitability, is dependent on our ability to access financing on acceptable cost and other relevant terms and, in particular, on cost terms which are consistent with our business strategy and financial condition. If we are unable to access financing on such terms, we may not be able to acquire aircraft at optimum times, or at all.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations as well as the value of the Notes.

Our substantial indebtedness requires significant debt service payments.

As at December 31, 2018, our total drawn indebtedness(1) was U.S.$12.5 billion and we also had U.S.$2.8 billion available for drawing under our committed, unsecured revolving credit facilities. See "Capitalization and Indebtedness" for further details. Due to the capital-intensive nature of our business, the need to refinance maturing debt and our strategy of expanding our aircraft portfolio, we expect that we will incur significant additional indebtedness in the future and continue to maintain high levels of indebtedness. The terms of our financing agreements also allow us to incur substantial amounts of additional debt, subject to certain limitations. We regularly consider market conditions and our ability to incur indebtedness to either refinance existing indebtedness and/or for working capital purposes.

Our significant level of indebtedness:

- may cause a substantial portion of our cash flows from operations to be dedicated to interest and principal payments and therefore is not available to fund our operations, working capital, capital expenditures, expansion, acquisitions, dividend payments or general corporate or other purposes;
- may impair our ability to obtain additional financing in the future;

Note:

(1) Total indebtedness refer to loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.

- may limit our flexibility in planning for, or reacting to, changes in our business and aircraft operating lease industry; and
- may make us more vulnerable to downturns in our business, the aviation industry, the financial markets or the economy in general.

If market conditions worsen and precipitate declines in demand for aircraft or commercial airline related markets, our operations may not generate sufficient cash to service our debt. In addition, we may need to incur additional debt over and above our current debt levels.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

We had net current liabilities during the Relevant Period, which may expose us to liquidity risk.

We had net current liabilities of U.S.$1,452 million, U.S.$1,152 million and U.S.$370 million as at December 31, 2018, 2017 and 2016, respectively. As a capital intensive business, our net current liabilities position primarily reflects the current portion of our indebtedness, which we raise to finance our capital expenditure and requires regular payments to service. At the same time, our cash inflow mainly relies on collecting recurring lease rental income from airline customers. We cannot assure you that cash inflow from our lease rental income will be consistently sufficient to meet our ongoing cash needs. See "Risk Factors – Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs" for further details. If we are unable to match the maturities of our debt financing with cash inflow from our aircraft operating leases, we may face shortfalls in liquidity, which would require us to seek adequate financing from other sources, such as raising additional debt. To manage potential cash flow mismatch, we have maintained financing channels with various lenders, including a U.S.$2.0 billion committed unsecured revolving credit facility with Bank of China. However, we cannot assure you that our lenders will not prematurely terminate our financing channels, or that we will be able to renew our existing credit facilities on commercially acceptable terms or at all. See "Risk Factors – Our ability to obtain financing on acceptable terms is critical to our ability to operate" for further details. If we are unable to manage our liquidity position in the future and are unable to obtain sufficient capital sources to offset any liquidity gap, our business, financial condition and results of operations may be materially and adversely affected.

The availability of funding and its cost and other terms are dependent in part upon the financial ratings assigned to us by lenders and rating agencies, and a downgrade of these ratings could adversely impact our business.

Our ability to obtain debt financing, and our cost of debt financing, are dependent, in part, on the financial ratings assigned to us by lenders and rating agencies. Maintaining these ratings depends in part on our strong financial condition and results of operations and in part on other factors, some or all of which are not within our control, including the outlook of lenders and rating agencies on the airline sector, the aircraft operating lease industry and the market generally, and also to a certain extent on the shareholding of, co-branding with, and other support from our controlling shareholder, Bank of China.

The Group had corporate credit ratings of A- from both S&P Global Ratings (as at March 22, 2019) and Fitch Ratings (as at March 25, 2019). Since the credit ratings ascribed to the Group by each of S&P Global Ratings and Fitch Ratings, respectively, are independently determined and assessed by each agency, they are outside of the Group's control.

Our credit ratings are significantly dependent on the ratings of our controlling shareholder. A downgrade in the credit ratings of Bank of China would likely impact our credit ratings. Additionally, any downgrade to the sovereign credit rating of China may impact the credit ratings of Bank of China, which would likely impact our credit ratings. A downgrade in our credit ratings by lenders or by rating agencies may result in higher pricing or less favorable terms of our financings, significantly increase the Group's borrowing costs and limit its access to the capital markets. Rating downgrades could adversely affect the Group's access to liquidity and its competitive position and may make it more difficult for us to satisfy our funding requirements, any or all of which may materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes. Furthermore, we expect that our credit ratings would be negatively impacted if Bank of China substantially reduces its shareholding to have less than a controlling stake in the Group or if we are no longer viewed as strategically important to Bank of China.

Interest rate and exchange rate fluctuations may adversely affect our business.

Interest rate fluctuations may adversely affect our financial performance. Any changes in interest rates will impact both our borrowing costs as well as lease rental income, as a certain portion of our debt funding and a certain portion of our lease rental income is priced on a floating rate basis. We may be susceptible to interest rate volatility if we are unable to maintain a balance between fixed and floating rate debts and match the floating/fixed lease rental income and lease maturities with financing on a similar basis or secure appropriate hedges for the same. While the exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest rate caps, the magnitude of the final exposure depends on the effectiveness of the hedge. Moreover, the potential for low or negative interest rates in the United States and on U.S. dollar-denominated financial instruments could adversely impact our revenues, including lease rental and interest on our cash and bank balances, and could reduce the attractiveness of our aircraft.

In addition, while we make certain assumptions as to the proportion of debt required to fund our fixed rate lease assets and, based on these assumptions, assess our corresponding hedging requirements, we may not put in place hedging arrangements for all of this potential exposure nor for the full tenor of the underlying leases. We also remain exposed to changes in interest rates to the extent that our derivative financial instruments are not correlated to our financial liabilities. In addition, we are exposed to the credit risk that the counterparties to our derivative financial instruments will default in their obligations. If we incur significant fixed rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence or refinancing of such debt will also increase our interest expense. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Our ability to access financing could be adversely affected by PRC regulations.

The Company is a subsidiary of Bank of China so relevant laws, regulations and policies issued in the PRC may apply to the Company. For example, the PRC National Development and Reform Commission (**NDRC**) issued the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances on September 14, 2015 (**NDRC Notice**). Pursuant to the NDRC Notice, PRC entities such as Bank of China (and their offshore branches and subsidiaries) seeking to incur "offshore debt" (e.g. bonds issued to investors outside the PRC or loans from banks and other financing entities outside the PRC) with a maturity of more than one year are required to provide the NDRC with (i) an application for registration of such offshore debt before its issuance and (ii) particulars of the debt issuance within ten business days after completion of the relevant debt issuance. The NDRC's acceptance of any application for registration is subject to the availability of a sufficient amount within the NDRC's stipulated annual national quota (the **Annual Quota**). The Annual Quota is to be determined by the NDRC from time to time. The NDRC Notice could be subject to varying interpretations. Registrations for financing may not be accepted by the NDRC for either administrative reasons or due to the Annual Quota having been fully utilized at the time of filing. The NDRC Notice, therefore, could restrict our ability to raise debt financing and could also impose registration and reporting requirements which could affect our ability to raise debt financing in a timely manner.

In June 2016, the NDRC further reformed its administration of offshore debt issuances and established a pilot program. Under such pilot program, the NDRC has allocated an annual offshore debt quota for each of the selected pilot enterprises which can be used for the group of companies of the pilot enterprise. Within the annual quota, pre-filing with the NDRC is no longer required. Bank of China is among the selected pilot enterprises. As a subsidiary of Bank of China, the Company is permitted to utilize the annual offshore debt quota of Bank of China for the issuance of Notes. Accordingly, provided that Bank of China has sufficient annual quota remaining, the Notes will not be subject to any pre-issue registration as otherwise required under the NDRC Notice, but shall still be subject to post-issue notification. The pilot program is a recent development and its interpretation and execution may involve some uncertainty.

Our ability to raise financing on acceptable pricing terms is critical to our business model. See "– Our ability to obtain financing on acceptable terms is critical to our ability to operate" above. The application of relevant laws, regulations and policies issued in the PRC could have a material adverse effect on our ability to raise additional financing and, as a consequence, the Group may not be able to execute financing during optimal market conditions, in particular to take advantage of fast-moving market dynamics and conditions. The requirement to pre-register debt before issuance means that we will bear additional market risk in relation to our debt financing including medium term note financing activities during the period between submission of an application and pricing of an actual issuance.

In addition, Bank of China is classified as a Bucket 1 Global Systematically Important Bank by the Financial Stability Board and consequently is subject to increased capital and liquidity requirements in addition to the Basel III regulations. As a consequence, Bank of China may have increased incentives to maintain its own capital within its own business, which could potentially reduce its willingness to lend to its subsidiaries, including members of the Group.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Other External Risks Related to Our Business and Operations

If Bank of China ceases to maintain a controlling stake in us or otherwise reduces or ends its strategic relationship with the Group, our business could be adversely affected.

Bank of China provides us with a license to use its brand, and we benefit from other advantages associated with the Company remaining a subsidiary of Bank of China. Our corporate credit ratings of A- from both S&P Global Ratings and Fitch Ratings, while not guaranteed by Bank of China, are partly dependent on the fact that we are a subsidiary of Bank of China and on the perception that Bank of China will continue to support us. Our corporate credit ratings have a significant impact on the cost at which we are able to secure funding.

If Bank of China ceases to maintain a controlling stake in us or otherwise changes important elements of its strategic relationship with us, we may lose the advantages associated with the Company remaining a subsidiary of Bank of China and our corporate investment grade credit ratings, as well as the ratings for debt issued under our Global Medium Term Note Program may be adversely affected, any or all of which could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Bank of China may have interests or goals that are inconsistent with ours which could cause it to direct our business in a manner that is not in the best interests of Noteholders.

Bank of China, as our majority shareholder, is able to direct our corporate policies and nominate directors and officers. Bank of China may have economic or business interests or goals that are inconsistent with ours and/or Noteholders and could take actions that could adversely affect our business, financial condition and results of operations as well as the value of the Notes.

A new standard for lease accounting which may impact our airline customers was issued on January 13, 2016, effective from financial reporting periods beginning on or after January 1, 2019.

Following a detailed consultation period which began in July 2006 the International Accounting Standards Board (**IASB**) released on January 13, 2016 a new standard (**IFRS 16 'Leases'**) on lease accounting which replaced IAS 17 'Leases' effective from January 2019 and which, broadly, brings the majority of leases on balance sheet for airline customers. Early adoption of this new lease standard will be permitted, provided the reporting company has adopted IFRS 15 'Revenue from Contracts with Customers'.

It is anticipated that IFRS 16 'Leases' will not have a significant impact upon the way in which lessors account for the leases. The main changes reflected in IFRS 16 'Leases' will affect our airline customers. Under IFRS 16 'Leases' an airline customer will be required to recognize a "right-of-use" asset and a lease liability. The "right-of-use" asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest.

Adoption of IFRS 16 'Leases' will require certain airline customers to alter the way in which their operating leases are treated in their accounting records, requiring them to recognize assets and liabilities on their statement of financial position (a "right-of-use" asset on the asset side, and a lease liability on the liability side) of operating leases entered into with the Group. The application of this new accounting standard may adversely affect the demand from airline customers for aircraft operating leases and the lease tenure or the lease types (floating versus fixed rates). This may in turn materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

Our exposure to counterparty risk may adversely affect our business.

In addition to the credit risk taken on airline customer counterparties, we take counterparty risk on a range of financial institutions and corporates, including deposit-taking and letter of credit-issuing banks, issuers of financial instruments, counterparties to interest rate and foreign exchange derivatives and other financial instruments as well as on aircraft and engine manufacturers to which pre-delivery payments are made. We may incur losses as a result of our failure to recover amounts payable to us by a counterparty due to the default and/or bankruptcy of that counterparty or due to unforeseen or other adverse events occurring, as a result of which we are required to incur additional costs or charges. Such an event could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations.

Conflicts of interest may arise between us and clients who utilize our lease management services, which could have a material adverse effect on our business.

Conflicts of interest may arise between us and third-party aircraft owners who engage us to perform lease management services and to manage their leasing, re-leasing and sale arrangements on their behalf. Our service contracts generally require that we treat our owned and managed aircraft equally and that we do not discriminate against serviced aircraft in favor of our owned aircraft. These conflicts could have a material adverse effect on our business and operations as well as the value of the Notes.

Our failure to obtain, renew or retain certain required licenses and approvals or our failure to comply with applicable laws and regulations could adversely affect our business.

Certain entities within our Group are subject to a number of regulations including under the laws of China. For instance, our subsidiaries incorporated in Tianjin (PRC) are required under the laws of the PRC to maintain relevant business licenses in order to be able to continue to conduct aircraft leasing and other business activities. If, for whatever reason, we are not able to obtain or renew any of these licenses, our ability to lease, re-lease or sell aircraft through these entities may be adversely affected. The occurrence of one or more of these events could result in a material adverse effect on our business, financial condition, results of operations and our ability to meet our financial obligations as well as the value of the Notes.

We are subject to various requirements and risks associated with transacting business in multiple countries which could have a material adverse effect on our business.

The scope of our international operations may require us in certain situations to comply with trade and economic sanctions and other restrictions imposed by the United States, the European Union, Singapore, China and other governments or organizations. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act (the **FCPA**), and other federal statutes and regulations, including those established by the Office of Foreign Assets Control (**OFAC**). In addition, the UK Bribery Act of 2010 (the **Bribery Act**) prohibits both domestic and international bribery, as well as bribery in both private and public sectors. Under these and other laws and regulations, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact our business, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by employees (such as unauthorized business transactions and breaches of our internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent and could subject us to financial loss, loss of commercially sensitive data, sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems, and internal control procedures are designed to monitor our operations and overall compliance. However, we may not be able to identify non-compliance matters in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. Consequently, there exists the risk that fraud or other misconduct may have previously occurred but has been undetected, or may occur in the future. This could materially adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

We use technology and advanced information systems, which may be subject to cyber-attack.

Various key processes in our business depend on the operation of our IT and related computer systems, including in particular in relation to the management, processing, storage and transmission of information associated with aircraft leasing, including financial records, data and analyses. Our IT and related computer systems may be damaged or interrupted by human error, unauthorized access such as a cyber-attack, natural hazards or disasters and similarly disruptive events. While we devote significant resources to maintaining adequate levels of physical and cyber-security in respect of our IT and related computer systems, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks or other disruptions or failures to our IT and related computer systems. A cyber-attack or IT and related computer systems failure could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. The Group has in place business continuity procedures, disaster recovery systems and security measures to protect against network or IT and computer systems failure or disruption. However, those procedures and measures may not be effective to ensure that the Group is able to carry on its business if they fail or are disrupted and they may not ensure the Group can anticipate, prevent or mitigate a material adverse effect on the Company's business, financial condition and results of operations as well as the value of the Notes.

Any or all of the above occurrences or events could harm our reputation and result in competitive disadvantages, litigation, lost revenues, additional costs and liability which could have a material adverse effect on our business, financial condition and results of operations as well as the value of the Notes.

Future discontinuance of LIBOR may adversely affect the value of our floating rate leases.

As at December 31, 2019, 24% of our leases (measured as a percentage of aircraft net book value) are on floating rate terms where rents are typically re-set every three or six months by reference to either three-or six-month U.S. dollar LIBOR. As noted under "– Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR," LIBOR may be discontinued after 2021 and therefore not available to be used as a benchmark reference rate for our floating rate leases. It is currently unclear what form of benchmark rate might replace LIBOR or that fall-back provisions under our leases for discontinuation of LIBOR will put us in a position that is commercially equivalent to our position prior the discontinuation of LIBOR. This could result in our floating rate leases generating less revenue and cash flow and negatively affecting our ability to service our debt.

In addition, as a result of the discontinuation of LIBOR or the expectation that LIBOR would be discontinued, the value and liquidity of our floating rate leases as investments could be adversely affected. This could make it more challenging for us to sell such aircraft with the floating rate lease attached in the ordinary course of business which is an important element of our business model. See "Our business model is dependent to a large extent on our ability to sell aircraft."

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Notes.

RISKS RELATED TO THE NOTES

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are not secured by any pledged collateral or guaranteed by any of our subsidiaries

The Notes will not be secured by any pledged collateral and will consequently be subordinated to any secured debt or other obligations to the extent of any assets pledged as collateral therefor.

None of our subsidiaries will guarantee the Notes, and as a result, creditors of our subsidiaries have a prior claim, ahead of the Noteholders, on the assets of those subsidiaries. In addition, our subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments. In the event of a bankruptcy, liquidation, reorganization or other winding up of any of our subsidiaries, holders of indebtedness and trade creditors of our subsidiaries will generally be entitled to payment of their claims from the assets of our subsidiaries before any assets are made available for distribution to us. Accordingly, there may be insufficient funds to satisfy the claims of the Noteholders and other senior debt. As at December 31, 2018, our subsidiaries had U.S.$4.2 billion of indebtedness outstanding to parties other than us or other subsidiaries of ours.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including LIBOR, EURIBOR, SIBOR and SOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on June 29, 2016 and became applicable from January 1, 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by EU supervised entities of "benchmarks" of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing LIBOR, EURIBOR, SIBOR and SOR, in particular, if the methodology or other terms of LIBOR, EURIBOR, SIBOR and SOR are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of LIBOR, EURIBOR, SIBOR and SOR.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including LIBOR, EURIBOR, SIBOR and SOR): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing LIBOR, EURIBOR, SIBOR and SOR.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing LIBOR, EURIBOR, SIBOR and SOR.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR is discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

Notes subject to optional redemption by us

An optional redemption feature of Notes is likely to limit their market value. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

We may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, we may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisors about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Partly Paid Notes

We may issue Notes where the issue price is payable in more than one installment. Any failure by an investor to pay any subsequent installment of the issue price in respect of its Notes could result in such investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London interbank offered rate (**LIBOR**). The market values of those Notes typically are more volatile than the market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where we have the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The RMB is not completely freely convertible; there are still significant restrictions on remittance of RMB into and outside the PRC.

The RMB is not completely freely convertible at present. The PRC government continues to regulate conversion between the RMB and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the PRC government of its control over routine foreign exchange transactions under current accounts. However, remittance of RMB by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of RMB into the PRC for settlement of capital account items are developing gradually.

Although from October 1, 2016, the RMB was added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to gradually liberalize its control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or outside the PRC. Investors may be required to provide certifications and other information (including RMB account information) in order to be allowed to receive payments in RMB in accordance with the RMB clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of RMB outside the PRC, which may affect the liquidity of the RMB Notes and our ability to source RMB outside the PRC to service the RMB Notes.

As a result of the restrictions imposed by the PRC government on cross-border RMB fund flows, the availability of RMB outside the PRC is limited.

Currently, licensed banks in Singapore and Hong Kong may offer limited RMB-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. While the PBoC has entered into agreements on the clearing of Renminbi business (the "**Settlement Agreements**") with financial institutions in a number of financial centers and cities (each, an "**RMB Clearing Bank**") and is in the process of establishing RMB clearing and settlement mechanisms in several other jurisdictions, the current size of RMB-denominated financial assets outside the PRC is limited. RMB business participating banks do not have direct RMB liquidity support from the PBoC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source RMB from outside the PRC to square such open positions.

The offshore RMB market is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the liquidity of Notes denominated in RMB (the **RMB Notes**). To the extent we are required to source RMB in the offshore market to service the RMB Notes, there is no assurance that we will be able to source such RMB on satisfactory terms, if at all.

Investment in the RMB Notes is subject to exchange rate risks.

The value of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the RMB against other currencies. All payments of interest and principal will be made with respect to the RMB Notes in RMB. As a result, the value of these RMB payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of RMB depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

Payments for the RMB Notes will only be made to investors in the manner specified in such RMB Notes.

All payments to investors in respect of the RMB Notes will be made solely: (i) when RMB Notes are represented by Global Notes deposited with a sub-custodian for the CMU Service, transfer to a RMB bank account maintained in Hong Kong in accordance with the prevailing CMU Service rules and procedures; (ii) when RMB Notes are represented by Global Notes held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures; (iii) when RMB Notes are represented by Global Notes held with CDP, transfer to a RMB bank account in accordance with the prevailing CDP rules and procedures; or (iv) when RMB Notes are in definitive form, transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing rules and regulations.

We cannot be required to make payment by any other means (including in any other currency or in bank notes, by check or draft or by transfer to a bank account in the PRC).

An investment in RMB Notes is subject to interest rate risks.

The PRC government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Our performance of contractual obligations is dependent on other parties

Our ability to make payments in respect of the Notes may depend upon the due performance by the other parties to the Program Agreement, the Agency Agreement and (if applicable) the Depository Agreement of their obligations thereunder including the performance by the Agent, the CMU Lodging and Paying Agent and/or the relevant Registrar of their respective obligations. While the non-performance of any relevant parties will not relieve us of our obligations to make payments in respect of the Notes, we may not, in such circumstances, be able to fulfill our obligations to the Noteholders.

The conditions of the Notes permit modification of the Notes under certain circumstances. The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Agent and the Registrar may, without the consent of Noteholders, agree to any modification of the Notes or the Agency Agreement which is: (i) not prejudicial to the interests of the Noteholders; or (ii) of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with a mandatory provision of law or is required by CDP and/or Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU Service and/or any other clearing system in which the Notes may be held in the circumstances described in Condition 16.

The Notes are subject to transfer restrictions

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "Subscription and Sale" and "Transfer Restrictions."

U.S. Dividend Equivalent Withholding

Section 871(m) of the Code and regulations promulgated thereunder treats certain "dividend equivalent" payments as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30 per cent. U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a treaty exemption, tax credit or refund from the IRS. A "dividend equivalent" payment includes payments that directly or indirectly reference the payment of a dividend by a U.S. corporation under certain equity linked or other instruments. To the extent that the Reference Rate or other Relevant Factor in determining the amount payable under any Floating Rate Notes or Index Linked Interest Notes are directly or indirectly determined by reference to dividends payable by a U.S. corporation, such payments may be considered dividend equivalent payments. Prospective investors should refer to the section "Taxation – U.S. Federal Income Tax Considerations – Dividend Equivalent Amounts on Index Linked Interest Notes."

If we or any withholding agent determine that withholding is required under Section 871(m), we will not be required to pay any additional amounts with respect to amounts so withheld nor will any withholding agent. The proper U.S. federal tax treatment of Floating Rate Notes or Index Linked Interest Notes that may give rise to a dividend equivalent payment pursuant to Section 871(m) will generally be more fully described in the applicable Pricing Supplement.

Further issues

We may, from time to time, without notice to or the consent of the holders of the outstanding Notes, create and issue additional debt securities with identical terms and ranking pari passu with a series or tranche of previously issued, outstanding Notes in all respects. We may consolidate such additional debt securities with such previously issued, outstanding Notes to form a single series and such additional issuance may not be treated as fungible with the previously issued, outstanding Notes for U.S. federal income tax purposes. If the later issuance is not treated as fungible with the previously issued, outstanding Notes for U.S. federal income tax purposes, it can be considered to be issued with an amount of original issue discount that is greater than the original issue discount, if any, at which the previously issued, outstanding Notes were issued, which may affect the market value of the previously issued Notes unless such Notes can be distinguished from the later issuance.

A change of law may adversely affect the value of the Notes

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially and adversely impact the value of any Notes affected by it.

We may be unable to redeem the Notes

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, we may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, we may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Our failure to repay, repurchase or redeem tendered Notes would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Program may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, DTC, CMU and CDP (each of Euroclear, Clearstream, Luxembourg, DTC, CMU and CDP, a **Clearing System**). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive the Notes in definitive form. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, we will discharge our payment obligations under the Notes by making payments to or to the order of the relevant Clearing System(s) for distribution to their account holders.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

The book-entry registration system of the Notes may reduce the liquidity of any secondary market for the Global Notes under the Program and may limit the receipt of payments by the beneficial owners of the Global Notes under the Program

Because transfers of interests in the Global Notes can be effected only through book entries at DTC with respect to those Global Notes to be issued in reliance on Rule 144A and only through book entries at Clearstream and Euroclear, CMU and CDP in the case of the Global Notes to be issued in reliance on Regulation S, for the accounts of their respective participants, the liquidity of any secondary market for Global Notes may be reduced to the extent that some investors are unwilling to hold Global Notes in book-entry form in the name of a DTC, Clearstream, Euroclear, CDP or CMU participant. The ability to pledge interests in the Global Notes may be limited due to the lack of a physical certificate. Beneficial owners of Global Notes may, in certain cases, experience delay in the receipt of payments of principal and interest since such payments will be forwarded by the paying agent to DTC, Clearstream, Euroclear, CDP or CMU as applicable, who will then forward payment to their respective participants, who (if not themselves, the beneficial owners) will thereafter forward payments to the beneficial owners of the interests in the Global Notes. In the event of the insolvency of DTC, Clearstream, Euroclear, CDP, CMU or any of their respective participants in whose name interests in the Global Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on Global Notes may be impaired.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active trading market for the Notes may not develop

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls may adversely affect the value of the Notes

We will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or our ability to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks may adversely affect the value of the Notes

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings on the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Future events may have a negative impact on the rating of the Program and/or such Notes and prospective investors should be aware that there is no assurance that the ratings given will continue or that the ratings would not be reviewed, revised, suspended or withdrawn as a result of future events, unavailability of information or if, in the judgment of the relevant rating agency, circumstances so warrant. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Singapore taxation risk

The Notes to be issued from time to time under the Program, during the period from the date of this Offering Circular to December 31, 2023 are intended to be "qualifying debt securities" for the purposes of the ITA subject to the fulfillment of certain conditions more particularly described in the section "Taxation – Singapore." However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

FORM OF THE NOTES

The Notes of each Series will be issued in either bearer form, with or without interest coupons and talons for further coupons if appropriate attached, or registered form, without interest coupons attached, in each case as specified in the applicable Pricing Supplement. Bearer Notes will be issued to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**) or to "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act (the **Institutional Accredited Investors**) in reliance on an exemption from the registration requirements of the Securities Act. Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or the Depository Trust Company (**DTC**).

BEARER NOTES

The following applies to Notes specified in the applicable Pricing Supplement to be in bearer form. Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent Global Note (a **Permanent Bearer Global Note** and, together with any Temporary Global Note, the **Bearer Global Notes**) which, in either case, will be delivered on or prior to the original issue date of the relevant Tranche to either (i) a common depositary (the **Common Depositary**) for Euroclear, Clearstream, Luxembourg); (ii) The Central Depository (Pte) Limited (**CDP**); or (iii) a sub-custodian for the CMU Service.

While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of Notes will be made against presentation of the Temporary Bearer Global Note only and only to the extent that customary certification to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or CDP and/or the CMU Lodging and Paying Agent and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg and/or CDP, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series; or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons for further coupons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement (which notice period shall not exceed 60 days)), in each case against customary certification of beneficial ownership as described above unless such certification has already been given provided that purchasers in the United States and U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note deposited with a Common Depositary for Euroclear and/or Clearstream and/or CDP will be made through Euroclear and/or Clearstream, Luxembourg and/or CDP against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing; (ii) if the Permanent Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg we have been notified that both Euroclear and Clearstream, Luxembourg have or, in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have or has announced an intention permanently to cease business or have or has in fact done so and, in any case, no successor or alternative clearing system is available; or (iii) if the Permanent Bearer Global Note is held by or on behalf of CDP and (1) CDP has closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); (2) CDP has announced an intention permanently to cease business and no alternative clearing system is available; or (3) CDP has notified us that it is unable or unwilling both to act as depository for the Notes and to continue performing its duties set out in its terms and conditions for the provision of depository services and no alternative clearing system is available; or (iv) if the Permanent Global Note is not held by or on behalf of CDP, we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. We will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by CDP or a Common Depositary for Euroclear and Clearstream Luxembourg, CDP and/or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note); or (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, we may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent or, as the case may be, the CMU Lodging and Paying Agent.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes which have an original maturity of more than one year unless such Notes are offered under the C Rules and on all receipts, interest coupons and talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts, interest coupons, or talons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts, interest coupons, or talons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, as the case may be.

REGISTERED NOTES

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Regulation S Global Note** and together with any Bearer Global Note, each, a **Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2(a) and may not be held otherwise than through CDP, Euroclear, Clearstream, Luxembourg or the CMU Service and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions (i) to QIBs or (ii) to "Institutional Accredited Investors and who execute and deliver an IAI Investment Letter (as defined in the "Terms and Conditions of the Notes") in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes** and each a **Registered Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2(a) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Regulation S Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the DTC or (ii) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement and/or deposited with a sub-custodian for the CMU Service (if applicable) and/or deposited with and registered in the name of CDP. Persons holding beneficial interests in Regulation S Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Registered Global Notes in definitive form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "Subscription and Sale" and "Transfer Restrictions." Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring such Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "Subscription and Sale" and "Transfer Restrictions." The Registered Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest or any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. We, the Agent, any Paying Agent or the Registrar will not have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing; (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified us that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) if the Registered Global Note is held in Euroclear and/or Clearstream, Luxembourg and we have been notified that Euroclear and Clearstream, Luxembourg have or, in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available; or (iv) if the Registered Global Note is deposited with CDP and (1) CDP has closed for business for a continuous period of

14 days (other than by reason of holiday, statutory or otherwise); (2) CDP has announced an intention permanently to cease business and no alternative clearing system is available; or (3) CDP has notified us that it is unable or unwilling both to act as depository for the Notes and to continue performing its duties set out in its terms and conditions for the provision of depository services and no alternative clearing system is available, or (iv) if the Registered Global Note is not deposited with CDP, we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

We will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for CDP, DTC or Euroclear and Clearstream Luxembourg, CDP and/or DTC and/or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note); and (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Registrar or the CMU Lodging and Paying Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, we may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

DIRECT RIGHTS IN RESPECT OF GLOBAL NOTES CLEARED THROUGH CDP

If there shall occur any Event of Default (as defined under "Terms and Conditions of the Notes") entitling a holder to declare all of the Notes held by it to be due and payable, as provided in the Terms and Conditions of the Notes, the holder of a Global Note may exercise the right to declare Notes represented by such Global Note due and payable in the circumstances described in the Terms and Conditions of the Notes by stating in the notice given to us and the Agent (the **default notice**) the principal amount of Notes (which may be less than the outstanding principal amount of such Global Note) which is being declared due and payable.

Following the giving of the default notice, the holder of the Notes represented by the relevant Global Note may (subject as provided below) elect that direct rights (**Direct Rights**) under the provisions of the Deed of Covenant dated March 16, 2015 executed by us in respect of Notes cleared through CDP (the **CDP Deed of Covenant**) shall come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such default notice has been given. Such election shall be made by notice to the Agent and presentation of the relevant Global Note to or to the order of the Agent for reduction of the principal amount of Notes represented by the relevant Global Note by such amount as may be stated in such notice and by endorsement of Schedule A to the relevant Global Note of the principal amount of Notes in respect of which Direct Rights have arisen under the CDP Deed of Covenant. Upon each such notice being given, the relevant Global Note shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect. No such election may however be made on or before the Exchange Date unless the holder elects in such notice that the exchange for such Notes shall no longer take place.

TRANSFER OF INTERESTS

Interests in a Regulation S Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Regulation S Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note.

No beneficial owner of an interest in a Regulation S Global Note will be able to transfer such interest, except in accordance with the applicable procedures of CDP, DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, in each case, to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "Subscription and Sale" and "Transfer Restrictions."

GENERAL

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Agent or, as the case may be, the CMU Lodging and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number, or CUSIP and CINS number which are different from the common code and ISIN and, where applicable, CMU, or CUSIP and CINS instrument number assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to Notes of such Tranche.

For so long as any Note is represented by a Global Note held on behalf of CDP and/or Euroclear and/or Clearstream, Luxembourg or the CMU Service, each person (other than CDP and/or Euroclear and/or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of CDP Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by CDP and/or Euroclear and/or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save, in the case of Notes not held on behalf of CDP, in the case of manifest error) shall be treated by us and our agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal, interest and any other amount payable on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by us and our agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge our obligation in respect of that payment under such Note.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by us and the Agent.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with CDP and/or DTC and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against us on the basis of statements of account provided by CDP and/or DTC and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, on and subject to the terms of (in the case of Notes held through Euroclear or Clearstream, Luxembourg) a deed of covenant (the **Deed of Covenant**) dated March 16, 2015 and executed by us or (in the case of Notes cleared through CDP) the CDP Deed of Covenant. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.

[**MiFID II product governance/target market –** [*appropriate target market legend to be included*]]

[**PRIIPs/IMPORTANT – EEA RETAIL INVESTORS –** If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**) or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Section 309B Notification: The Notes are [prescribed capital markets products/capital markets products other than prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [Excluded Investment Products/Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

[*Date*]

BOC AVIATION LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$10,000,000,000
Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated March 27, 2019 [and the supplemental Offering Circular dated ***[insert date]***] (together, the **Offering Circular**). This document must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated March 27, 2019 [and the supplemental Offering Circular dated [insert date]] (together, the **Offering Circular**). This document must be read in conjunction with the Offering Circular, save in respect of the Conditions which are extracted from the Offering Circular dated March 27, 2019 and are attached hereto.]

[*The following language applies if any tranche of the Notes is issued by BOC Aviation Limited and is intended to be "qualifying debt securities" (as defined in the Income Tax Act, Chapter 134 of Singapore):*

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the **ITA**), shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer	BOC Aviation Limited
2.	(a) Series Number	[●]
	(b) Trance Number	[●]
		(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	
	(a) Series:	[●]
	(b) Tranche:	[●]
5.	(a) [Issue Price]:	[●]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(b) [Net Proceeds]:	[●] (*include for listed issues if required by the relevant stock exchange on which the Notes are listed.*)
6.	(a) Specified Denominations:	[●] (*N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies*): "*[U.S.$100,000] and integral multiples of [U.S.$1,000] in excess thereof up to and including [U.S.$199,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.$100,000] and higher integral multiples of [U.S.$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.$199,000]*" *in the case of Registered Notes, this means the minimum integral amount in which transfers can be made.*)
	(b) Calculation Amount:	[●]
		(*If only one Specified Denomination, insert the Specified Denomination.*

			If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes*.)
8.	Maturity Date:		[*Fixed rate – specify date/* Floating rate – Interest Payment Date falling in or nearest to [specify month]]
9.	Interest Basis:		[[●]% Fixed Rate] [[LIBOR/EURIBOR/SIBOR/SOR] +/- [●]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Installment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:		[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[(i)]	Status of the Notes:	[Senior]
	[(ii)	Date of regulatory approval from NDRC for issuance of Notes obtained:	[●]
14.	Listing:		[[Singapore Exchange Securities Trading Limited]/(*specify other*)/None]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.		Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[●]% per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 6.1*)
	(b)	Interest Payment Date(s):	[[●] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[●] per Calculation Amount
	(d)	Broken Amount(s): (Applicable to Notes in definitive form.)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(e)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed) or [*specify other*]]
	(f)	[Determination Date(s):	[●] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17.		Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(c)	Additional Business Centre(s):	[●]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]

(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
(f)	Screen Rate Determination:	
	• Reference Rate:	[●] (*Either LIBOR, EURIBOR, SIBOR, SOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement*)
	• Interest Determination Date(s):	[●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR or second Singapore business day prior to the start of the interest period if SIBOR or SOR*)
	• Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(h)	Margin(s):	[+/-] [●]% per annum
(i)	Minimum Rate of Interest:	[●]% per annum
(j)	Maximum Rate of Interest:	[●]% per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Other] (*See Condition 6.2 for alternatives*)

	(l)	Fallback provisions, rounding provision and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[●]% per annum
	(b)	Reference Price:	[●]
	(c)	Any other formula/basis of determining amount payable:	[●]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 8.5(c) applies/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
19.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent	[*give name*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[●]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible, impracticable or otherwise disrupted:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[●]
	(h)	Minimum Rate of Interest:	[●]% per annum
	(i)	Minimum Rate of Interest:	[●]% per annum
	(j)	Day Count Fraction:	[●]

20.	Dual Currency Interest Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[●]
	(c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(c) If redeemable in part:	[●]
	(i) Minimum Redemption Amount:	[●]
	(ii) Maximum Redemption Amount:	[●]
	(d) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
22.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]

	(c) Notice period (if other than as set out in the Conditions):	[●]
		(*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
23.	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8.5):	[[●] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]
		[Bearer Notes: Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
		[Bearer Notes: Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event]
		[Registered Notes: Registered Global Note ([●]) nominal amount [exchangeable for Registered Notes in definitive form]]
		(*In the case of an issue with more than one Global Note or a combination of one or more Global Notes and Definitive IAI Notes, specify the nominal amounts of each Global Notes, and, if applicable, the aggregate nominal amount of all Definitive IAI Notes if such information is available*)
26.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/give details]
		(*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 18(c) and 20(h) relate*)
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]

28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable/*give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
29.	Details relating to Installment Notes:	
	(a) Installment Amount(s):	[Not Applicable/*give details*]
	(b) Installment Date(s):	[Not Applicable/*give details*]
30.	Redenomination applicable:	Redenomination [not] applicable [(*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)]
31.	Other final terms:	[Not Applicable/*give details*]
32.	Rating[s]	[Not Applicable/*give details*]
33.	Governing law:	English

DISTRIBUTION

34.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilizing Manager(s) (if any):	[Not Applicable/*give names*]
35.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give names*]
36.	U.S. Selling Restrictions:	[Reg. S Compliance Category [2]; TEFRA D/TEFRA C/TEFRA not applicable]
37.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
38.	Additional selling restrictions:	[Not Applicable/*give details*]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue [and admission to trading on [*specify relevant stock exchange*]] of the Notes described herein pursuant to the U.S.$10,000,000,000 Global Medium Term Note Program of BOC Aviation Limited.

OPERATIONAL INFORMATION

(i)	ISIN Code:	[●]
(ii)	Common Code:	[●]
(iii)	CUSIPS:	
(iv)	CINS:	
		(*insert here any other relevant codes such as a CMU instrument number*)

(v)	Any clearing system(s) other than The Depository Trust Company, Euroclear Bank SA/NV, and Clearstream or, as the case may be, CMU, CDP and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[Not Applicable/*give name(s)*]
(viii)	Registrar:	[●] (*include in respect of Registered Notes only*)

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
BOC AVIATION LIMITED

By: ______________________
Duly authorized

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below), each Definitive Bearer Note (as defined below) and each Definitive Registered Note (as defined below), but, in the case of Definitive Bearer Notes and Definitive Registered Notes, only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Bearer Note or Definitive Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of the applicable Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by BOC Aviation Limited, a company incorporated under the laws of Singapore (the **Issuer**), pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note in bearer form (each a **Bearer Global Note**);

(c) any Global Note in registered form (each a **Registered Global Note**);

(d) any definitive Notes in bearer form (**Definitive Bearer Notes** and, together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(e) any definitive Notes in registered form (**Definitive Registered Notes** and, together with Registered Global Notes, the **Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated March 27, 2019 and made between the Issuer, The Bank of New York Mellon, London Branch as the agent (in the case of Notes cleared through Euroclear and/or Clearstream, Luxembourg) (the **Agent**, which expression shall include any additional or successor agent), The Bank of New York Mellon as the U.S. paying agent, the U.S. transfer agent and the U.S. registrar (in the case of Notes to be cleared through DTC) (the **U.S. Paying Agent**, the **U.S. Transfer Agent** and the **U.S. Registrar**, which expressions shall include any additional or successor agent or registrar), The Bank of New York Mellon, Hong Kong Branch as the CMU lodging and paying agent, the CMU transfer agent and the registrar (in the case of Notes to be cleared through CMU) (the **CMU Lodging and Paying Agent**, the **CMU Transfer Agent** and the **Registrar**, which expression shall include any additional or successor agent or registrar), The Bank of New York Mellon, Singapore Branch as the Singapore paying agent, the Singapore transfer agent and the registrar (in the case of Notes to be cleared through CDP) (the **Singapore Paying Agent**, the **Singapore Transfer Agent** and the **Registrar**, which expression shall include any additional or successor agent or registrar), and the other paying agents named therein (together with the Agent, the Singapore Paying Agent, the U.S. Paying Agent and the CMU Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as the registrar and ICSD transfer agent (in the case of Notes cleared through Euroclear and/or Clearstream, Luxembourg) (the **Registrar** and the **ICSD Transfer Agent**, which expression shall include any additional or successor agent or registrar), and the other transfer agents named therein (together with the Singapore Transfer Agent, the CMU Transfer Agent and the U.S. Transfer Agent, the **Transfer Agents**, which expression shall include any additional or successor transfer agents), The Bank of New York Mellon as the exchange agent (the **Exchange Agent**, which expression shall include any additional or successor exchange agents). The **Registrars** means collectively, the Registrar for the ICSD, the Registrar for CDP, the Registrar for CMU and the U.S. Registrar for DTC and the **Registrar** means any of them as the context requires.

For the purposes of these Terms and Conditions (the **Conditions**), all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes cleared through Euroclear and/or Clearstream, Luxembourg) to the Agent shall, with respect to:

(a) a Series of Notes to be held in the computerized system operated by The Central Depository (Pte) Limited (**CDP**), be deemed to be a reference to the Singapore Paying Agent;

(b) a Series of Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**), be deemed to be a reference to the CMU Lodging and Paying Agent; and

(c) a Series of Notes to be held in The Depository Trust Company (**DTC**), be deemed to be a reference to the U.S. Paying Agent, the U.S. Transfer Agent and the U.S. Registrar, and all such references shall be construed accordingly.

Interest bearing Definitive Bearer Notes have interest coupons (Coupons) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (Talons) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts (**Receipts**) for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note and supplement these and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify these Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean, in the case of Bearer Notes, the holders of the Notes and, in case of Registered Notes, the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

In the case of Notes cleared through Euroclear (as defined below), Clearstream, Luxembourg (as defined below), the CMU Service or any other agreed cleaning system (other than CDP), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated March 16, 2015 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg.

Where the Notes are cleared through CDP, the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the CDP Deed of Covenant (the **CDP Deed of Covenant**) dated March 16, 2015 and made by the Issuer. The original of the CDP Deed of Covenant is held by CDP.

In the case of Notes cleared through Euroclear (as defined below), Clearstream, Luxembourg (as defined below), DTC, the CMU Service or any other agreed clearing system (other than CDP), the holders of the Rule 144A Notes or any beneficial interest in the Restricted Securities or any prospective purchasers of the Rule 144A Notes designated by any holder or beneficial owner of the Rule 144A Notes are entitled to the benefit of the Deed Poll (the **Deed Poll**) dated March 16, 2015 and made by the Issuer. The original Deed Poll is held by the common depositary for Euroclear and Clearstream, Luxembourg.

Copies of the Agency Agreement, the Deed of Covenant, the CDP Deed of Covenant and the Deed Poll are available for inspection during normal business hours at the registered office of each of the Agent, the Registrar and the other Paying Agents. Copies of the applicable Pricing Supplement are available for viewing at the registered office of each the Issuer, the Agent and the Registrar, in case of Registered Notes and at the registered office of the other Paying Agents, in the case of Bearer Notes, and copies may be obtained from those offices save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant (if applicable), the CDP Deed of Covenant (if applicable) and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are either in bearer form or in registered form, as specified in the applicable Pricing Supplement and, in the case of Definitive Bearer Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of CDP, Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**) and/or a sub-custodian for the CMU Service, each person (other than CDP or Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be) who is for the time being shown in the records of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) as the holder of a particular nominal amount of such Bearer Notes (in which regard any certificate or other document issued by CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save, in the case of Notes not cleared through CDP, for manifest error) shall be treated by the Issuer, the Paying Agents and all other agents of the Issuer as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (**CMU Accountholders**) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

For so long as the DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of CDP, DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, as the case may be. References to CDP, DTC, Euroclear, Clearstream, Luxembourg and the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for CDP, DTC, Euroclear or Clearstream, Luxembourg, the CMU Service shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) or to a successor of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraph (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorized denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

(i) the holder or holders must:

(A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing; and

(B) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and

(ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period (if any), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a Transfer Certificate), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form. After expiry of the applicable Distribution Compliance Period (if any) (A) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (B) such certification requirements will no longer apply to such transfers.

(d) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period (if any), the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(e) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(f) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer shall require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(g) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of (i) 15 days ending on (and including) the due date for redemption of, or payment of any Installment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer pursuant to Condition 8.3 and (ii) 15 days ending on (and including) any Payment Date.

(h) Exchanges and transfers of Registered Notes generally

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(i) Definitions

In this Condition, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"**Legended Note**" means a Registered Note (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bears a legend specifying certain restrictions on transfer (a Legend);

"**QIB**" means a qualified institutional buyer within the meaning of Rule 144A; "**Regulation S**" means Regulation S under the Securities Act;

"**Rule 144A**" means Rule 144A under the Securities Act; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. NEGATIVE PLEDGE AND FINANCIAL COVENANTS

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not, and the Issuer will procure that none of its Principal Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Principal Subsidiaries to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and ratably with the Relevant Indebtedness to the satisfaction of the Noteholders; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Noteholders.

4.2 Interpretation

Where, for the purposes of these Conditions:

National Export Credit Agency Guaranteed Capital Markets Instrument means any Capital Markets Instrument issued by an entity (not being the Issuer or a Principal Subsidiary) that is guaranteed by any National Export Credit Agency.

National Export Credit Agency means any of Export-Import Bank of the United States or Export Credit Guarantee Department of the U.K. or Euler Hermes of Germany or COFACE of France or any other agency of the government of any country that provides guarantees to support the financing of aircraft (or parts thereof) exported from that country.

Net Tangible Assets means total tangible assets less total liabilities.

Principal Subsidiary means each of BOC Aviation (Ireland) Limited, BOC Aviation (USA) Corporation and any subsidiary of the Issuer whose Net Tangible Assets, as shown by the accounts of such subsidiary, based upon which the latest audited consolidated accounts of the Group have been prepared, are at least 10.0% of the Net Tangible Assets of the Group as shown by such audited consolidated accounts, provided that if any such subsidiary (the **transferor**) shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another subsidiary or the Issuer (the **transferee**) then (1) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and (2) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any subsidiary which becomes a Principal Subsidiary by virtue of (1) above or which remains or becomes a Principal Subsidiary by virtue of (2) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of (A) the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the Net Tangible Assets as shown by the accounts of such subsidiary, based upon which such audited consolidated accounts of the Group have been prepared, to be less than 10.0% of the Net Tangible Assets of the Group, as shown by such audited consolidated accounts or (B) a report by the Group's independent auditors as described below dated on or after the date of the relevant transfer which shows the Net Tangible Assets of such subsidiary to be less than 10.0% of the Net Tangible Assets of the Group. A report by the Group's independent auditors, who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive.

Subsidiary has the meaning ascribed to it in Section 5 of the Companies Act, Chapter 50 of Singapore.

Relevant Indebtedness means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market (**Capital Markets Instruments**), and (ii) any guarantee or indemnity in respect of any such indebtedness. For the avoidance of doubt, any amounts owed in relation to a National Export Credit Agency Guaranteed Capital Markets Instrument will not constitute Relevant Indebtedness notwithstanding that such amounts are guaranteed directly or indirectly by the Issuer or any Principal Subsidiary.

5. REDENOMINATION

5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders on giving prior notice to the Agent, CDP, DTC, Euroclear and Clearstream, Luxembourg, CMU Lodging and Paying Agent and CMU and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of euro 100,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 7; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro check;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

    (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

    (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

    and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation

Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

5.2 Definitions

In these Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

Relevant Notes means all Notes where the applicable Pricing Supplement provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area;

Specified Time means 11.00 a.m. (Singapore time); and

Treaty means the Treaty establishing the European Community, as amended.

6. INTEREST

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

 (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

 (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

  (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

  (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360; and

(c) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date divided by 365.

(d) In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest and such interest will be payable in arrear on either:

(i) the **Specified Interest Payment Date(s)** in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the **Specified Period** in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period** (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Singapore, (in the case of Notes not cleared through CDP and unless otherwise indicated) London, Hong Kong (in the case of any Notes lodged with the CMU Service (the **CMU Notes**)) and each Additional Business Centre specified in the applicable Pricing Supplement (in the case of Notes denominated in Renminbi), a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than Singapore, London, Hong Kong and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SIBOR or SOR

Each Floating Rate Note denominated in Singapore dollars where the Reference Rate is specified as being Singapore Dollar Interbank Offer Rate (**SIBOR**) (in which case such Note will be a **SIBOR Note**) or Singapore Dollar Swap Offer Rate (**SOR**) (in which case such Note will be a **Swap Rate Note**) bears interest at a floating rate determined by reference to a benchmark as specified hereon or in any case such other benchmark as specified hereon.

The Rate of Interest payable from time to time in respect of each Floating Rate Note under Condition 6.2(b)(ii) will be determined by the Agent on the basis of the following provisions:

(I) in the case of SIBOR Notes:

(aa) the Agent will, at or about the Specified Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 A.M. SINGAPORE TIME" and the column headed "SGD SIBOR" (or such other Relevant Screen Page) and as adjusted by the Margin (if any);

(bb) if no such rate appears on the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof), the Agent will, at or about the Specified Time on such Interest Determination Date, determine the Rate of Interest for such Interest Period which shall be the rate which appears on the Reuters Screen SIBP Page under the caption "SINGAPORE DOLLAR INTER-BANK OFFERED RATES – 11:00 A.M." and the row headed "SIBOR SGD" (or such other replacement page thereof), being the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period and as adjusted by the Margin (if any);

(cc) if no such rate appears on the Reuters Screen SIBP Page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if the Reuters Screen SIBP Page (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Agent will request the principal Singapore offices of each of the Reference Banks to provide the Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Specified Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of such offered quotations and as adjusted by the Margin (if any), as determined by the Agent;

(dd) if on any Interest Determination Date, two but not all the Reference Banks provide the Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (cc) above on the basis of the quotations of those Reference Banks providing such quotations;

(ee) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent at or about the Specified Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent with such quotation, the rate per annum which the Agent determines to be arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Specified Time on such Interest Determination Date and as adjusted by the Margin (if any); and

(ff) if paragraph (ee) above applies and the Agent determines that fewer than two Reference Banks are quoting the rate as being their cost of funding or quoting the prime lending rates for Singapore dollars on such Interest Determination Date, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

(II) in the case of Swap Rate Notes:

(aa) the Agent will, at or about the Specified Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX1 Page under the caption "SGD SOR – RATES AT 11:00 AM LONDON TIME" and under the column headed "SGD SOR" (or such other replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Specified Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Margin (if any);

(bb) if on any Interest Determination Date, no such rate appears on the Reuters Screen ABSFIX1 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) or if the Reuters Screen ABSFIX1 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Agent will determine the Rate of Interest for such Interest Period as being the rate or, if there is more than one rate which is published, the arithmetic mean of those rates for a period equal to the duration of such Interest Period published by a recognized industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Agent may select and as adjusted by the Margin (if any);

(cc) if on any Interest Determination Date, the Agent is otherwise unable to determine the Rate of Interest under paragraphs (aa) and (bb) above, the Rate of Interest shall be determined by the Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent at or about the Specified Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate, or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Specified Time on such Interest Determination Date and as adjusted by the Margin (if any); and

(dd) if paragraph (cc) above applies and the Agent determines that fewer than two Reference Banks are quoting the rate as being their cost of funding or quoting the prime lending rates for Singapore dollars on such Interest Determination Date, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

Reference Banks means, in the case of a determination of the SIBOR or the SOR, the principal Singapore offices of each of the three major banks in the Singapore interbank market, in each case selected by the Agent or as specified in the applicable Pricing Supplement.

(iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SIBOR or SOR or which are denominated in a currency other than Singapore dollars.

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

Reference Rate means the rate specified in the applicable Pricing Supplement; and

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent or as applicable, the Calculation Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent or as applicable, the Registrar, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Notes, will calculate the amount of interest (the **Interest Amount**) payable in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; and

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent, the Registrar or, if applicable, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Singapore.

(f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2, whether by the Agent, the Registrar, or, if applicable, the Calculation Agent, shall (in the absence of willful default, fraud, manifest error or proven error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of willful default or fraud) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Registrar or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

6.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

6.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro or Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a check in such Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro check; and

(c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the relevant Noteholder with a bank in Hong Kong.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

For the purpose of the Conditions, the term **Renminbi** means the lawful currency of the People's Republic of China.

7.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes not held in the CMU Service will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of installments of principal (if any) in respect of Definitive Bearer Notes not held in the CMU Service, other than the final installment, will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held in the CMU Service (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held in the CMU Service becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of Definitive Bearer Notes held in the CMU Service, payment will be made to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note (i) in the case of a Bearer Global Note lodged with the CMU Service, to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited as being held by the CMU Service in accordance with the CMU Rules, or (ii) in the case of a Bearer Global Note not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU Service) on such Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU Service) on withdrawal of the Bearer Global Note by the CMU Lodging and Paying Agent and, in each case, such record shall be prima facie evidence that the payment in question has been made.

7.4 Payments in respect of Registered Notes

Payments of principal (other than installments of principal prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form at the close of the business day (being for this purpose, in respect of Notes clearing through CDP and/or Euroclear, Clearstream, Luxembourg and/or the CMU Service, a day on which CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) is open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account, or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a nonresident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made by a check in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form at the close of the business day (being for this purpose, in respect of Notes clearing through CDP and/or Euroclear, Clearstream, Luxembourg and/or the CMU Service, a day on which CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) is open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered

Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

In the case of a Definitive Registered Note or Registered Global Note held through the CMU Service, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligation of the Issuer in respect of that payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Issuer to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Paying Agents or the Transfer Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 Payment of United States Dollar Equivalent

Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in CNY in Hong Kong, the Issuer may, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in United States dollars on the due date at the United States Dollar Equivalent of any such CNY denominated amount. Any payment made under such circumstances in United States dollars will constitute valid payment and will not constitute a default in respect of the Notes.

For the purposes of these Conditions:

CNY means the lawful currency of the People's Republic of China;

CNY Dealer means an independent foreign exchange dealer of international repute active in the NY exchange market in Hong Kong;

Determination Business Day means a day (other than Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City;

Determination Date means the day which is two Determination Business Days before the due date of the relevant amount under these Conditions;

Governmental Authority means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of financial markets (including the central bank) of Hong Kong;

Illiquidity means the general CNY exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient CNY in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two CNY Dealers;

Inconvertibility means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general CNY exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

Non-transferability means the occurrence of any event that makes it impossible for the Issuer to deliver CNY between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

Spot Rate means the spot CNY/United States dollar exchange rate for the purchase of United States dollars with CNY in the over-the-counter CNY exchange market in Hong Kong for settlement in two business days, as determined by the Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/United States dollar official fixing rate for settlement in two business days reported by The State Administration of Foreign Exchange of the People's Republic of China, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designed on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate; and

United States Dollar Equivalent means the relevant CNY amount converted into United States dollars using the Spot Rate for the relevant Determination Date.

All determinations made for the purposes of the provisions of this Condition 7.5 by the Calculation Agent will (in the absence of willful default, fraud or manifest error) be binding on the Issuer, the agents and all Noteholders.

7.6 General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU Service) or (if the Global Note is lodged with the CMU Service, the CMU Accountholders) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or such CMU Accountholders in respect of each amount so paid. Each of the persons shown in the records of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Lodging and Paying Agent, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

(a) in the case of Notes denominated in a Specified Currency other than Renminbi:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation;

(B) Singapore;

(C) (in the case of Notes denominated in a Specified Currency other than Singapore (Dollars) London;

(D) each Additional Financial Centre specified in the applicable Pricing Supplement; and

(ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than the place of presentation, Singapore, London, Hong Kong (with respect to CMU Notes) and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(b) in the case of denominated in Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (i) the case of Notes in definitive form only, the relevant place of presentation and (ii) Singapore, Hong Kong, New York City, and London.

7.8 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in installments, the Installment Amounts;

(f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 8.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

8.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and the U.S. Paying Agent (if applicable) and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Agent the U.S. Paying Agent (if applicable) and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Definitive Bearer Notes or Registered Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot (in such place as the Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes, may approve and in such manner as the Agent, or as applicable, the Registrar, shall deem to be appropriate and fair) not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be given notice in accordance with Condition 15 not less than 30 days prior to such date fixed for redemption (such date of selection being the **Selection Date**).

In the case of partial redemption of Bearer Notes which are represented by a Bearer Global Note, the relevant Bearer Notes will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or CDP and/or DTC and/or the CMU Service (as appropriate). If only some of the Notes then outstanding are to be so redeemed, the Optional Redemption Amount (after accounting for any interest accrued to (but excluding) the relevant Optional Redemption Date) shall be an amount that is (A) equal to or greater than the Minimum Redemption Amount and (B) equal to or less than the Maximum Redemption Amount.

In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

8.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside CDP, DTC, Euroclear and Clearstream, Luxembourg and the CMU Service, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by check, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is a Definitive Bearer Note, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent and the U.S. Paying Agent (if applicable) of such exercise in accordance with the standard procedures of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) (which may include notice being given on his instruction by CDP, DTC, Euroclear or Clearstream, Luxembourg or the CMU Service or any common depositary for them to the Agent by electronic means) in a form acceptable to CDP, DTC, Euroclear and Clearstream, Luxembourg or the CMU Service (as the case may be) from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service given by a holder of any Note pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows unless otherwise specified in the applicable Pricing Supplement:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Installment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortized Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)_y$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.6 Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.5.

8.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.8 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

8.9 Cancellation

All Notes purchased by or on behalf of the Issuer or any Subsidiary of the Issuer may be surrendered for cancellation, in the case of Definitive Bearer Notes, by surrendering each such Definitive Bearer Note together with all unmatured Receipts, Coupons and Talons to the Agent and, in the case of Definitive Registered Notes, by surrendering the Definitive Registered Note to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith). All Notes so cancelled (together with, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

8.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.3 or 8.4 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15 (Notices).

9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in Singapore; or

(b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction (including, without limitation, being a resident of or a permanent establishment in the Tax Jurisdiction) other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or

(d) to the extent such withholding or deduction is imposed pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

(i) **Tax Jurisdiction** means Singapore or any political subdivision or any authority thereof or therein having power to tax in the case of payment made by the Issuer; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT

11.1 Events of Default

If any of the following events (each an **Event of Default**) occurs then any holder of a Note may, by written notice to the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind:

(a) the Issuer does not pay any sum payable by it in respect of the Notes within seven Business Days of its due date;

(b) the Issuer does not perform or comply with any one or more of its obligations (other than the payment obligation of the Issuer referred to in paragraph (a) above) under the Conditions or any of the Notes and, if that default is capable of remedy, it is not remedied within 30 days after notice of such default has been given by any holder of a Note to the Issuer;

(c) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries in respect of Indebtedness for Borrowed Money is or is declared to be rendered due and payable prior to its stated maturity by reason of any event of default (however described) or is not paid when due or, as the case may be, within any applicable grace period in any agreement relating to that indebtedness. However, no Event of Default will occur under this paragraph (c) unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned in this paragraph has/have occurred equals or exceeds U.S.$50,000,000 or its equivalent in other currencies;

(d) the Issuer or any of its Principal Subsidiaries is (or is deemed by law or a court to be) unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its indebtedness, begins negotiations or proposes or enters into an agreement for the deferral, rescheduling or other readjustment of all or a material part of (or of a particular type of) its indebtedness (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) the indebtedness of the Issuer or any of its Principal Subsidiaries;

(e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days;

(f) any security on or over the whole or any substantial part of the assets of the Issuer or any of its Principal Subsidiaries is enforced;

(g) an order is made, an effective resolution is passed, a petition is presented or a meeting is convened for the winding-up of the Issuer or any of its Principal Subsidiaries or a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer or any of its Principal Subsidiaries or over the whole or any substantial part of the assets of the Issuer or any of its Principal Subsidiaries is appointed;

(h) the Issuer or any of its Principal Subsidiaries (i) ceases or threatens to cease to carry on all or substantially all of its business or (ii) disposes of all or substantially all of its assets except for intra-group disposals to the Issuer or to a subsidiary of the Issuer;

(i) all or a material part of the assets of the Issuer or any of its Principal Subsidiaries is seized, compulsorily acquired, expropriated or nationalized save in the case where the relevant assets are insured against such risk, and the Issuer or such Principal Subsidiary has received, or is entitled to receive, the proceeds of such insurance and such entitlement is not disputed by the relevant insurer;

(j) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are valid, legally binding and enforceable, (iii) to ensure that those obligations rank and will at all times rank in accordance with Condition 3 and (iv) to make the Notes admissible in evidence in the courts of England, is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable) and, if that default is capable of remedy, it is not remedied within 30 days after notice of such default has been given by any holder of a Note to the Issuer;

(k) it is or will become unlawful for the Issuer to perform or comply with any one or more of its material obligations under the Notes;

(l) any of the Notes ceases for any reason (or is claimed by the Issuer not) to be the legal and valid obligations of the Issuer, binding upon it in accordance with its terms; and

(m) any event occurs which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events mentioned in paragraph (d), (e), (f), (g) or (h).

11.2 Definitions

In the Conditions:

Business Day means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore; and

Indebtedness for Borrowed Money, with respect to any person, includes, without limitation, all obligations of such person for the payment of repayment of money, whether present or future, actual or contingent including, without limitation, such indebtedness in respect of:

(a) moneys borrowed;

(b) indebtedness under any hedging instrument (including, without limitation, interest rate swap, currency swap, cap, collar, floor, forward or option);

(c) amounts raised by acceptance under any acceptance credit facility;

(d) amounts raised through the issue of any bond, note or other debt security whether or not convertible into equity;

(e) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in Singapore, be treated as finance or capital leases;

(f) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days;

(g) the amount of any guarantee, indemnity, suretyship or other arrangement under which the relevant person is or may be liable for or assure the repayment of the indebtedness of any other person; and

(h) amounts raised under any other transaction which would, in accordance with generally accepted accounting standards in Singapore, be treated as a borrowing.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or as the case may be, the Registrar, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Receipt, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Receipt, Coupon or Talon) as the Issuer or the Registrar may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices in the case of a Bearer Note and the name and initial specified office of the initial Registrar in the case of a Registered Note are set out below.

The Issuer is entitled to vary or terminate the appointment of the Registrar or any Paying Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Paying Agent and/or Registrar and/or Transfer Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will be at all times an Exchange Agent; and

(d) there will at all times be a Registrar and a Transfer Agent which, so long as Registered Notes are listed on any stock exchange or admitted to listing by any other relevant authority, will have a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia, which is expected to be the Asian Wall Street Journal. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices to holders of Registered Notes will be deemed validly given if mailed to their registered addresses appearing on the register. Any such notice shall be deemed to have been given on the second day after the day on which it was mailed. In addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, a copy of such notice will be published by or on behalf of the Issuer in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes or (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day (for this purpose a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Hong Kong) preceding the date of dispatch of such notice as holding interests in the relevant Global Note. In addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, a copy of such notice will be published by or on behalf of the Issuer in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or Registrar (in the case of Registered Notes). While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or CDP and/or DTC and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging and Paying Agent in Hong Kong, as the case may be, in such manner as the Agent, the Registrar, the Singapore Paying Agent, the CMU Lodging and Paying Agent and Euroclear and/or Clearstream, Luxembourg and/or CDP and/or DTC and/or the CMU Service, as the case may be, may approve for this purpose.

Notwithstanding the other provision of this Condition, in any case where the identity and the addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such address and will be deemed to have been given two business days after being sent.

16. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five% in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Issuer may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law or is required by CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU and/or any other clearing system in which the Notes may be held.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter. For the avoidance of doubt, none of the Agents shall have any responsibility or liability whatsoever with respect to any determination as to material prejudice to the interests of the Noteholders, Receiptholders or Couponholders.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES)

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Agency Agreement, the Deed of Covenant, Deed Poll, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. The CDP Deed of Covenant is governed by, and shall be construed in accordance with, Singapore law.

19.2 Submission to jurisdiction

(a) The Issuer irrevocably agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

(b) The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

(c) For the purposes of process in England, the Issuer has appointed BOC Aviation (UK) Limited (currently at c/o Cogency Global (UK) Limited, 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, United Kingdom) and the Issuer agrees that, in the event such agent no longer serves or is capable of serving as agent of the Issuer to receive service of process in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

19.3 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the exclusive jurisdiction of the English courts.

USE OF PROCEEDS

The net proceeds of issuance of Notes under the Program (after deduction of underwriting fees, discounts and commissions, and other expenses incurred by us in connection with the Program or the Notes) will be used by us or the Group for the purpose of funding new capital expenditure, funding for general corporate purposes and/or refinancing existing borrowings or such purposes as may be specified in the applicable Pricing Supplement.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out our capitalization and indebtedness as derived from our audited consolidated financial statements as at December 31, 2018, prepared in accordance with International Financial Reporting Standards and Singapore Financial Reporting Standards (International). The table should be read in conjunction with our audited consolidated financial statements as at December 31, 2018 and the notes thereto included elsewhere in this Offering Circular, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

As at December 31, 2018, we had a share capital of U.S.$1,157.8 million. The number of ordinary shares issued was 694,010,334. We have only one class of ordinary shares and all of our share capital comprises fully paid shares.

	As at December 31, 2018
	(in U.S.$ million)
Indebtedness	
Unsecured medium term notes	7,165
Unsecured loans	3,624
Secured loans	1,687
Total indebtedness[(1)]	12,476
Equity attributable to owners of the Company	
Share capital	1,158
Retained earnings	3,038
Statutory, share-based compensation and hedging reserves	3
Total equity	4,199
Total capitalization and indebtedness	16,675

Note:

(1) Indebtedness refers to loans and borrowings before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.

As at the date of this Offering Circular, we have U.S.$700 million utilized under our unsecured revolving credit facilities. We have also issued a U.S$500 million five year note in January 2019 and a HK$450 million seven year note in February 2019, bringing our outstanding balance under the GMTN Program to U.S.$7.7 billion. Furthermore, we have fully utilized a U.S.$750 million term loan facility which was documented in 2018. Aside from these, there have been no material changes in our capitalization, indebtedness or contingent liabilities since December 31, 2018.

SELECTED FINANCIAL INFORMATION

The following tables present our selected financial information, which should be read in conjunction with our audited consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" that appear elsewhere herein. The selected financial information as at and for the years ended December 31, 2018, 2017 and 2016 are derived from our audited consolidated financial statements contained elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended December 31,		
	2018	**2017**	**2016**
		(U.S.$'000)	
Revenues and other income			
Lease rental income	1,542,539	1,283,587	1,048,413
Interest and fee income	80,753	29,622	47,676
Other income:			
Net gain on sale of aircraft	90,822	77,754	90,927
Others	11,485	9,778	6,069
	1,725,599	1,400,741	1,193,085
Costs and expenses			
Depreciation of plant and equipment	(542,834)	(460,496)	(377,948)
Impairment of aircraft	–	(10,600)	(4,800)
Finance expenses	(353,035)	(259,714)	(215,737)
Staff costs	(91,543)	(72,276)	(74,579)
Other operating costs and expenses(1)	(52,962)	(46,519)	(46,214)
	(1,040,374)	(849,605)	(719,278)
Profit before income tax	685,225	551,136	473,807
Income tax (expense)/credit	(64,786)	35,511	(55,727)
Profit for the year attributable to owners of the Company	620,439	586,647	418,080

Note:

(1) Other operating costs and expenses comprise amortization of deferred debt issue costs, amortization of lease transaction closing costs, marketing and traveling expenses and other operating expenses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31,		
	2018	2017	2016
		(U.S.$'000)	
Current assets	256,731	572,071	819,674
Current liabilities	(1,708,508)	(1,724,411)	(1,189,825)
Net current liabilities	(1,451,777)	(1,152,340)	(370,151)
Non-current assets	17,999,492	15,467,790	12,624,881
Non-current liabilities	(12,348,689)	(10,496,693)	(8,872,562)
Net assets	4,199,026	3,818,757	3,382,168
Total equity	4,199,026	3,818,757	3,382,168

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,		
	2018	2017	2016
		(U.S.$'000)	
Net cash flows from operating activities	1,722,672	1,271,378	1,106,037
Net cash flows used in investing activities	(2,721,636)	(3,194,309)	(1,200,262)
Net cash flows from financing activities	979,850	1,771,059	116,551
Net (decrease)/increase in cash and cash equivalents	(19,114)	(151,872)	22,326
Cash and cash equivalents at beginning of year	241,847	393,719	371,393
Cash and cash equivalents at end of year	222,733	241,847	393,719

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements included in this Offering Circular. As used herein, except where the context suggests otherwise, the terms "BOC Aviation," "the Company" and "its," refer to BOC Aviation Limited and "our," "we," "the Group" and "us" refer to BOC Aviation Limited and its subsidiary companies. Percentage change is calculated based on numbers in U.S.$ thousands as shown in the audited consolidated financial statements. Due to rounding, numbers presented throughout this Offering Circular may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

OVERVIEW

We are a leading global aircraft operating leasing company based in Singapore. We are the largest aircraft operating leasing company headquartered in Asia and one of the largest global aircraft operating leasing companies, in each case as measured by the value of owned aircraft as at December 31, 2018 (excluding aircraft ordered but undelivered). Our specialized aviation industry knowledge, our relationships with airline customers, aircraft manufacturers and other key aviation industry participants, together with the long-term experience and talent of our senior management team and other key employees have enabled us to deliver strong operational and financial results through multiple industry cycles. In particular, we have delivered 25 years of unbroken profitability, with U.S.$3.7 billion in cumulative profits through 2018.

Our primary source of revenues and other income is lease rental income received from aircraft operating leases with airlines, representing 89.4%, 91.6% and 87.9% of our total revenues and other income in 2018, 2017 and 2016, respectively. Consistent with our leasing strategy and our customer concentration guidelines, our lease rental income is well-diversified both across customers and geographical regions. As at December 31, 2018, our 328 owned and managed aircraft were leased to 93 airlines in 37 countries and regions. During 2018 and 2017, Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was the largest region of our revenue from lease rentals, representing 28.7% and 28.3% of our total lease rental income in 2018 and 2017, respectively. During 2016, the Asia Pacific region (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) was the largest region for our revenue from lease rentals, representing 33.8% of our total lease rental income in 2016.

We benefit from a low average cost of debt, which was 3.3% in 2018, supported by our strong investment-grade corporate credit ratings, which were A- from both S&P Global Ratings (as at March 22, 2019) and Fitch Ratings (as at March 25, 2019) and a diversified range of funding sources. As at December 31, 2018, we had more than 80 banks and other financial institutions lending to us. We believe the scale of our business and our investment grade credit ratings make us an attractive counterparty to both aircraft manufacturers and airline customers, which further reinforces our competitiveness. We also enjoy strong and committed support from Bank of China. Bank of China has provided us with a U.S.$2.0 billion committed unsecured revolving credit facility, which matures in April 2022.

BASIS OF PREPARATION

Our financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) and Singapore Financial Reporting Standards (International) (**SFRS(I)**), which the Group adopted on January 1, 2018. All applicable IFRS provisions together with the relevant transitional provisions effective for the accounting period commencing from the beginning of each Relevant Period, and all applicable SFRS(I) provisions together with the relevant transitional provisions effective for the year commencing January 1, 2018, have been adopted by the Group in the preparation of our financial statements throughout the Relevant Period. The financial statements have been prepared on a historical cost convention except as disclosed in the accounting policies and explanatory notes set out in the audited consolidated financial statements in this Offering Circular.

The preparation of financial statements in conformity with IFRS and SFRS(I) requires management to exercise its judgment in the process of applying our accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements, are discussed below, see "– Critical Accounting Policies and Estimates."

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business model is based on purchasing aircraft at competitive prices, obtaining debt financing on competitive terms and securing competitive leasing and sales terms from our customers who lease or purchase our aircraft. We actively manage our fleet by buying aircraft when market conditions provide opportunities and selling aircraft as part of portfolio management. We raise debt financing through diverse sources in the global banking and capital markets, and our strong investment-grade corporate credit ratings give us access to competitively-priced debt capital. We lease our owned and managed aircraft to a globally diversified customer base, comprising 93 airlines across 37 countries and regions as at December 31, 2018.

Our results of operations have been, and are expected to continue to be, affected by a variety of factors, including those set forth below:

Economic Environment and Market Conditions in the Airline and Aircraft Operating Lease Industries

Market conditions affect our ability to secure favorable terms in new leases, including higher lease rentals and longer lease terms, and our ability to sell aircraft on favorable terms in order to generate gains on sale or minimize losses. Market conditions also impact the views of aircraft appraisal firms and, accordingly, appraised values for aircraft which in turn may affect advance rates for our secured financings and our impairment charges.

In addition, as our business primarily consists of leasing aircraft to commercial airline operators, macroeconomic and other factors that have a significant impact on our airline customers may also affect us. In particular, such factors include, among others, demand for air travel, demand for higher fuel efficiency aircraft, fuel price volatility, political and economic instability, natural disasters, terrorism, health concerns and labor disputes. See “Risk Factors – Risks related to our business and operations and the aircraft operating lease industry” for further details.

We believe our active portfolio management, strong financial position and attractive financing arrangements enable us to adapt to market fluctuations and to adjust our portfolio to take advantage of changes in market conditions, thereby mitigating the risks of shifts in demand and volatile market conditions.

Size of our Fleet

The overall size of our owned fleet of aircraft held for lease is the primary driver for lease rental income on the one hand and for depreciation and finance expenses on the other. During the Relevant Period, the growth in our fleet of owned aircraft directly impacted our revenue, depreciation and indirectly, interest expenses through the increase in our financing requirements. As at December 31, 2018, 2017 and 2016, we had 303, 286 and 246 aircraft, respectively, in our owned fleet on operating leases, generating lease rental income of U.S.$1,543 million, U.S.$1,284 million and U.S.$1,048 million in 2018, 2017 and 2016, respectively. In the same years, we had depreciation expenses of aircraft of U.S.$541 million, U.S.$459 million and U.S.$376 million, respectively, and finance expenses of U.S.$353 million, U.S.$260 million and U.S.$216 million in 2018, 2017 and 2016, respectively. The increases in lease rental income and depreciation expenses were generally in line with the expansion of our owned fleet.

Continued growth in our revenues and net profit after tax depends on our ability to further grow our portfolio of owned aircraft while maintaining our profitability by controlling our corresponding costs and expenses, including the purchase price of aircraft and our finance expenses. In addition, a small portion of our fleet comprises managed aircraft, for which we receive lease management fee income from aircraft owners (including owners of aircraft purchased from us) to whom we provide aircraft management services.

The table below sets forth our fleet and our order book as at December 31, 2018:

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order[(1)]	Total
Narrowbody Aircraft				
Airbus A320CEO family	130	8	0	138
Airbus A320NEO family	24	0	62	86
Boeing 737NG family	98	8	2	108
Boeing 737MAX family	5	0	90	95
Narrowbody sub-total	257	16	154	427
Widebody Aircraft				
Airbus A330CEO family	12	4	0	16
Airbus A330NEO family	0	0	12	12
Airbus A350 family	6	0	2	8
Boeing 777-300ER	19	3	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	4	0	12	16
Widebody sub-total	41	8	29	78
Freighters	5	1	0	6
Total	303	25	183	511

Note:

(1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.

Terms of our Aircraft Purchases

The price we pay to purchase aircraft, either through our order book or pursuant to purchase and leaseback transactions, has a significant impact on our costs and profitability. We utilize a prudent, strategic approach to aircraft purchases under which we seek to identify and pursue commercially favorable opportunities to grow our fleet. We believe that an active, opportunistic purchase strategy enables us to obtain advantageous purchase prices for new aircraft. The aircraft purchase price also determines (i) our depreciation costs in accordance with our accounting policies, (ii) our finance expenses in relation to the extent of debt financing needed to complete the purchase and (iii) our net gain on sale should we eventually decide to sell the aircraft.

At the same time, we actively manage the timing of our aircraft purchases in order to avoid a gap between our revenue and cost streams. We closely coordinate our purchase and leasing operations to mitigate the risk of liquidity gaps that may otherwise arise from mismatches in such streams.

As our business growth depends on our continued ability to acquire new aircraft to grow our fleet and to replace older aircraft, we expect that our overall costs and profitability will continue to depend, in part, on the terms of our aircraft purchase commitments.

Terms of our Lease Agreements

The rental rates we receive for aircraft leases impact our revenue and profitability, which are in turn affected by the mix of aircraft types and age, as customer demand for certain types of aircraft determines the lease rental rates generated from leasing or re-leasing the aircraft.

We have historically been successful in ensuring efficient fleet utilization by actively monitoring and managing our leases and re-leases. We achieved a high average aircraft utilization rate (representing the total number of on-lease days as a percentage of available lease days) of 99.8% between January 1, 2008 and December 31, 2018.

Our lease expirations are well-dispersed, with relatively few near-term expiries. As at December 31, 2018, 2017 and 2016, the average remaining lease term of our owned aircraft, weighted by net book value of owned fleet, was 8.3 years, 8.2 years and 7.3 years, respectively.

Our lease rental income depends on the counterparties under our lease agreements – our customers. In particular, we rely on our airline leasing customers to make rental payments timely and in full in order to meet our revenue and cash flow expectations under our lease agreements. If a customer fails to perform its obligations under the respective lease agreement, our lease rental income may be negatively impacted. We achieved a high average lease payment collection rate of 99.7% between January 1, 2008 and December 31, 2018.

Access to Financing, Financing Costs and Related Market Conditions

The aircraft operating lease industry is capital intensive, requiring acquisition of new aircraft to supplement or replace aircraft in the existing fleet. In addition, our aircraft purchase commitments may require significant upfront costs in order to secure such purchases, such as pre-delivery payments. We depend on external sources of financing for a significant portion of our capital needs, including loans and notes. As a result, interest expense is our most significant cash expense and the cost of new financing or re-financing has a material impact on our net profit after tax. We also have accessed and may seek to continue to access funding guaranteed by the European Export Credit Agencies for Airbus aircraft and U.S. Exim for Boeing aircraft in connection with new aircraft deliveries. We typically utilize this debt financing when it represents the most cost-effective source of funding for a particular aircraft delivery. Certain financing is structured as a finance lease where we are the lessee; in our financial statements these arrangements are shown as finance leases. We lease these aircraft on operating leases and treat the aircraft as owned by us.

A substantial amount of our debt financing is subject to floating interest rates pegged to LIBOR, which may fluctuate based on changes in both the global credit environment as well as the monetary and fiscal policies of governments that impact the currencies in which our borrowings and notes are denominated. The table below sets forth, for the years indicated, the historical movements of the six-month U.S. dollar LIBOR:

	Year ended December 31,		
	2018	**2017**	**2016**
High	2.908%	1.844%	1.323%
Low	1.839%	1.318%	0.842%
Average	2.489%	1.474%	1.058%

As at December 31, 2018, 39% of our debt was on a floating rate basis (including fixed rate debt which had been swapped to floating rate liabilities) and 61% was on a fixed rate basis (including floating rate debt which had been swapped to fixed rate liabilities). We expect to continue to utilize external debt financing to fulfill our capital expenditure needs as well as to refinance debts.

As our business primarily generates revenue through aircraft operating leases, of which certain leases are on a floating interest rate basis, movements in interest rates may also affect our profitability and liquidity. See note 39 to the audited consolidated financial statements in this Offering Circular for a sensitivity analysis of the overall impact on our net profit after tax during the Relevant Period of hypothetical movements in interest rates for our floating rate leases and major financial instruments which are subject to floating interest rates.

We are exposed to interest rate movements when we finance the acquisition of new aircraft by borrowing at floating interest rates pegged to U.S. dollar LIBOR on the one hand, while collecting fixed rate rentals in U.S. dollars in certain leases on the other hand. To hedge this exposure in our business, we have entered into interest rate swap contracts for hedging the interest rate exposure for funding in relation to our fixed rate operating leases during the Relevant Period. We also entered into hedging arrangements during the Relevant Period using cross-currency swaps to manage the currency exposure arising from our debt financing in currencies other than U.S. dollars. We enter into hedging arrangements with large, international financial institutions with strong credit ratings.

From time to time, we also swap fixed rate debt obligations into floating rate liabilities through the use of fixed-to-floating interest rate swaps. For instance, we issued medium term notes at fixed coupon rates during the Relevant Period, and used derivative financial instruments in the form of fixed-to-floating interest rate swaps to swap our fixed rate payment obligations under these notes to floating rate liabilities pegged to U.S. dollar LIBOR.

See "Business – Hedging Arrangements and Policies" and "– Qualitative and Quantitative Disclosures on Financial Risk" for further details.

Sale of Aircraft

As a critical part of our business model, we actively manage our portfolio of owned aircraft. We sell aircraft to generate gains on sale and to manage risk in the portfolio. Our net gain on sale of aircraft is primarily affected by the sale price we achieve on the one hand and the net book value of the aircraft sold on the other, which is dependent on our acquisition price and our depreciation policy. Sale prices for our aircraft depend on a number of factors, including general market conditions, U.S. dollar liquidity, attractiveness of the aircraft for sale in terms of model, specification and age, remaining lease term and prevailing market demand for the particular type of aircraft. For example, in 2018, 2017 and 2016, we sold 33 (excluding one aircraft on finance lease on which receivables were prepaid), 31 (including one aircraft leased under a finance lease) and 37 aircraft from our fleet, respectively, recording net gain on sale of aircraft of U.S.$91 million, U.S.$78 million and U.S.$91 million in the same years, respectively.

Taxation

We operate globally and own aircraft in entities incorporated in Singapore, Ireland, the United States, the Cayman Islands and the United Kingdom as at December 31, 2018. The corporate tax rates in 2018 in Singapore, Ireland, the United States, the Cayman Islands and the United Kingdom were 17%, 12.5%, 21%, 0% and 19%, respectively. The table below sets forth a breakdown by percentage of our income tax expense (net of write-back of provisions in respect of prior years) by jurisdiction during the Relevant Period:

	Year ended December 31,		
	2018	2017[1]	2016
	Tax expense/ (credit)	Tax expense/ (credit)	Tax expense/ (credit)
Tax jurisdiction			
Singapore	31.8%	13.6%	21.4%
Ireland	28.5%	32.8%	31.3%
United States	31.7%	46.6%	45.7%
United Kingdom and Others[2]	8.0%	7.0%	1.6%
Total	100.0%	100.0%	100.0%

As a result of the range in applicable tax rates, including concessionary rates in Singapore as discussed below, taxes accrued in higher or lower tax jurisdictions can significantly affect the amount of tax expenses we recognize. During the Relevant Period, the different proportions in tax expense of each tax jurisdiction and adjustments of prior years' tax expense resulted in changes in our effective tax rate[3]. The proportion of tax expense by jurisdiction will change year on year depending on various factors including changes in tax laws, the profit from each type of income including sales and the tax adjustments relating to prior years in each jurisdiction. The effective tax rates were 9.5% in 2018, 10.1% in 2017 (excluding one off tax adjustment of U.S.$91 million in net deferred tax liabilities in our US subsidiary as a result of the enactment of The Tax Cut and Jobs Act in the USA in December 2017) and 11.8% in 2016.

The Aircraft Leasing Scheme (**ALS**) is an incentive scheme under which an approved aircraft leasing company which derives income from aircraft leasing and other prescribed activities is granted, on a case by case basis, a concessionary tax rate rather than the prevailing corporate tax rate in Singapore which is presently 17%. Based on the circular published by the Economic Development Board of Singapore (**EDB**), such prescribed activities include several of the activities we undertake, such as services relating to the arrangement for the procurement or disposal of aircraft and the management of aircraft leases. Automatic withholding tax exemptions are extended to loans provided to ALS-approved companies from non-Singapore resident lenders to finance the purchase of aircraft or aircraft engine, subject to certain qualifying conditions. Based on the circular published by the EDB, the conditions for such exemption include (i) the loan not being for any other purpose other than for financing the acquisition of aircraft or aircraft engine to be used in leasing business, (ii) the loan being on an "arm's length"

Notes:

(1) Excludes the adjustment for net deferred tax liabilities in the USA in 2017.
(2) Others represents income tax expense in tax jurisdictions in which the Group did not own aircraft during the Relevant Period, including China, France and Labuan, for which the corporate tax rates are 25%, 28% (33.33% prior to January 1, 2018) and 3% (or a flat rate of MYR20,000), respectively.
(3) Defined as income tax expense divided by profit before income tax, multiplied by 100%.

basis between the lender and the borrower, (iii) the amount being at least S$5 million per aircraft or aircraft engine and (iv) the aircraft or aircraft engine financed by the loan being beneficially owned by the ALS-approved company. In 2017, the Company was granted the ALS for an additional five-year period from July 1, 2017.

During the Relevant Period, we have generated tax deductions from capital allowances in connection with our ongoing acquisition of new aircraft, resulting in unabsorbed capital allowances and unutilized tax losses which are available to offset our taxable income in most tax jurisdictions. We believe this is in line with typical practice in the aircraft operating lease industry in which companies that frequently acquire additional aircraft will have significant capital allowances and/or tax losses, which in turn may be used to offset taxable income. We also recognize deferred tax liability on our statement of financial position mainly attributable to the excess of the depreciation claimed for tax purposes over the depreciation deducted from accounting profits. The deferral of tax liability may reverse into a tax payable position if we sell a substantial part of our assets and are unable or elect not to acquire additional aircraft at a sufficient pace. This would result in the cash payment of taxes that were previously deferred. We have paid cash corporate income tax of U.S.$56 million in 2018.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial position and results of operations is based on our audited consolidated financial statements, which have been prepared in accordance with IFRS for the year ended December 31, 2016, and December 31, 2017, and IFRS and SFRS(I) for the year ended December 31, 2018. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our estimates, assumptions and judgments are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances at the time of valuation. A summary of our significant accounting policies is presented in the notes to the audited consolidated financial statements included in this Offering Circular. Critical accounting policies and estimates are defined as those that are both important to the portrayal of our financial position and results and require our subjective judgments, estimates and assumptions. Our more critical accounting policies and significant estimates, assumptions and judgments are described below.

Leases

Where we are the lessor

Leases where we retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance leases, which effectively transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased asset, are recognized at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income is charged directly to profit or loss.

Where we are the lessee

Finance leases, which effectively transfer to us substantially all the risks and benefits incidental to ownership of the leased asset, are capitalized at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments and disclosed under note 36 to the audited consolidated financial statements in this Offering Circular. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that we will obtain ownership of the leased asset by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Plant and Equipment

Aircraft

Purchased aircraft on operating lease to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of aircraft prior to delivery. Subsequent to recognition, aircraft are stated at cost less accumulated depreciation and accumulated impairment loss. Modifications and all other costs associated with placing the aircraft in service are capitalized. The cost of aircraft is stated net of manufacturers' credits. Expenditure for additions and improvements is capitalized. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to profit or loss.

We account for aircraft leased as finance leases if the lease agreements give us rights approximating to ownership when we are the lessee. The assets are capitalized under plant and equipment as if they had been purchased outright at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset is charged to profit or loss.

The carrying values of aircraft are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Aircraft pre-delivery payments

Pre-delivery payments are recognized under plant and equipment when payments are made for aircraft under construction.

Depreciation

Aircraft are depreciated on a straight-line basis over 25 years with a 15% residual value at the end of the 25th year for the first 12 years. The remaining value at the end of the 12th year is depreciated using straight-line basis over the remaining 13 years with no residual value.

Depreciation on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

Office renovations	–	3 to 5 years
Furniture, fittings and office equipment	–	1 to 3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed at each year end and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

Disposal

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

Impairment of non-financial assets (including aircraft)

We assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, we estimate the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Assets Held for Sale

Assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. Assets classified as held for sale are not depreciated.

Revenue Recognition

Revenue is recognized when we satisfy a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured.

Revenue is measured based on the consideration to which we expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

Lease rental income

Lease rental income is recognized over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognized on a straight-line basis over the term of the initial lease, assuming no renewals.

Maintenance Reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by us, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because we generally reimburse the lessee or a subsequent lessee out of the payments we received when we are satisfied that the qualifying major maintenance event has been performed. Upon expiry of a lease, any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss.

If a lease requires the lessee to pay return compensation payments at the end of the lease, the lessee may also be required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which is providing flight hour-based support to the lessee.

Borrowing Costs

Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds. Borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use are in progress, and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use. We borrow to finance certain aircraft pre-delivery payments for aircraft under construction. The interest incurred on such borrowings directly attributable to the acquisition of the aircraft under construction is capitalized and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitments or advances of pre-delivery payments on which we earn income. Capitalization of interest ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

Financial Instruments

Financial assets

Initial recognition and measurement

Financial assets are recognized when, and only when, we become a party to the contractual provisions of the financial instrument. We determine the classification of our financial assets at initial recognition.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All purchases and sales of financial assets are recognized or derecognized on the trade date which is the date that we commit to purchase or sell the asset.

Subsequent measurement

(i) Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognized in profit or loss.

(ii) Investments in other financial assets measured at amortized cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income for financial assets is recognized in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, we become a party to the contractual provisions of the financial instrument. We determine the classification of our financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognized in profit or loss.

(ii) Other financial liabilities

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedging Activities

We use derivative financial instruments such as cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts to hedge our risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss.

The fair values of cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts are determined by marked-to-market values provided by counterparties which approximate fair value.

We apply hedge accounting for certain hedging relationships which qualify for hedge accounting. For the purpose of hedge accounting, hedges are classified as:

(i) Fair value hedges when hedging the exposure to changes in the fair values of a recognized asset or liability that is attributable to a particular risk and could affect profit or loss; and

(ii) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each year, in the countries where we operate and generate taxable income.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each year and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each year.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenues and Other Income

Our revenues and other income primarily consists of (i) lease rental income, (ii) interest and fee income and (iii) net gain on sale of aircraft.

Lease rental income

Our primary source of revenues and other income is lease rental income received from aircraft operating leases with airlines, representing 89.4%, 91.6% and 87.9% of our total revenues and other income in 2018, 2017 and 2016, respectively. We lease aircraft to airlines in multiple geographic regions.

We maintain geographic diversification with respect to our lease rental income, while seeking to lease aircraft on an opportunistic basis in any jurisdiction in which we believe we are able to obtain beneficial terms, subject to our risk management policies and assessments. During 2018 and 2017, Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was the largest region of our revenue from lease rentals, representing 28.7% and 28.3% of our total lease rental income in 2018 and 2017, respectively. During 2016, the Asia Pacific region (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) was the largest region for our revenue from lease rentals, representing 33.8% of our total lease rental income in 2016. Our lease rental income from the Asia Pacific (including Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan), which together accounted for 53.2%, 55.6% and 54.8% of our total lease rental income in 2018, 2017 and 2016, respectively, reflects demand in these regions for aircraft leasing.

Our aircraft lease agreements typically provide for monthly payments in advance at a fixed rent or floating rent pegged to U.S. dollar LIBOR which adjusts periodically during the term of the lease. Based on our order book, deliveries and the consequential commencement of lease rental income are spaced out over the course of the year without significant seasonal variation.

Interest and fee income

Our interest and fee income was U.S.$81 million, U.S.$30 million and U.S.$48 million in 2018, 2017 and 2016, respectively. As a complementary product offering in connection with our aircraft purchase and leaseback transactions, we sometimes collect fees from our airline customers for making pre-delivery payments to the aircraft OEMs for future aircraft delivery commitments. These types of arrangement are typically sourced through a combination of our aircraft leasing and sales and our aircraft purchasing teams, each of which is in regular dialogue with our airline customers and the OEMs. We are able to leverage our relationships with both our airline customers and the OEMs as well as the prevailing dynamics in particular situations. This, together with our strong financial position, enables us to execute these arrangements quickly and efficiently on competitive terms. Consistent with the approach we take to analyzing and evaluating all transactions which we enter into, any pre-delivery payment arrangement is analyzed and evaluated against the Group's expected financial returns and other benchmarking requirements.

In addition, we also derive fee income from fees received for modifications to pre-delivery schedules, in particular from making advance pre-delivery payments for our aircraft purchase commitments.

We also derive income from providing a variety of management and marketing services to aircraft owners across a variety of services, including invoicing and collections, monitoring insurance renewals, monitoring letter of credit renewals, utilization reporting and tracking, technical inspections, transition planning and management, lease placement, sales and marketing (including remarketing) and other related services.

Our fee income can vary significantly from year to year due to the timing of aircraft deliveries or the volume of such transactions in a particular year, and may impact our overall funding costs. See note 4 to the 2018 audited consolidated financial statements in this Offering Circular for further details.

Net gain on sale of aircraft

Net gain on sale of aircraft is derived from sale proceeds and maintenance reserves retained by us, less net book value of the relevant aircraft and sales expenses. We typically sell aircraft to other lessors, airlines or private fund entities. In 2018, 2017 and 2016, we sold 33 (excluding one aircraft on finance lease on which receivables were prepaid), 31 (including one aircraft leased under a finance lease) and 37 aircraft, respectively. The table below sets forth a breakdown of our net gain on sale of aircraft:

	Year ended December 31,		
	2018	**2017**	**2016**
		U.S.$'000	
Proceeds from sale of aircraft	1,304,906	1,196,722	1,490,536
Maintenance reserves released	2,621	–	8,378
Less: net book value of aircraft	(1,214,015)	(1,116,690)	(1,403,960)
Less: expenses	(2,690)	(2,278)	(4,027)
Net gain on sale of aircraft	90,822	77,754	90,927

Costs and Expenses

Costs and expenses mainly comprise (i) depreciation, (ii) finance expenses, (iii) staff costs, (iv) impairment charges and (v) other operating costs and expenses.

Depreciation of plant and equipment

Depreciation of plant and equipment constituted the largest component of our costs and expenses during the Relevant Period. In 2018, 2017 and 2016, depreciation of plant and equipment amounted to U.S.$543 million, U.S.$460 million and U.S.$378 million, representing 52.2%, 54.2% and 52.5% of our total costs and expenses (excluding income tax expense) during the same periods, respectively. The table below sets forth, for the periods indicated, a breakdown of our depreciation charges:

	Year ended December 31,		
	2018	**2017**	**2016**
		U.S.$'000	
Aircraft	540,701	458,939	376,207
Other plant and equipment	2,133	1,557	1,741
Total depreciation	542,834	460,496	377,948

We depreciate our aircraft on a straight-line basis over 25 years with 15% residual value at the end of the 25th year for the first 12 years. The remaining value at the end of the 12th year is depreciated using a straight-line basis over the remaining 13 years with no residual value. Depreciation of other plant and equipment, which include office equipment and furniture and renovations, is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives.

Finance expenses

Finance expenses relate primarily to interest expense, fair value changes on derivative financial instruments and other charges on our loans and borrowings and finance lease payables, which are not capitalized as part of plant and equipment. The table below sets forth, for the periods indicated, a breakdown of our finance expenses:

	Year ended December 31,		
	2018	2017	2016
		U.S.$'000	
Interest expense and other charges on:			
Loans and borrowings	352,804	258,236	214,793
Finance leases	231	1,478	1,337
Less: net fair value gains on derivative financial instruments	–	–	(393)
Total finance expenses	353,035	259,714	215,737

Staff costs

Staff costs comprise mainly salaries, bonuses, employers' defined contributions and share-based compensation. The table below sets forth, for the periods indicated, a breakdown of our staff costs:

	Year ended December 31,		
	2018	2017	2016
		U.S.$'000	
Salaries, bonuses and other staff costs	86,274	68,305	72,503
Employers' defined contributions	3,338	3,971	2,076
Share-based compensation	1,931	–	–
Total staff costs	91,543	72,276	74,579

The Company adopted the Restricted Share Unit Long Term Incentive Plan (the **RSU Plan**) on December 18, 2017. The purpose of the RSU Plan is to attract skilled and experienced management and professional staff, to motivate and reward them to maximize profit and long term investment returns for shareholders by providing them with the opportunity to acquire equity interests in the Company, thereby aligning the interests of employees with shareholders.

Eligible participants of the RSU Plan are selected employees (including Executive Directors) of the Company or any of its subsidiaries. An independent trustee will purchase shares of the Company from the market and will hold such shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new shares by the Company.

The first grant under the RSU Plan was made in May 2018 and the RSU award is accounted for over the vesting period of approximately three years commencing from the date of grant.

Other operating costs and expenses

Other operating costs and expenses primarily consist of technical services expenses (including repossession costs), amortization of deferred debt issue costs, professional fees and general office expenses.

Impairment of aircraft

Impairment charges reflect the excess of net book values of the aircraft over their recoverable amounts.

Income Tax Expense

Income tax expense relates to current taxes and provision for current and deferred tax liabilities. The deferred tax liabilities are mainly attributable to the excess of depreciation claimed for tax purposes over the depreciation deducted from accounting profits. As the Group has operating entities across multiple jurisdictions, we are subject to varying tax rates on our business. See "– Significant Factors Affecting Our Results of Operations and Financial Condition" for further details. We have paid cash corporate income tax during the Relevant Period arising from the partial reversal of previously provided deferred taxes.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year Ended December 31, 2018 compared to Year Ended December 31, 2017

Revenues and other income

Our total revenues and other income increased 23.2% to U.S.$1.7 billion from U.S.$1.4 billion in 2017, primarily due to an increase in lease rental income as described below.

Lease rental income

Our lease rental income increased by 20.2% to U.S.$1.5 billion compared with U.S.$1.3 billion in 2017. The rise in lease rental income was mainly due to the full year impact from lease rental income of aircraft assets added in 2017, the lease rental income from additions in aircraft assets in 2018 which saw 9.4% growth in net book value to U.S.$15.0 billion as at December 31, 2018 from the end of 2017, as well as to a lesser extent, an increase in rentals from floating rate leases as a result of the increase in U.S. dollar LIBOR.

Interest and fee income

Our interest and fee income more than doubled to U.S.$81 million in 2018 from U.S.$30 million in 2017. The increase was primarily due to an increase in fees from pre-delivery payments transactions.

Net gain on sale of aircraft

33 aircraft (excluding one aircraft on finance lease on which receivables were prepaid) were sold in 2018 compared with 31 (including one aircraft leased under a finance lease) in 2017, resulting in a net gain on sale of aircraft that rose by 16.8% to U.S.$91 million in 2018 from U.S.$78 million in 2017.

Cost and expenses

The increase in total costs and expenses was in line with the increase in total revenues and other income. The increase was primarily due to an increase in depreciation and finance expenses which are described below.

Depreciation of plant and equipment

Depreciation of plant and equipment increased by 17.9% to U.S.$543 million in 2018 compared with U.S.$460 million in 2017, mainly due to an increase in aircraft assets whose net book value increased to U.S.$15.0 billion as at December 31, 2018 from U.S.$13.7 billion as at December 31, 2017.

Impairment of aircraft

There was no impairment charge in 2018 as the recoverable amount of our aircraft assets was in excess of their respective book values.

Finance expenses

Finance expenses increased by 35.9% to U.S.$353 million in 2018 from U.S.$260 million in 2017. This was primarily due to the combined effect of (i) a 14.0% increase in our total indebtedness to U.S.$12.5 billion as at December 31, 2018 from U.S.$10.9 billion as at December 31, 2017 and (ii) an increase in our average cost of debt to 3.3% in 2018 from 2.8% in 2017. The increase in the average cost of debt arose from the effect of higher U.S. dollar LIBOR on our floating rate debt and an increase in the proportion and amount of our fixed rate debt and interest rate hedging as at December 31, 2018 compared with December 31, 2017.

Staff costs

Staff costs increased by 26.7% to U.S.$92 million in 2018 from U.S.$72 million in 2017 mainly due to higher provisions of variable bonus in line with employee incentive plans tied to financial performance for the year ended December 31, 2018. In addition, the costs in relation to the awards granted in May 2018 under the RSU Plan, which is part of the long term incentive plan, are amortised over the circa three-year vesting period from the date of grant in 2018. In the previous year there was no provision for RSUs.

Other operating costs and expenses

Other operating costs and expenses increased by 13.9% to U.S.$53 million in 2018 from U.S.$47 million in 2017, which was reflective of the increase in our business activities.

Profit before income tax and pre-tax profit margin

Profit before income tax increased by 24.3% to U.S.$685 million in 2018 from U.S.$551 million in 2017. Our pre-tax profit margin(1) increased to 39.7% in 2018 from 39.3% in 2017.

Income tax (expense)/credit

We recognized an income tax expense of U.S.$65 million in 2018 compared to an income tax credit of U.S.$36 million in 2017. The income tax credit in 2017 was mainly due to a U.S.$91 million adjustment for net deferred income tax liabilities in our U.S. subsidiary as a result of a decrease in the federal corporate tax rate in the USA to 21% from 35%, which was enacted in December 2017. Excluding this one-off tax adjustment, the effective tax rate for 2017 was 10.1%. The reduction in federal tax rate in the USA continued to benefit us in 2018 as the effective tax rate for 2018 was 9.5%.

Profit for the year

As a result of the foregoing, our profit after tax for the year increased by 5.8% to U.S.$620 million in 2018 from U.S.$587 million in 2017.

Year Ended December 31, 2017 compared to Year Ended December 31, 2016

Revenues and other income

Total revenues and other income increased 17.4% to U.S.$1,401 million from U.S.$1,193 million in 2016, primarily due to an increase in lease rental income as described below.

Lease rental income

Our lease rental income increased by 22.4% to U.S.$1,284 million as compared with U.S.$1,048 million in 2016. The rise in lease rental income was mainly due to our fleet growth which increased to 286 aircraft (excluding one aircraft subject to finance lease) compared with 246 aircraft as at December 31, 2016, and to a lesser extent, an increase in rentals from floating rate leases as a result of the increase in U.S. dollar LIBOR.

Interest and fee income

Our interest and fee income was U.S.$30 million in 2017, down 37.9% from U.S.$48 million in 2016. The decline was primarily due to the reduction in fees from pre-delivery payment transactions.

Net gain on sale of aircraft

Net gain on sale of aircraft decreased by 14.5% to U.S.$78 million in 2017 as compared with U.S.$91 million in 2016, primarily due to a decrease in number of aircraft sold from 37 in 2016 to 31 (including one aircraft leased under a finance lease) in 2017.

Cost and expenses

The increase in costs and expenses was in line with the increase in total revenues and other income. The increase in depreciation and finance expenses were correlated with the increase in aircraft assets.

(1) Defined as profit before income tax divided by total revenues and other income, multiplied by 100%.

Depreciation of plant and equipment

Depreciation of plant and equipment increased by 21.8% to U.S.$460 million in 2017, up from U.S.$378 million in 2016 mainly due to an increase in aircraft assets, which increased to 286 as at December 31, 2017 (excluding one aircraft leased under a finance lease) from 246 as at December 31, 2016.

Impairment of aircraft

Impairment of aircraft was U.S.$11 million in 2017 due to the decline in recoverable amounts of eight aircraft which were subject to sales contracts, including the remaining five E190 aircraft (all of which have since been sold), compared with the net book values of these aircraft.

Finance expenses

Finance expenses increased by 20.4% to U.S.$260 million in 2017 from U.S.$216 million in 2016. This was primarily due to an increase in our total indebtedness to U.S.$10.9 billion from U.S.$8.8 billion to fund the growth of our aircraft fleet and an increase in our average cost of debt. The average cost of debt increased to 2.8% in 2017 from 2.5% in 2016 as a result of the impact of increased U.S. dollar LIBOR on our floating rate debt and an increase in the proportion of fixed rate debt raised in 2017 at higher interest rates.

Staff costs

Staff costs decreased by 3.1% to U.S.$72 million mainly due to lower provision for bonuses arising from the implementation of a new long term incentive plan, partially offset by an increase in salaries and other staff costs. The lower provision for bonus resulted from a change of the long term incentive plan from a purely cash-based plan, which was fully provided for in 2016, to a plan comprising cash and share-based elements. The cash-based element was fully provided for in 2017 but the share-based element under the RSU Plan will only be accounted for over the vesting period, which is approximately three years commencing in 2018.

Other operating costs and expenses

Other operating costs and expenses increased marginally by 0.7% mainly due to an increase in local taxes incurred by subsidiaries in Tianjin and amortization of deferred debt issue costs as a result of an increase in our total indebtedness. The increase was partially offset by lower repossession costs and lower professional fees incurred compared with the prior year.

Profit before income tax and pre-tax profit margin

Profit before income tax increased by 16.3% to U.S.$551 million up from U.S.$474 million in 2016. Our pre-tax profit margin[(1)] declined to 39.3% in 2017 from 39.7% in 2016, mainly as a result of higher aircraft depreciation, higher finance expenses and lower non-rental income.

Income tax credit/(expense)

We recognized an income tax credit of U.S.$36 million in 2017 as compared to an income tax expense of U.S.$56 million in 2016. The income tax credit in 2017 was mainly due to a U.S.$91 million adjustment in net deferred tax liabilities in our US subsidiary as a result of the enactment of The Tax Cut and Jobs Act in the USA in December 2017, which includes a decrease in the federal corporate tax rate in the USA to 21% from 35% commencing from 2018. Excluding this one-off tax adjustment, the effective tax rate decreased to 10.1% for 2017 from 11.8% in the prior year.

In 2017, we were granted the ALS in Singapore for an additional five-year period from July 1, 2017. The ALS is an incentive scheme under which income derived from qualifying activities is taxed at a concessionary tax rate, rather than the prevailing corporate tax rate in Singapore of 17%.

(1) Defined as profit before income tax divided by total revenues and other income, multiplied by 100%.

Profit for the year

As a result of the foregoing, our after tax profit for the year increased by 40.3% to U.S.$587 million in 2017 from U.S.$418 million in 2016.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Plant and Equipment and Assets Held for Sale

We had plant and equipment and assets held for sale of U.S.$18.0 billion, U.S.$15.7 billion and U.S.$12.9 billion as at December 31, 2018, 2017 and 2016, respectively.

Aircraft constituted the largest component in plant and equipment and assets held for sale, amounting to U.S.$15.0 billion (83.2%), U.S.$13.7 billion (87.2%) and U.S.$10.7 billion (83.1%) as at December 31, 2018, 2017 and 2016, respectively. The other main component was aircraft pre-delivery payments which constituted 16.8%, 12.8% and 16.9% of our total plant and equipment and assets held for sale as at December 31, 2018, 2017 and 2016, respectively.

Trade Receivables

Trade receivables primarily represent receivables from rent and fees receivable in connection with aircraft leases. The table below sets forth our trade receivables as at the dates indicated:

	Year ended December 31,		
	2018	**2017**	**2016**
		U.S.$'000	
Trade receivables	7,984	5,467	2,772

As of December 31, 2018, we had U.S.$8.0 million of trade receivables, of which U.S.$5.1 million was contractually deferred by mutual agreement and interest bearing and the remaining U.S.$2.9 million was not past due. We had U.S.$5.5 million of trade receivables as of December 31, 2017, of which U.S.$2.8 million is contractually deferred by mutual agreement and interest bearing and U.S.$1.4 million was past due but not impaired. There were no overdue trade receivables from airline customers as at December 31, 2016.

Cash and Short-Term Deposits

Our cash and short-term deposits, which were mainly denominated in U.S. dollars, decreased to U.S.$243 million as at December 31, 2018 from U.S.$305 million as at December 31, 2017. The decrease in cash and short-term deposits was mainly due to the total cash outflows from capital expenditure in 2018 being greater than the total net cash inflows from operating activities, financing activities and proceeds from sales of aircraft.

Our cash and short-term deposits decreased to U.S.$305 million as at December 31, 2017 from U.S.$558 million as at December 31, 2016. This reduction in cash and short-term deposits was mainly due to the utilization of such cash and short-term deposits to pay aircraft acquisition cost as we take delivery of aircraft.

Derivative Financial Instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealized gains and losses, respectively, which were recognized in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we contracted as at December 31, 2018, 2017 and 2016, respectively.

Under assets, our derivative financial instruments decreased to U.S.$17 million as at December 31, 2018 from U.S.$22 million as at December 31, 2017. Under liabilities, our derivative financial instruments increased to U.S.$124 million as at December 31, 2018 from U.S.$101 million as at December 31, 2017. The movements in derivative financial assets and liabilities were primarily due to an increase in interest rate swap contracts entered into by the Group in 2018 and movements in marked-to-market values of the derivative financial instruments.

Under assets, our derivative financial instruments increased to U.S.$22 million as at December 31, 2017 from U.S.$17 million as at December 31, 2016. Under liabilities, our derivative financial instruments decreased to U.S.$101 million as at December 31, 2017 from U.S.$207 million as at December 31, 2016. The movements in derivative financial assets and liabilities are primarily due to movements in marked-to-market values of these derivative financial instruments.

Trade and Other Payables

Our other payables primarily consist of accrued interest expenses mainly in relation to our indebtedness, staff costs related accruals and other accruals and liabilities. The table below sets forth, as at the dates indicated, a breakdown of our trade and other payables:

	As at December 31,		
	2018	**2017**	**2016**
		U.S.$'000	
Trade payables	258	2,519	3,040
Sundry payables	2,728	9,751	6,536
Accrued interest expenses	76,521	58,863	45,183
Accrued maintenance reserve payables	7,271	1,610	16,937
Accrued technical expenses	1,926	2,162	6,020
Staff costs related accruals	44,070	49,471	34,878
Other accruals and liabilities	24,149	12,482	6,592
Total trade and other payables	156,923	136,858	119,186

Our trade and other payables increased by 14.7% to U.S.$157 million as at December 31, 2018 compared with U.S.$137 million as at December 31, 2017, primarily due to an increase in accrued interest expenses mainly as a result of additional loans raised to finance capital expenditure in 2018.

Our trade and other payables increased by 14.8% to U.S.$136.9 million as at December 31, 2017 compared with U.S.$119.2 million as at December 31, 2016, primarily due to an increase in deferred staff compensation and accrued interest expenses, partially offset by a reduction of maintenance reserves payable to lessees.

Loans and Borrowings and Finance Lease Payables

Our loans and borrowings and finance lease payables increased by 14.3% to U.S.$12.3 billion as at December 31, 2018 from U.S.$10.7 billion as at December 31, 2017, to finance an increase in capital expenditure. The increase in borrowings included the issuance of U.S.$1.7 billion of notes under our Global Medium Term Note Program, the drawing down of U.S.$400 million in term loans and a net increase of U.S.$644 million in drawings under our revolving credit facilities. U.S.$1.2 billion in borrowings was repaid due to maturity of notes, and as part of regular loan repayments and loan prepayments.

Our loans and borrowings and finance lease payables increased by 26.0% to U.S.$10.7 billion as at December 31, 2017 from U.S.$8.5 billion as at December 31, 2016 to finance the increase in capital expenditure. The increase in borrowings included the issuance of U.S.$2 billion notes under the Program and the drawing down of U.S.$672 million in term loans and U.S.$795 million under our revolving credit facilities. An amount of U.S.$1.3 billion in borrowings were repaid as part of regular loan repayment or prepaid to manage finance expenses in 2017.

Share Capital

The net proceeds from the IPO contributed to the increase in share capital by U.S.$550 million to U.S.$1.2 billion in 2016. There were no movements in share capital in 2018 and 2017.

Total Equity

Total equity increased to U.S.$4.2 billion as at December 31, 2018 from U.S.$3.8 billion as at December 31, 2017 and U.S.$3.4 billion as at December 31, 2016 mainly due to an increase in retained earnings net of dividends during the Relevant Period.

DIVIDENDS AND DIVIDEND POLICY

In 2018, 2017 and 2016, we paid dividends of U.S.$222 million, U.S.$155 million and U.S.$42 million, respectively, to our shareholders. In our prospectus in relation to the IPO, it was stated that we intend to pay dividends of up to 30% of our net profit after tax. Subsequently, on August 29, 2017 the Company announced a change to the dividend policy, increasing the intended annual dividend pay-out to up to 35% of our net profit after tax. The Board has absolute discretion to recommend to shareholders at an annual general meeting as to whether to declare any dividend for any year, and if it decides to declare a dividend, how much to declare. The amount of any dividends to be declared or paid will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity comprise cash generated from aircraft leasing operations, proceeds from aircraft sales and borrowings. Our business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. The cash flows from our operations, particularly our revenues from leasing aircraft, have historically provided a significant portion of the liquidity for these investments.

Going forward, we expect to continue to seek liquidity from the following sources of financing, subject to pricing and conditions that we consider satisfactory:

- revolving lines of credit, term loans, medium term note issuances and borrowings supported by export credit agencies for new aircraft acquisitions;

- aircraft sales; and

- free cash flow generated by our operations.

We had net current liabilities of U.S.$1,452 million, U.S.$1,152 million and U.S.$370 million as at December 31, 2018, 2017 and 2016, respectively, primarily due to significant levels of current liabilities related to our financing arrangements to fund our capital expenditure, as is common among capital-intensive companies. Due to the nature of our business, we have long-term contracted revenue and cash flows resulting from our operating leases, which we typically collect in advance on a monthly basis in accordance with the respective lease agreements, resulting in minimal trade receivables on our balance sheet. We also efficiently redeploy cash flow from lease rentals towards aircraft purchases and debt repayment obligations, resulting in a relatively low balance of cash on hand. Moreover, as we are primarily an operating lessor, the substantial majority of our assets are non-current assets (i.e. aircraft) held to generate recurring income rather than current assets held for sale. As a result of the foregoing, we believe that our net current liabilities position does not accurately reflect our liquidity position. The strong contracted lease revenues under our operating leases, together with our proven track record of collections, demonstrates reliable and predictable positive cash flow from operations. We are confident that we will have sufficient financial resources including committed rental cash flows, aircraft sales proceeds and unutilized committed banking facilities for us to meet our anticipated cash needs, including working capital requirements, capital expenditure, repayment of our indebtedness when it falls due and various contractual obligations, for at least the next 12 months.

During the Relevant Period, we were and have been in compliance with all material covenants in our financings, and we did not have any material default in payment of trade and other payables, loans and borrowings or other financing obligations.

Cash Flows

The table below sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2018	2017	2016
		U.S.$'000	
Net cash flows from operating activities	1,722,672	1,271,378	1,106,037
Net cash flows used in investing activities	(2,721,636)	(3,194,309)	(1,200,262)
Net cash flows from financing activities	979,850	1,771,059	116,551
Net (decrease)/increase in cash and cash equivalents	(19,114)	(151,872)	22,326
Cash and cash equivalents at beginning of year	241,847	393,719	371,393
Cash and cash equivalents at end of year	222,733	241,847	393,719

Net cash flows from operating activities

In 2018, our net cash flows from operating activities were U.S.$1,723 million. We had operating profit before changes in working capital of U.S.$1,435 million, primarily consisting of profit before income tax of U.S.$685 million and adjustments for (i) depreciation of plant and equipment of U.S.$543 million, (ii) finance expenses of U.S.$353 million, partially offset by (iii) net gain on sale of aircraft of U.S.$91 million and (iv) interest and fee income of U.S.$81 million. Changes in working capital and other changes resulted in cash inflow of U.S.$288 million, primarily consisting of (i) an increase in maintenance reserves of U.S.$182 million relating to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, (ii) interest and fee income received of U.S.$81 million, (iii) increase in security deposits of U.S.$56 million, (iv) decrease in receivables of U.S.$17 million, (v) increase in payables of U.S.$11 million, partially offset by (i) income tax paid of $56 million.

In 2017, our net cash flows from operating activities were U.S.$1,271 million. We had operating profit before changes in working capital of U.S.$1,194 million, primarily consisting of profit before income tax of U.S.$551 million and adjustments for (i) depreciation of plant and equipment of U.S.$460 million and (ii) finance expenses of U.S.$260 million, partially offset by net gain on sale of aircraft of U.S.$78 million. Changes in working capital and other changes resulted in cash inflow of U.S.$77 million, primarily consisting of (i) an increase in maintenance reserves of U.S.$86 million relating to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, (ii) interest and fee income received of U.S.$31 million, (iii) increase in security deposits of U.S.$18 million, partially offset by (i) increase in receivables of U.S.$27 million, (ii) decrease in deferred income of U.S.$23 million and (iii) decrease in payables of U.S.$6 million.

In 2016, our net cash flows from operating activities were U.S.$1,106 million. We had operating profit before changes in working capital of U.S.$957 million, primarily consisting of profit before income tax of U.S.$474 million and adjustments for (i) depreciation of plant and equipment of U.S.$378 million and (ii) finance expenses of U.S.$216 million, partially offset by net gain on sale of aircraft of U.S.$91 million. Changes in working capital and other changes resulted in cash inflow of U.S.$149 million, primarily consisting of (i) an increase in maintenance reserves of U.S.$46 million relating to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, (ii) interest and fee income received of U.S.$48 million, (iii) increase in deferred income of U.S.$27 million and (iv) increase in security deposits of U.S.$19 million.

Net cash flows used in investing activities

In 2018, our net cash flows used in investing activities were U.S.$2,722 million, which was due to purchases of plant and equipment of U.S.$4,143 million, mainly relating to the purchase of 50 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of U.S.$1,422 million, mainly relating to the sale of 33 aircraft.

In 2017, our net cash flows used in investing activities were U.S.$3,194 million, which was due to purchases of plant and equipment of U.S.$4,433 million, mainly relating to the purchase of 71 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of U.S.$1,239 million, mainly relating to the sale of 30 aircraft.

In 2016, our net cash flows used in investing activities were U.S.$1,200 million, which was due to purchases of plant and equipment of U.S.$2,895 million, mainly relating to the purchase of 56 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of U.S.$1,695 million, mainly relating to the sale of 37 aircraft.

Net cash flows from financing activities

In 2018, our net cash flows from financing activities were U.S.$980 million, primarily due to net proceeds from loans and borrowings of U.S.$1,537 million and U.S.$43 million decrease in encumbered cash and bank balances, partially offset by finance expenses paid of U.S.$361 million and dividends paid of U.S.$222 million.

In 2017, our net cash flows from financing activities were U.S.$1,771 million, primarily due to net proceeds from loans and borrowings of U.S.$2,103 million and U.S.$101 million decrease in encumbered cash and bank balances, partially offset by finance expenses paid of U.S.$258 million and dividends paid of U.S.$155 million.

In 2016, our net cash flows from financing activities were U.S.$117 million, primarily due to IPO proceeds of U.S.$550 million, partially offset by (i) finance expenses paid of U.S.$218 million and (ii) net repayment of debt of U.S.$120 million.

INDEBTEDNESS

Indebtedness is defined as loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.

The table below sets forth a breakdown of our outstanding indebtedness as at the dates indicated:

	As at December 31,	
	2018	**2017**
	U.S.$ in millions	
Secured		
Term loans (including finance lease payables)	879	1,290
Export credit agency supported financing	808	1,042
Total secured debt	1,687	2,332
Unsecured		
Term loans	2,185	1,895
Revolving credit facilities	1,439	795
Medium term notes	7,165	5,917
Total unsecured debt	10,789	8,607
Total indebtedness	12,476	10,939
Less: debt discount, debt premium, debt issue costs and fair value and revaluation adjustments	(197)	(199)
Total debt	12,279	10,740
Number of aircraft pledged as security (including aircraft held under finance lease)	71	91
Net book value of aircraft pledged as security (including aircraft held under finance lease)	3,259	3,968
Percentage of number of aircraft pledged as security	23.4%	31.7%

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to U.S.$7.6 billion and U.S.$5.1 billion as at December 31, 2018 and 2017, respectively.

Collateral for secured debt will typically include a mortgage over the relevant aircraft, an assignment of the operating lease of the relevant aircraft and/or a pledge of the shares in the subsidiary company that holds title to the relevant aircraft. In line with our strategy to reduce secured debt as a proportion of total assets and of total indebtedness, these proportions have come down in 2018 as set out in the table below:

	As at December 31,		
	2018	**2017**	**2016**
Secured debt/total assets	9.2%	14.5%	22.8%
Secured debt/total indebtedness	13.5%	21.3%	34.6%

The table below sets forth a breakdown of our total indebtedness by original currency (in U.S.$ equivalent) as at December 31, 2018:

	As at December 31, 2018
	U.S.$ in millions
Loan financing[(1)]:	
U.S. dollars	5,311
Medium term notes[(2)]:	
U.S. dollars	6,290
Chinese yuan	290
Australian dollars	374
Singapore dollars	109
Hong Kong dollars	102
Total indebtedness	12,476

Notes:

(1) Includes export credit agency supported financing.

(2) These unsecured notes have been issued in U.S. dollars, Australian dollars, Singapore dollars, Hong Kong dollars and offshore Chinese yuan. Where notes have been denominated in currencies other than U.S. dollars, they have been swapped with bank counterparties into U.S. dollar liabilities.

The table below sets forth our debt repayment profile as at December 31, 2018:

	As at December 31, 2018
	U.S.$ in billions
2019	1.5
2020	2.0
2021	2.6
2022	2.1
2023	2.1
2024 and beyond	2.2
Total	12.5

Loan Financing

We have established strong relationships with many banks and other financial institutions in Asia, Europe, the Middle East and North America. As at December 31, 2018, we had more than 80 banks and other financial institutions lending to us.

Our sources of secured debt include secured commercial term loans and export credit agency supported term loans. Our sources of unsecured debt include unsecured term loans, committed, unsecured revolving credit facilities and medium term notes. All of our term loans are on a floating rate basis with interest payable quarterly or semi-annually and are subject to customary events of default and covenants, including a minimum tangible net worth covenant and a debt to equity covenant, that are tested semi-annually.

Secured debt

Our secured debt represents commercial term loans and export credit agency supported term loans, each of which are typically secured with mortgages over aircraft or over the shares of an entity owning aircraft. These term loans typically amortize on a quarterly or semi-annual basis based on a fixed repayment schedule with a balloon payment at maturity. For most of our secured loans, if we sell the underlying aircraft financed by the loan, we have the ability to retain the facility subject to us providing a replacement aircraft as collateral or cash deposits until such replacement aircraft is available to be pledged. Our export credit agency supported term loans represent loans guaranteed by U.S. Exim and European Export Credit Agencies. We have accessed and may seek to continue to access such guarantees for new deliveries of Airbus and Boeing aircraft, respectively.

Unsecured debt

Our unsecured debt represents term loans and committed, unsecured revolving credit facilities. As at December 31, 2018, we had committed, unsecured revolving credit facility commitments of U.S.$4.3 billion, of which U.S.$2.8 billion were undrawn as at the same date. These facilities include a committed, unsecured revolving credit facility of U.S.$2.0 billion, which matures in April 2022, obtained from Bank of China on terms commensurate with the terms of other committed, unsecured revolving credit facilities provided by third parties. This facility has not been drawn down during the Relevant Period and serves as a source of temporary financing only rather than long-term financing. We have accessed other committed, unsecured revolving credit facilities from Bank of China in the past in order to fund attractive aircraft acquisition opportunities, and they represent a key tool in allowing us to execute our growth strategy and provide a source of committed backstop liquidity. See "Capitalization and Indebtedness" for further details.

Our loan facilities typically contain financial covenants requiring (i) a consolidated net worth of not less than U.S.$275 million and (ii) a maximum debt to equity ratio of 6-to-1. We have been and intend to continue to be in compliance with these financial covenants.

Debt Capital Markets

Senior unsecured medium term notes

In September 2012, we established a U.S.$2.0 billion EMTN Programme which we increased to U.S.$5.0 billion in April 2014. In March 2015, we converted our EMTN Programme into a U.S.$5.0 billion GMTN Program and in April 2017, raised the GMTN Program limit to U.S.$10.0 billion. We had, as at December 31, 2018, U.S.$7.2 billion outstanding under the GMTN Program. Investors of such notes include financial asset managers, insurance companies and private banks.

See "Terms and Conditions of the Notes" in this Offering Circular for further details.

These unsecured notes have been issued in U.S. dollars, Australian dollars, Singapore dollars, Hong Kong dollars and offshore Chinese yuan. Where notes have been denominated in currencies other than U.S. dollars, they have been swapped with bank counterparties into U.S. dollar liabilities.

Finance lease payables

Some of the aircraft that we own have been acquired by way of finance leases, under which title to such aircraft will be transferred to us after we have fully discharged our obligations under the respective lease agreements. The finance lease payables are secured by a charge over the leased aircraft.

Other than the financial and operating covenants we agreed to under our loans, export credit agency borrowings, medium term notes and credit facilities as described above in "– Indebtedness," our debt financing arrangements do not carry any material restrictive covenants.

RELATED PARTY TRANSACTIONS

See the notes to the audited consolidated financial statements included elsewhere in this Offering Circular for details on our related party transactions and balances with related parties during the Relevant Period.

CAPITAL EXPENDITURE

During the Relevant Period, our capital expenditure primarily consisted of aircraft purchases (including capitalized interest on borrowings) and aircraft pre-delivery payments. The table below sets forth our capital expenditure for the periods indicated:

	As at December 31,		
	2018	2017	2016
		U.S.$'000	
Aircraft	1,698,738	3,054,048	1,899,653
Aircraft pre-delivery payments	2,471,401	1,391,638	1,005,390
Other plant and equipment	2,393	2,511	1,268
Total capital expenditure	4,172,532	4,448,197	2,906,311

We have financed our capital expenditure primarily through loans and borrowings and cash generated from operations.

COMMITMENTS

Our commitments relating to aircraft include assumptions based on estimated escalation costs and specifications for aircraft. These costs may differ significantly due to subsequent changes.

Capital Expenditure Commitments

We have commitments to purchase various aircraft to be delivered between 2019 and 2021. As at December 31, 2018, 2017 and 2016, our aircraft capital expenditure commitments, including assumed escalation to delivery were U.S.$9.2 billion, U.S.$7.9 billion and U.S.$8.6 billion, respectively.

As at December 31, 2018, we had 183 aircraft committed for purchase. The table below sets forth, as at December 31, 2018, our estimated cash outflows based on our aircraft capital expenditure commitments for the years indicated:

	As at December 31, 2018			
	2019	2020	2021	Total
		U.S.$ billions		
Aircraft capital expenditure commitments	3.4	3.0	2.8	9.2

Indebtedness Commitments

The terms of our indebtedness (including finance lease payables), require us to make future principal and interest payments on variable and fixed rate debt. Please refer to the debt maturity profile as presented above in "– *Indebtedness*."

CONTINGENT LIABILITIES

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 37 to the financial statements, the Company had no material contingent liabilities as at December 31, 2018.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ON FINANCIAL RISK

Our financial instruments give rise to risks including from interest rate, liquidity, credit and foreign exchange risk. Market risk represents the risk of changes in value of a financial instrument caused by fluctuations in interest rates and foreign exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the financial risks described below. We implement policies to manage each of these risks.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from loans and borrowings, finance lease payables to third parties and lease rental income.

We obtain financing through loans and capital market notes. Our objective is to obtain the most favorable interest rates available on acceptable terms and conditions.

A portion of our financial assets and liabilities are based on floating interest rates pegged to U.S. dollar LIBOR and are contractually repriced at intervals of less than 12 months from the statement of financial position date.

Our policy is to hedge at least 50% of mismatched interest rate exposure through appropriate interest rate derivative financial instruments and borrowing fixed rate debts. As at December 31, 2018, we hedged approximately 80% of our mismatched interest rate exposure.

Sensitivity analysis for interest rate risk

See "– Significant Factors Affecting Our Results of Operations and Financial Condition" and note 39 to the audited consolidated financial statements in this Offering Circular for further details.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

Our primary sources of liquidity have principally comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. Our business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. Our cash flows from operations, particularly revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

To ensure that we are able to meet our financial obligations, we spread our loan repayments over substantial periods of up to 12 years, and we maintain available committed credit facilities from banks.

As at December 31, 2018, we had undrawn committed credit facilities of U.S.$3.6 billion. See "– Indebtedness" for further details.

Revenue from lease rentals is expected to be sufficient to meet annual interest and regular loan repayments over the next one year period.

As at December 31, 2018, 12% of our total indebtedness, comprising loans and borrowings, will mature in less than one year.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

We are exposed to credit risk in the carrying amounts of trade and other receivables, finance lease receivables, derivative financial instruments, short-term deposits and cash and bank balances. Typically, our leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in certain cases maintenance reserves. However, an early termination of a lease due to a credit event may expose us to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

Our objective is to seek continual revenue growth while minimizing credit losses. We undertake credit appraisals on all potential lessees before entering into new leases and review the credit status of lessees annually. We also review the credit standing of vendors where significant and/or long-term procurement contracts are being contemplated.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis.

We undertake deposit and derivatives transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of S&P Global Ratings credit rating of "A-".

See "Risk Factors – Risks related to the aviation industry which affect the Group."

Foreign Currency Risk

Our transactional currency exposures mainly arise from borrowings that are denominated in a currency other than U.S. Dollar, our functional currency.

All loans and borrowings that are denominated in Australian dollars, Chinese yuan, Hong Kong dollars and Singapore dollars are swapped into U.S. dollars. Foreign currency exposure arises as our revenues and principal assets are denominated in U.S. dollars. We utilize cross-currency interest rate swap contracts to hedge our financial liabilities denominated in Australian dollars, Chinese yuan, Hong Kong dollars and Singapore dollars. Such contracts are entered with counterparties that are rated at least A- by S&P Global Rating. Under these agreements, we receive foreign currency amounts sufficient to meet the obligations in foreign currency borrowings and payment of U.S. dollars to the counterparties.

Derivative Financial Instruments

We use derivative financial instruments (cross-currency interest rate swaps and interest rate swaps) solely to manage exposures to fluctuations in interest rates and foreign exchange rates in accordance with our risk management policies. We do not hold or issue derivative financial instruments for proprietary trading purposes.

All derivative financial instruments are recognized at fair value in the statement of financial position. The fair values of cross-currency interest rate swaps and interest rate swaps shown in the statement of financial position are determined by marked-to-market values provided by counterparties.

Hedge accounting has been applied for interest rate swaps and cross-currency interest rate swaps that are assessed by us to be highly effective hedges.

Please refer to note 13 to the 2018 audited consolidated financial statements in this Offering Circular for further details.

NATURE OF AIRCRAFT LEASING INDUSTRY

Aircraft lessors invest in long-lived, mobile assets and lease them to airlines and other operators for defined lease terms, retaining the rewards and risks of ownership. During the lease, the lessee takes on the risks of operating, maintaining and insuring the aircraft. At the end of the lease period, the lessee returns the aircraft to the lessor in compliance with agreed-upon return conditions and holds no residual interest in the value of the aircraft. During its useful life, an aircraft may be leased consecutively to multiple airlines before it is retired from service and sold for scrap.

Aircraft lessors source their fleet from three main channels: direct purchases from manufacturers, purchase and leaseback transactions with airlines and purchases from other aircraft leasing companies or other owners, with or without leases in place. The main drivers of aircraft operating lease economics include the purchase price of the aircraft, the cost of financing, the lessor's ability to leverage its equity investment efficiently, placement of aircraft on lease on favorable terms, including expeditious placement to another airline following expiry or early termination of a lease, and control of overhead costs. The application of sound and effective risk management across all elements of the aircraft operating lease business – airline credit risk, geographical exposure, residual value risk and liability management will also have a significant impact on the returns generated by lease transactions and, ultimately, determine the success of an aircraft operating lease company.

The major aircraft leasing companies operate and compete on a global scale but are differentiated by strategy, fleet composition and capital structure. In addition to sourcing their fleet from different channels, some lessors may focus mainly on acquiring newly-built aircraft while others may invest mainly in mid-age or end-of-life assets, and some lessors may focus almost exclusively on single-aisle aircraft while others may prefer a mixed fleet. Our main competitors include GE Commercial Aviation Services, AerCap Holdings NV, SMBC Aviation Capital, Air Lease Corporation and Avolon.

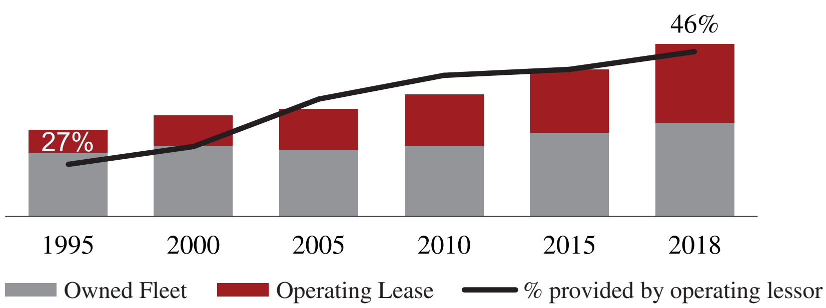
Aircraft leasing companies obtain equity from diverse sources, ranging from public markets to private investors, or from individual sources such as a banking or insurance groups. Debt financing is also sourced from a variety of banks and investors, with different approaches adopted depending in part on the lessor's investment strategy.

Operating leasing is attractive to airline operators for a number of reasons, including:

- reduced capital expenditure;
- fleet flexibility;
- access to delivery positions when manufacturers have limited aircraft available;
- access to improved aircraft technology or performance;
- diversification of financing alternatives; and
- limiting exposure to residual value.

Aircraft leasing is a growth industry, with aircraft on operating leases growing from approximately 27% of the worldwide mainline fleet to approximately 46% over the past 23 years, as demonstrated by the chart below:

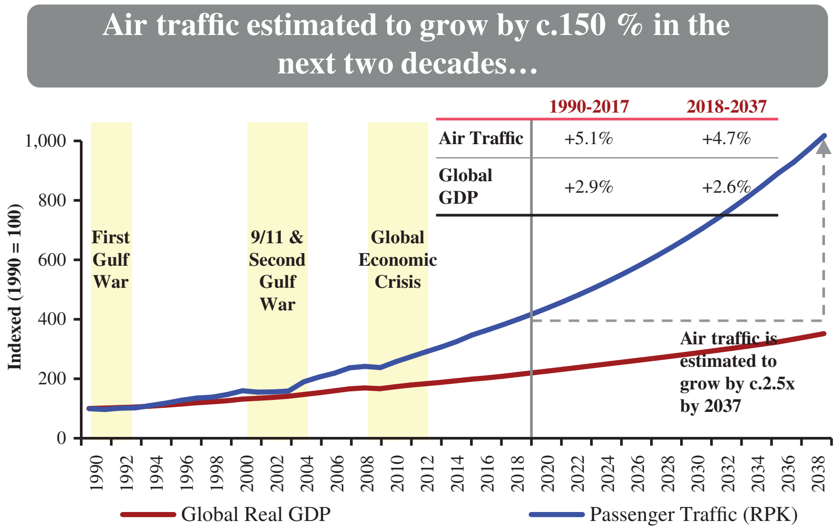
The Growth of Aircraft Operating Leasing



Source: Ascend, December 31, 2018

INDUSTRY GROWTH TRENDS

Demand for aircraft, including operating leased aircraft, is generally driven by demand for air transport. Demand for air transport, in turn, is correlated with global economic activity. For example, over the period from 1990 to 2017, global passenger traffic demand as measured by global revenue passenger kilometers (**RPK**) grew at a rate in approximately 1.8 times global GDP growth, as the chart below illustrates:

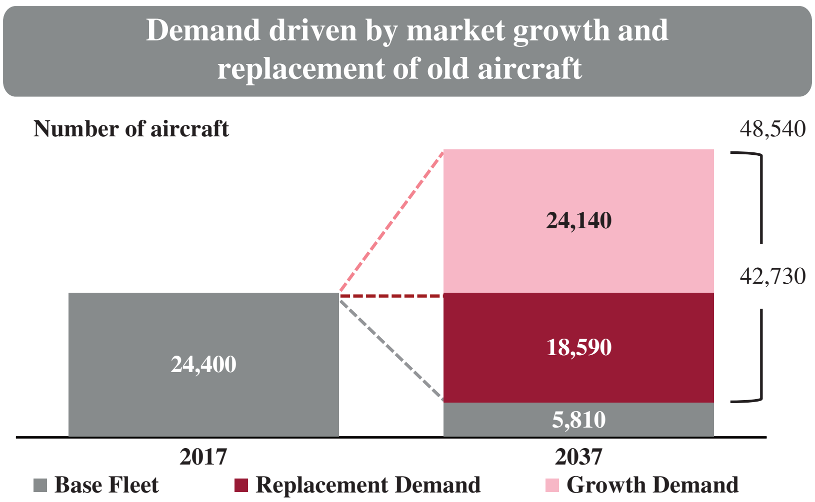


Source: Ascend Flightglobal Fleet Forecast, Oxford Economics, Boeing Current Market Interactive Forecast 2018-2037, IATA

Over the period from 1990 to 2017, real global GDP grew at an average annual rate of approximately 2.9% according to Oxford Economics while global RPK grew at an average annual rate of 5.1% according to the International Air Transport Association (**IATA**). Boeing projects an average annual rate of global RPK growth of 4.7% until 2037.

Demand for air transport and aircraft is affected by a number of factors, including increased market activity, market liberalization and the adoption of new business models such as the low cost carrier model. Demand is also driven by the necessity of replacing aircraft that have reached the end of their useful lives, which are typically expected to be 25 years. Demand is further driven by other factors such as technological advances and the development of more fuel-efficient aircraft models.

Over the next 20 years, the Boeing CMO 2018-2037 estimates demand for approximately 42,730 new mainline aircraft, with approximately 56% of the total demand required for growth and the remaining proportion for aircraft replacement, as the chart below illustrates:



Source: Boeing CMO 2018-2037

OVERVIEW

We are a leading global aircraft operating leasing company based in Singapore. We are the largest aircraft operating leasing company headquartered in Asia, and one of the largest global aircraft operating leasing companies, in each case as measured by the value of owned aircraft as at December 31, 2018 (excluding aircraft ordered but undelivered). On June 1, 2016, we completed a public listing of our shares on the main board of the Hong Kong Stock Exchange.

Our business model is underpinned by strong global trends in the aviation industry. Our business benefits from (i) strong growth in travel volume and an increasing propensity to fly, particularly in the Asia Pacific region, driving the demand for new aircraft, and (ii) an increasing preference for many airlines to lease rather than to purchase aircraft. Our aircraft are mobile, can be redeployed throughout the world, and have long economic lives. We also benefit from long-term, U.S. dollar-denominated cash flows from a global customer base who lease our aircraft, and from owning assets with values denominated in U.S. dollars, which enables us to operate a global business without exposing us to currency risk. We believe the scale of our business and our investment grade credit ratings make us an attractive counterparty to both aircraft manufacturers and airline customers, which further reinforces our competitiveness.

Our specialized aviation industry knowledge, our relationships with airline customers, aircraft manufacturers and other key aviation industry participants, together with the long-term experience and talent of our senior management team and other key employees have enabled us to deliver strong operational and financial results through multiple industry cycles. In particular, we have delivered 25 years of unbroken profitability, with U.S.$3.7 billion in cumulative profits from inception through 2018.

Our core business model is focused on purchasing new, fuel-efficient, in-demand aircraft at competitive prices directly from aircraft manufacturers, financing those aircraft purchases efficiently, placing our aircraft on long-term operating leases with a globally diversified customer base and selling our aircraft to maintain a young fleet, to mitigate risks in our aircraft portfolio and to generate gains on sale, as well as reinvesting the sale proceeds in new aircraft investments. From our inception in 1993 to December 31, 2018, we have:

- purchased and committed to purchase more than 800 aircraft, with an aggregate purchase price in excess of U.S.$44 billion;
- executed more than 860 leases with more than 160 airlines in 57 countries and regions;
- raised nearly U.S.$25 billion in debt financing since January 1, 2007;
- sold 330 owned and managed aircraft; and
- transitioned more than 80 aircraft at lease end and repossessed 38 aircraft from airline customers based in 14 jurisdictions.

We maintain a fleet of young, fuel-efficient, in-demand aircraft types. As at December 31, 2018, our aircraft fleet comprised 328 aircraft, of which 303 were owned aircraft and 25 were managed on behalf of third party customers, and these aircraft are on lease to 93 airlines in 37 countries and regions. As at December 31, 2018, the average aircraft age of our owned aircraft fleet was 3.0 years weighted by net book value, making our owned fleet one of the youngest in the aircraft operating lease industry. The average remaining lease term of our owned aircraft operating leases as at December 31, 2018 was 8.3 years, which is one of the longest in the industry. We also have a significant order book of 183 aircraft as at December 31, 2018. Our order book comprises principally popular single-aisle aircraft, such as the Airbus A320 family and Boeing 737 family, including the A320NEO and 737 MAX family new technology models.

We benefit from a low average cost of debt, which was 3.3% in 2018, supported by our strong corporate credit ratings, which were A-from both S&P Global Ratings (as at March 22, 2019) and Fitch Ratings (as at March 25, 2019) and a diversified range of funding sources. Unsecured bonds and third-party commercial bank financing are our primary sources of debt funding.

We enjoy strong and committed support from Bank of China. Bank of China has provided us with a U.S.$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. Following the listing of our shares on the Hong Kong Stock Exchange, Bank of China has retained a shareholding of 70% of outstanding shares.

Our senior management team is highly experienced and stable, with Mr. Robert Martin (our Managing Director and Chief Executive Officer) and Mr. Phang Thim Fatt (our Deputy Managing Director and Chief Financial Officer) having worked together at the Company since 1998. This team has successfully managed the Group through multiple industry cycles. They are key to the Group's historical performance in executing successfully our business strategy and, in particular, in overseeing and leading the Group's active approach to risk management and corporate governance. In addition, many of our senior management have extensive experience working in the aviation industry in multiple jurisdictions.

We have a global presence through which we execute our strategy, with headquarters in Singapore and offices in Dublin, London, New York and Tianjin.

COMPETITIVE STRENGTHS

A young aircraft fleet and an aircraft order book comprised primarily of fuel-efficient, in-demand aircraft

Our current owned aircraft fleet and those aircraft we have committed to purchase are among the most widely used by airline customers and are highly liquid, being in-demand by airline customers and aircraft investors. As at December 31, 2018, the average aircraft age across our owned aircraft portfolio was 3.0 years weighted by net book value, one of the youngest aircraft fleets in the aircraft operating lease industry.

Our core fleet comprises aircraft models and types that we believe have operational flexibility, that will appeal to a broad customer base for extended periods of time, that are fuel-efficient and technologically advanced, that can be sold on attractive terms and that can be transitioned readily between lessees. Narrowbody aircraft, such as the popular Airbus A320 family and Boeing 737 family, make up a majority of our owned fleet by net book value as at December 31, 2018. In addition, the majority of the widebody aircraft in our aircraft portfolio are the most popular twin-engine aircraft types – the A330-300 and Boeing 777-300ER, which are complemented by new technology 787 and A350 family aircraft.

We are well positioned for future growth, with a strong order book of 183 aircraft as at December 31, 2018, to be delivered through 2021, providing our base contracted pipeline for deliveries of aircraft. We are also opportunistic when we see attractive opportunities to purchase additional aircraft from airlines through purchase and leaseback (**PLB**) transactions as well as purchase opportunities from aircraft manufacturers as and when they arise. Our balance sheet capacity and our backstop lines of credit enable us to react quickly to opportunities.

Scale and well-established long-standing relationships with aircraft manufacturers, airline customers and aircraft investors

We are a leading global aircraft operating leasing company, benefiting from significant financial scale, with assets of U.S.$18.3 billion as at December 31, 2018, and the ability to purchase, and to make future commitments to purchase, large numbers of aircraft. Combined with the skill and experience of our senior management team and our dedicated aircraft purchasing team, our scale and well-established long-standing relationships with the major aircraft and engine manufacturers, including Airbus and Boeing, allow us to achieve what we believe to be competitive aircraft purchase pricing and other terms.

We have developed strong airline customer relationships over our 25-year history, allowing us to place our aircraft with a geographically diversified customer base. Our ability to move quickly to complete large transactions gives us a competitive advantage with our airline customers, who often prefer to execute single transactions for larger numbers of aircraft instead of multiple transactions. Our financial strength also enables us to take a counter-cyclical approach to investment in aircraft.

Selling aircraft is one of our core competencies. Since our inception in 1993, we have sold 330 owned and managed aircraft to a wide range of buyers including other leasing companies, airlines and financial investors. We have developed an extensive network of established aircraft investors and airline customers to whom we can sell aircraft, and our ability to implement successful sales programs throughout industry cycles is one of our competitive strengths. Our aircraft sales enable us to mitigate risks in our aircraft portfolio and generate gains on sale, as well as allowing us to reinvest sale proceeds in new aircraft investments.

Long-term contracted cash flows from a geographically diversified customer base

We have a globally diversified client base across customers and geographical regions. This diversification reduces our exposure to risks associated with customer concentrations and fluctuations in regional geopolitical and economic conditions. Our customers for our owned and managed aircraft included 93 airlines in 37 countries and regions as at December 31, 2018. Our regional exposure is diversified, but weighted towards what we believe to be the high growth markets in Asia. Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan together was our largest regional exposure, accounting for 31.5% by net book value in 2018, with Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) accounting for 23.0%, and the Americas, Europe and Middle East and Africa accounting for 8.8%, 23.8% and 12.9%, respectively.

We have strong and proven aircraft placement capabilities. Our aircraft are typically committed for lease well in advance of their delivery to us, and our aircraft utilization rate (being the total number of on-lease days as a percentage of available lease days) was 99.8% between January 1, 2008 and December 31, 2018.

Our revenue is driven by the long-term operating leases we enter into with our airline customers. The profile of our airline customers is analyzed and monitored on a regular basis, consistent with our strong risk-aware culture. The average remaining lease term for our owned aircraft was 8.3 years as at December 31, 2018, weighted by net book value, one of the longest in the aircraft operating lease industry.

Disciplined and active aircraft portfolio management to ensure a high quality aircraft fleet

We take a disciplined and active approach to aircraft portfolio management. Our portfolio management and in-house capabilities have been developed over our 25-year operating history. We focus on purchasing new, fuel-efficient, in-demand aircraft and plan our fleet replacement and growth in a disciplined way and based upon our assessment of, and expectations for, the aviation industry and the overall demand for aircraft from customers. Aircraft sales also play a key role in our portfolio management activities, in particular in seeking to maintain a young average aircraft age across our fleet, reduce aircraft and counterparty concentration risk and/or exit from non-core or less popular aircraft types, among other things.

Our comprehensive in-house capabilities include aircraft purchasing, global lease placements, investor sales, risk management and technical and operating lease management. Our scale, experience and full service portfolio management teams aim to ensure that we maintain an aircraft portfolio that is closely-matched with market demand and to maximize value of our fleet.

Strong credit ratings and proven access to competitively priced debt funding

We have one of the highest credit ratings in the aircraft operating lease industry, with investment-grade corporate credit ratings of A-from both S&P Global Ratings and Fitch Ratings and access to diversified financing sources.

We believe we have one of the lowest costs of debt funding among aircraft operating leasing companies globally, We maintain a proactive approach to financing through our dedicated treasury team which has banking relationships with over 80 banks and financial institutions in Asia, Australasia, Europe, the Middle East and North America. We also continue to pursue and develop financing sources from new markets.

Since 2000, our debt capital markets issues have allowed us to access multiple bond markets, including the Regulation S market, the offshore Chinese yuan bond market, the Singapore, Hong Kong and Australian dollar bond markets and the U.S. Rule 144A international market. We have raised more than U.S.$8.2 billion in debt capital markets financing since 2000. We also benefit from strong financing relationships with U.S. Exim and the European Export Credit Agencies dating back to 2000. In addition, we also have strong backstop liquidity, with an aggregate of U.S.$4.3 billion in committed unsecured revolving credit facilities as at December 31, 2018, U.S.$2.0 billion of which is provided by Bank of China under a facility expiring in 2022 and, of which U.S.$2.8 billion were undrawn as at the same date.

Given our proven track record and strong shareholder support from Bank of China, we are able to operate and grow our business through debt funding leverage, while also maintaining our strong credit ratings. In addition, our cost of debt funding, ability to access the capital markets and our efficient capital structure enable us to achieve an attractive equity return profile and provide us with the flexibility to execute large aircraft purchase transactions opportunistically.

Experienced senior management team with a proven track record through multiple industry cycles and a strong risk-aware culture

We have an experienced senior management team consisting of executives of different nationalities, with diverse professional backgrounds and a long tenure of working in the aircraft operating lease industry and with the Group. Our Chief Executive Officer and our Chief Financial Officer have worked together in their respective leadership positions within the Company since 1998, providing industry-leading continuity.

Our senior management team has a proven track record of delivering strong financial performance. We have had 25 years of unbroken profitability since our inception in 1993, with U.S.$3.7 billion in cumulative profits through 2018. Together, the senior management team has overseen the expansion of our owned and managed aircraft fleet from 76 as at January 1, 2008 to 328 as at December 31, 2018.

Our senior management team have worked together through multiple industry cycles and have a strong track record in anticipating and capturing opportunities as they arise in different points of the industry cycle. For example, from the last quarter of 2008 to the end of 2009, we acted decisively to take advantage of a number of attractive investment opportunities that arose from the financial crisis and we acquired 61 aircraft, of which 40 were purchased through PLB transactions.

Active risk management is an integral part of our strategy and culture. We take a holistic approach to managing balance sheet risks. On the asset side of our balance sheet, we maintain a high-credit quality portfolio by using models which analyze market and other data to provide us with information on the credit profiles of our airline customers and the marketability of our aircraft, and establishing internal guidelines on aircraft type and customer diversification. This has resulted in a lease payment collection rate averaging 99.7% from January 1, 2008 to December 31, 2018. On the liability side of our balance sheet, we closely monitor Group liquidity, our debt repayment profile and counterparty risk in relation to financial institutions. Furthermore, our senior management team has a proven track record in limiting interest rate risks and managing the tenor of our debt. We believe our senior management’s strong focus on risk is a key differentiator for the Group, and has contributed to the stability of our business performance.

BUSINESS STRATEGIES

Continue to grow our young, liquid aircraft portfolio with a disciplined approach and focus on in-demand aircraft

Our business model is focused on investing in highly liquid aircraft assets: aircraft that have large production runs, a broad airline operator base and strong investor appeal. We will continue to take a disciplined approach to purchasing aircraft based on our measured assessment of future demand and supply dynamics and of future capital availability.

Our portfolio will continue to be built mainly around the most popular single-aisle aircraft, such as the Airbus A320 family and Boeing 737 family. We will also seek to acquire in-demand widebody aircraft on attractive terms where a long-term lease customer for the aircraft has been identified.

We have successfully taken advantage of market volatility and dislocations in the past to purchase significant numbers of aircraft both from the manufacturers and airlines. We are strongly positioned to access low-cost funding to fund opportunistic transactions and we have a scalable operating platform to support these activities.

Actively manage our existing aircraft portfolio to mitigate risk with a view to maximizing long term value

We seek to actively manage our aircraft portfolio with a view to maximizing the long-term economic value of our owned aircraft and to mitigate risk. Active aircraft portfolio management involves opportunistically selling aircraft, to manage risk and to generate gains on sale, and reinvesting the proceeds in new aircraft.

Our core strategy is to grow our earnings and assets over the long term, with an emphasis on investing more at the low points in the airline industry and financial liquidity cycles and selling more at the high points in those cycles. We will continue to aim to accomplish this by (i) maintaining a young fleet of narrowbody aircraft and focusing on stronger airline customers which we consider to be financially strong with whom we will place our aircraft on longer lease terms, and (ii) optimizing the liability side of our balance sheet with the lowest cost and most flexible funding available to us.

Continue to develop and grow our long-standing relationships with key industry participants

We have developed strong customer relationships during our 25-year operating history. We also have a presence in a number of key global aircraft operating leasing markets and in addition to maintaining close relationships with our existing customers, are able to develop new airline customers and source potential transactions across the globe. We expect to continue to grow and diversify our client base by focusing our leasing activities on airlines in high-growth areas of the world. Where appropriate, we will also seek to better serve our customers by opening new offices. Additionally, we will continue to seek new opportunities that allow us to expand our relationship with aircraft investors and other aviation industry participants.

Our senior management team will continue to play a key role in developing and growing customer and other key relationships. The strong relationships of this team with key industry participants, such as the aircraft manufacturers and airlines, position us to access new and additional market opportunities to drive growth in revenues and cash flow. We believe that our senior management team's experience in the aircraft operating lease industry is particularly valued by our airline customers, allowing the Group to work with them to understand their long-term needs and assist them in managing their business plans and fleet requirements.

Further diversify our financing sources to maintain our low cost of funding, financing flexibility and efficient capital structure

We will seek to continue to build on our long-term relationships with commercial banks and capital markets investors. We will continue to use a balanced mix of funding sources, including the commercial banking market and the debt capital markets and seek to maintain comparatively low debt funding costs. Drawing on our strong relationship with Bank of China and appropriately targeting key credit metrics in the execution of our business model, we will seek to ensure that we maintain our current strong credit ratings. Our investment grade corporate credit ratings and our access to diverse sources of capital allow us to maintain an efficient capital structure.

OUR AIRCRAFT FLEET

Our core fleet comprises aircraft types that will appeal to a broad airline customer base over extended periods of time, that are fuel-efficient and technologically advanced, and that have broad appeal to aircraft investors. Our fleet portfolio strategy is determined and regularly reviewed by our management and Board.

Current Fleet

As at December 31, 2018 our fleet and order book comprised the following aircraft types:

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order[1]	Total
Narrowbody Aircraft				
Airbus A320CEO family	130	8	0	138
Airbus A320NEO family	24	0	62	86
Boeing 737NG family	98	8	2	108
Boeing 737MAX family	5	0	90	95
Narrowbody sub-total	257	16	154	427
Widebody Aircraft				
Airbus A330CEO family	12	4	0	16
Airbus A330NEO family	0	0	12	12
Airbus A350 family	6	0	2	8
Boeing 777-300ER	19	3	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	4	0	12	16
Widebody sub-total	41	8	29	78
Freighters	5	1	0	6
Total	303	25	183	511

Note:

(1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.

As at December 31, 2018 our fleet comprised 303 owned aircraft and 25 managed aircraft, which is the largest owned fleet among aircraft operating leasing companies headquartered in Asia and one of the largest owned fleet among global aircraft operating leasing companies. Our order book comprised 183 aircraft as at December 31, 2018.

As at December 31, 2018, the average aircraft age across our owned aircraft portfolio was 3.0 years weighted by net book value, making our owned aircraft fleet one of the youngest in the aircraft operating lease industry.

The popular Airbus A320 family and Boeing 737NG family aircraft form the core of our current fleet. These are the most widely used single-aisle aircraft in the world, and have historically had strong demand from both airline operators and aircraft investors. The balance of our current fleet is made up mainly of the popular twin-aisle models Airbus A330-300 and Boeing 777-300ER aircraft complemented by Boeing 787 and Airbus A350 family aircraft. We also have a small number of freighters within our fleet.

Our fleet has grown significantly since 2007. The following table sets out the growth of our owned and managed fleet over the years.

	Year ended December 31,									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Number of owned aircraft	118	140	158	179	206	230	227	246	287[1]	303
Number of managed aircraft	24	26	25	24	20	20	43	38	31	25
Total aircraft	142	166	183	203	226	250	270	284	318	328

Note:

(1) Includes one aircraft subject to finance lease.

Aircraft Purchase Commitments

Overview

As part of our future growth plans we had, as at December 31, 2018, commitments to acquire 183 aircraft, either through our order book with the OEMs or pursuant to purchase and leaseback transactions with airline customers, to be delivered through 2021. As at December 31, 2018, our aircraft purchase commitments comprised the following:

	Number of aircraft scheduled for delivery during year ended December 31,		
	2019	**2020**	**2021**
Number of aircraft	79	54	50

We plan our fleet replacement and growth in a disciplined way, based upon our assessment of, and expectations for, the aircraft operating lease industry and the overall demand for aircraft from customers. Our order book provides our base contracted pipeline for our deliveries of aircraft, but we are also opportunistic when we see attractive investment opportunities for additional aircraft either from OEMs or pursuant to PLBs. Our balance sheet capacity and our backstop lines of credit enable us to react quickly to opportunities.

Our relationships with the OEMs and our airline customers, which have been developed over our 25-year operating history, provide us with not only access to aircraft at competitive prices, but also access to those models of aircraft which we believe to be most beneficial to our business strategy and flexibility on aircraft delivery dates. They also provide us with insight into, and information on, technological and other aircraft design, re-design and operational developments and issues and general industry intelligence, including on potential aircraft demand trends. Our scale and relationships with our airline customers and the OEMs allow us to deploy a counter-cyclical investment approach. For example, from the last quarter of 2008 to the end of 2009, we acted decisively to take advantage of a number of attractive investment opportunities that arose from the financial crisis and we acquired 61 aircraft, of which 40 were purchased through PLB transactions.

Lease Commitments for Future Aircraft Purchase Commitments

Our integrated approach to aircraft purchasing, aircraft leasing and aircraft sales, together with an active approach to risk management, has contributed to our high aircraft utilization rate of 99.8% between January 1, 2008 and December 31, 2018 (based on the total number of on-lease days as a percentage of available lease days). This approach mitigates significantly the issues and potential risks associated with owning aircraft without leasing commitments. See "Business – Our Business Operations" for further details.

Financing Arrangements

Consistent with the practice across the aircraft operating lease industry, the purchase price to be paid for these committed aircraft is not fixed at the time of entering into the relevant aircraft purchase agreement and will only be finalized upon the determination of the final specifications of the aircraft to be delivered and upon determination of all other relevant adjustments, including price escalation clauses. Our capital expenditure in 2019 will include pre-delivery payments associated with aircraft scheduled for delivery in the future.

The Group's aircraft purchase commitments as at December 31, 2018 are expected to be financed through a range of diverse funding sources, including (a) revenue generated from the Group's aircraft operating leasing activities, (b) the proceeds from the Group's debt capital markets issues, (c) the amounts made available and drawn down under the Group's various bank financing facilities, and (d) the net proceeds of sale of owned aircraft we sell.

Key Terms of Aircraft Purchase Agreements with Manufacturers

The key terms of an aircraft purchase agreement include a detailed specification of the aircraft type and engine choices (and any ability to change such specifications), the purchase price, the scheduled delivery timetable, the delivery conditions and the consequences in the event of manufacturer's delay in delivery. Our major obligations as a purchaser under an aircraft purchase agreement are to make engine and specification selections, supply buyer-furnished equipment and to make the required pre-delivery payments and the final payment and to take delivery of the aircraft from the manufacturer in accordance with the agreement.

The aircraft purchase price is usually paid to manufacturers in installments by way of pre-delivery payments and a final payment before delivery of the aircraft. While the percentage of total purchase price of the aircraft required by the manufacturers to be paid in the form of pre-delivery payment installments is subject to negotiation between purchasers of aircraft and manufacturers. The balance of the purchase price for the aircraft, ranging from 50% to 70% of the total purchase price, is due upon delivery. The purchaser will obtain the title to an aircraft upon payment of the final installment of the purchase price to the manufacturer. Aircraft manufacturers periodically announce the catalog price of certain models of aircraft manufactured by them, and on the basis of the catalog price manufacturers also adjust the purchase price of aircraft based on the change of certain indices or other variables, and the detailed price adjustment mechanism is set out in the aircraft purchase agreement. In addition, depending on the actual order and the then prevailing market conditions, the purchaser and the manufacturer may agree on other adjustments to the aircraft purchase price.

Aircraft manufacturing is a complex process and involves hundreds of suppliers of materials, parts and components. Aircraft manufacturers usually differentiate delivery delays caused by factors beyond their control from other delays. The aircraft purchase agreements between us and Airbus and Boeing provide for delays that may arise and the rights and remedies available to us as the purchaser in the event of such delays.

OUR AIRLINE CUSTOMERS

Our airline customers are geographically diverse. As at December 31, 2018, our 328 owned and managed aircraft were leased to 93 airlines in 37 countries and regions. The following table highlights the geographical diversification by net book value of our owned aircraft portfolio as at December 31, 2018:

Region[(1)]	**As at December 31, 2018**
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	23.0%
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	31.5%
Americas	8.8%
Europe	23.8%
Middle East & Africa	12.9%

Note:

(1) Based on the jurisdiction of the primary obligor under the relevant operating lease. Excludes two Airbus A320 aircraft off lease at December 31, 2018 which were delivered to a customer in the Americas in January 2019.

For the year ended December 31, 2018, the single largest customer group accounted for 9.8% by net book value for our owned aircraft portfolio. Our ten largest customers accounted for approximately 42.8% by net book value as at December 31, 2018:

Customer	**Percentage by NBV as at December 31, 2018**[(1)(2)(3)]
Qatar Airways	9.8%
EVA Airways	6.4%
Air China	4.0%
Aeroflot	3.9%
China Southern	3.3%
Cathay Pacific	3.3%
Thai Airways	3.3%
Turkish Airlines	3.0%
Iberia	3.0%
Vistara	2.8%

Notes:

(1) Based on net book value as at December 31, 2018.

(2) For certain airlines, the percentage includes leases to affiliated airlines whose obligations are guaranteed by the named airline.

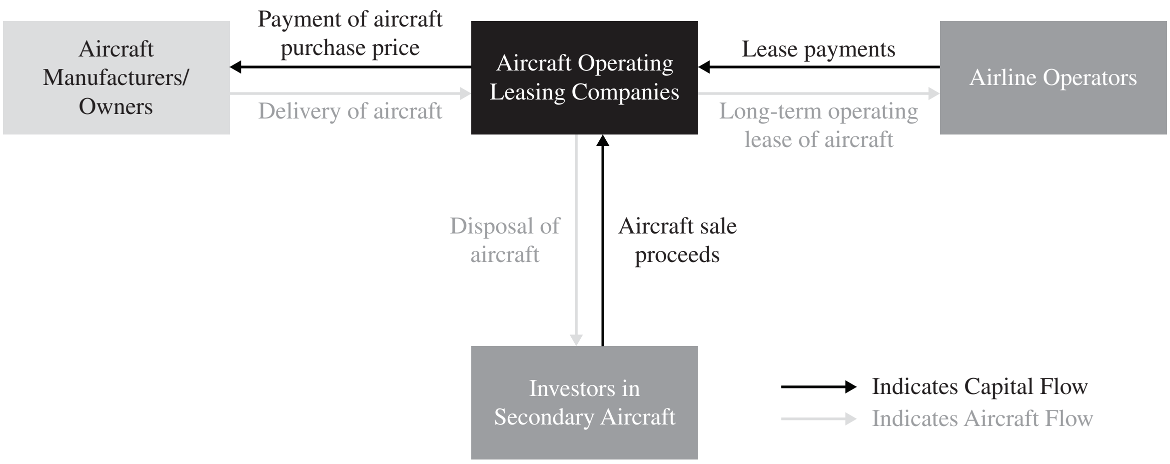
(3) Based on the jurisdiction of the primary obligor under the relevant operating lease. Excludes two Airbus A320 aircraft off lease as at 31 December 2018 which were delivered to a customer in Americas in January 2019.

Given new deliveries and related leases and based upon existing and future lease commitments for owned aircraft, our ten largest customers will change in 2019 and future years.

OUR BUSINESS OPERATIONS

Overview

Aircraft leasing is an important part of the global aviation supply chain. However, the characteristics of the aircraft operating lease industry differ from those of aircraft manufacturers and airline operators. In contrast to manufacturers and operators, who are subject to significant volatility in short-term demand and input costs, aircraft operating leasing companies have stable portfolios of long-term lease contracts that provide regular, predictable cash flows, and are typically funded by long-term debt. The following diagram highlights the position of the aircraft operating leasing companies in the aviation industry.



Our core revenue-generating activity is leasing aircraft to our airline customers, which makes up around 90% of our revenues and other income generated over the Relevant Period. In addition, we generate revenue from:

- selling our owned aircraft;

- earning interest and fee income in connection with aircraft pre-delivery payments pursuant to lease commitments or other sources and aircraft lease management and servicing arrangements; and

- earning fee income from selling managed aircraft.

Our business model has been established and refined over our 25 years of operation and is implemented through an integrated approach across all teams and functions of the Group to enable the Group to deliver on its key strategic objectives. The key elements of our business model are:

- **acquiring aircraft:** acquiring, at competitive prices, aircraft that are expected to appeal to a broad range of aircraft leasing customers and aircraft purchasers and investors, with strong anticipated residual value and transferability characteristics;

- **leasing aircraft to a geographically diverse group of airline customers on favorable lease terms:** maintaining and seeking to continually develop relationships with a geographically diversified group of airline customers for aircraft lease placements with favorable lease pricing, tenure and other terms and conditions;

- **selling aircraft:** as part of our active portfolio management and risk management program, regularly reviewing our portfolio to ensure aircraft are offered for sale at optimal times and to generate attractive returns on sale that can be reinvested in new aircraft; and

- **driving down funding costs:** continually seeking to obtain financing at the lowest available cost and most favorable terms, with a well-dispersed repayment profile.

Our diverse portfolio of long-term leases drives our profitability and has historically produced a stable revenue base. Because leasing aircraft produces the majority of our earnings, we have historically grown our earnings as our fleet has grown. In addition, the combination of our mix of floating and fixed rate leases and floating and fixed rate debt, and our active interest rate hedging program, has produced a resilient net lease yield (defined as lease rental revenue less finance expenses, divided by average net book value of aircraft and multiplied by 100%). In 2018, our net lease yield was 8.3%, as compared with 8.4% in 2017.

We operate from our offices in Singapore, Dublin (the Republic of Ireland), London (the United Kingdom), New York (USA) and Tianjin (PRC), which allows us to source and maintain new and existing airline customers and to source potential transactions globally. These offices also allow us to maintain close relationships with the aircraft OEMs and to be connected with the principal providers of our funding.

Aircraft Purchasing

Overview

We focus our investment strategy on aircraft that are popular with airline customers and that appeal to aircraft investors. As a result, our portfolio is built mainly around the popular Airbus A320 family and Boeing 737NG family aircraft. Our aircraft purchasing strategy is determined and reviewed regularly by our management and our Board, as are the aircraft purchase transactions entered into by us. We principally enter into two types of aircraft purchase transactions:

(i) aircraft purchases through our order book, which involve us placing aircraft purchase orders with the aircraft OEMs and securing an operating lease with an airline customer from delivery; and

(ii) aircraft purchases in connection with purchase and leaseback transactions, which involve us taking over aircraft purchase commitment(s) an airline has with an aircraft OEM or buying aircraft from the airline and in either case leasing the aircraft back to the airline customer.

We have a disciplined approach to aircraft purchasing based on measured forecasting of future demand and supply dynamics as well as capital availability. We are in frequent dialogue with our airline customers and the OEMs through multiple levels of interaction with their organizations, developing potential purchase opportunities and building market intelligence to inform and refine our views on optimal fleet composition in response to anticipated airline customer demand. This allows us to acquire aircraft based on a detailed and measured assessment of future demand and supply dynamics, even in circumstances where specific airline customers have not yet been identified and/or leasing commitments have not yet been entered into.

Before we commit to acquire aircraft, we take into account various different factors, including:

- the capabilities of the relevant aircraft model and any competing products;
- future demand for the relevant aircraft model, both from airline operators as future customers and airline operators and investors as future purchasers;
- market demand and supply dynamics for the relevant aircraft model;
- OEM order backlogs;
- engine selection, operational capabilities and features by reference to expected market demand; and
- the likelihood of technological obsolescence.

In addition, all aircraft purchases are assessed and evaluated by reference to our ability to ultimately realize the residual value of the aircraft and various other financial return and other benchmarking requirements. The delivery schedule for our aircraft is carefully planned and spread out over time to ensure that our future capital expenditure commitments are in line with our capital-raising capabilities and to avoid delivery concentrations in any single period given the cyclical nature of the airline industry. See "Business – Our Aircraft Fleet" for further details.

While our strategy is primarily focused on aircraft purchases through our order book, the Group constantly evaluates and analyzes potential aircraft purchase and leaseback transactions as and when they arise. Aircraft purchase and leaseback transactions are implemented if and when the financial and other terms are consistent with the Group's financial return and other benchmarking requirements. Whether these types of transaction are attractive to both airline customers and the Group depends on a number of factors, including in particular the macroeconomic environment and other market and operating conditions with which airlines are faced, as well as the Group's anticipated returns on these transactions as compared with order book aircraft purchases.

Key Supplier Relationships

Our primary capital costs are aircraft purchases which include the aircraft along with engines and buyer-furnished equipment (such as seats and galleys). These are accounted for as capital expenditure. The aircraft are recognized as plant and equipment assets on the balance sheet and are then depreciated in accordance with our accounting policies. This depreciation represents the largest component of our costs along with finance expenses and staff costs.

In addition to Airbus and Boeing, the Group also has supplier relationships with a range of other regular suppliers of capital equipment, primarily of aircraft engines and of buyer-furnished equipment. The Group maintains good working relationships with a number of industry suppliers and is therefore readily able to source required items and equipment to suit the needs of our airline customers.

We have built an extensive global network with various types of third-party service providers. These service providers offer us access to services which are either not practical for an aircraft operating leasing company to maintain or which supplement the resources of our own technical team. We generally engage with three types of service provider, namely Maintenance, Repair and Overhaul (or **MRO**) providers, who provide, on an as needed basis, aircraft or engine maintenance and related services, parts and material suppliers and specialist service suppliers who provide services such as engineering design and ferry flight operation. The Group's third-party service providers, including MRO providers, do not typically account for a significant percentage of our costs, which are primarily depreciation expenses of aircraft, debt-related expenses and staff costs. Costs associated with MRO providers can be material from time to time, for example if specific services, such as heavy maintenance or overhaul services are required for off-lease or repossessed aircraft. See "Business – Our Business Operations."

Aircraft Leasing

Overview

Given the profile of our fleet and our order book, which primarily comprise aircraft that we believe to be popular with airline customers and that appeal to aircraft purchasers and investors, we seek to consistently place our fleet on attractive lease terms with what we believe to be high quality airline customers. This strategy not only ensures that we enter into aircraft leases with airline customers who are more likely to comply with our lease contracts, but also enables us to readily market our aircraft for sale with the lease to realize the residual value of our aircraft. We believe we enhance our ability to sell aircraft at attractive prices by selling them complete with an attractive lease with a higher quality airline customer. This structure appeals to buyers such as financial investors and other aircraft operating leasing companies who, as a result, are able to purchase and invest in an aircraft asset that provides an immediate revenue stream.

Airline Customers

The Group's skilled and experienced leasing team is primarily responsible for the Group's aircraft leasing marketing activities and ensuring that new and existing airline customer relationships are developed and maintained. This team is in regular dialogue with, and undertakes regular targeted marketing activities for, the Group's existing and target airline customers. This team regularly reviews and analyzes a wide range of airlines with a view to understanding their aircraft leasing needs and is regularly in discussions with both existing customers and new potential customers. The team works closely with other teams within the Group and senior management to ensure that all relevant information relating to potential leasing opportunities is captured, filtered and actioned as appropriate. The leasing team works closely with the Group's risk managers to ensure that it targets those potential customers that meet the Group's credit criteria. As part of any particular review, the Group may decline to enter into an operating lease with a potential airline customer, which may be due to an actual or perceived weak credit standing or a poor business model, among other factors.

We perform rigorous due diligence on new customers, including – in addition to financial- and operational-focused due diligence – on their jurisdiction of incorporation and the jurisdiction in which the aircraft will be registered, before committing to place an aircraft on lease. In particular, our risk managers conduct thorough due diligence on prospective airline customers. This process involves on-site customer visits and interviews, and an analysis of a range of corporate information, including but not limited to financial and operating data. See “Business – Know Your Customer and Related Compliance Risk Management” for further details.

We have developed an in-house credit rating system. We assess the macroeconomic and industry environment in which prospective airline customers operate, including how and from where their core revenues are derived, and this information is used to complete a credit assessment and assign an internal credit rating. Our internal credit rating system is employed to calculate a risk charge to be applied to lease rent, permitting the calculation of risk-adjusted internal rates of return so that a prospective transaction may be compared with other transactions on a common basis. Based on the internal credit rating of a prospective airline customer, our risk managers advise on the levels of security deposits required for the lease, and whether or not cash maintenance reserves should be paid on a periodic basis during the lease term. See “Business – Our Business Operations.”

We regularly review, analyze and, where relevant, take steps to adjust our lease portfolio by reference to a series of concentration guidelines. These guidelines aim to ensure diversification within our lease portfolio and play an important role within the various risk management and mitigation tools, policies, procedures and processes which are embedded within our business model.

Our concentration guidelines analyze our exposure by reference to:

- single airline and airline group exposures, as ranked by relevant credit scores (and which vary by reference to a range of factors including, for example, financial structure and performance, business model implementation and market growth); and

- regional and/or country exposures (having regard to a range of factors including for example, in the case of countries, their sovereign risk rating).

Approaching termination of an operating lease of one of our owned aircraft we identify appropriate airline customers with whom to place the aircraft on operating lease. In practice, given our strategy of selling our owned aircraft during their first lease and while the aircraft are relatively young, placing aircraft on a second lease has been relatively rare.

Execution of Lease Transactions

Our leasing transactions are executed by our highly experienced leasing legal teams. These teams are capable of managing a high transaction volume. Given the technical nature of aircraft operating lease transactions, these teams receive significant input and guidance from various other key teams within the Group, including from the Group’s technical and sales teams. Since inception in 1993, we have executed more than 860 leases with more than 160 customers in 57 countries and regions.

Once we have sourced a potential lease opportunity, the leasing process typically involves two documentation stages, namely the execution of a letter of intent, followed by the execution of definitive aircraft leasing documentation. Letters of intent and definitive aircraft leasing documentation are entered into by one of the contracting entities within the Group, including entities incorporated and tax resident in Singapore, the Republic of Ireland, USA, the United Kingdom, the Cayman Islands and the PRC.

The Group has a range of entities in various jurisdictions to hold aircraft. Our decision as to which entity enters into relevant documentation is driven by a number of factors, including the airline customer’s desire for the optimal location to lease aircraft to them.

Letters of intent typically record the key financial, commercial and technical terms of the proposed aircraft lease and typically follow accepted aircraft operating lease industry norms in terms of content and items negotiated at this stage. Any commitment on the Group to proceed to enter into a lease is subject to a number of conditions and letters of intent are not typically binding upon either the Group or the airline customer until all relevant corporate approvals have been obtained.

Once we and a potential airline customer have obtained all relevant approvals, we promptly engage the airline customer in discussions on definitive aircraft leasing documentation.

In the unlikely event that we fail to secure lease commitments from an airline customer, we have a number of tools and contingency plans available to us, including delaying delivery of the relevant aircraft or selling the aircraft.

Ongoing Airline Customer Monitoring and Management

Our airline customers are responsible for all maintenance and repairs during a lease. During the lease our in-house technical department will regularly review the maintenance status of the aircraft. The lease requires that all maintenance is performed by an approved organization in accordance with the approved maintenance program and which meets or exceeds the aircraft and engine manufacturers' guidelines.

Our in-house technical department has two broad functions. The first one is to provide technical support and advice at all stages of a lease transaction to ensure that the technical terms of any lease maintain or enhance our asset value. The second function is to regularly review the reported maintenance status of the aircraft during a lease and to review any modification work performed on the aircraft. At lease end they ensure that the aircraft is returned in the specified lease-return condition and also project manage the transition to any second or subsequent lessee.

The technical department develops and maintains dedicated resources and expertise in a number of important areas, including:

- lease transition including maintenance and modification management;
- regulatory requirements;
- operational requirements;
- maintenance costs and related maintenance cash flow analytics;
- engine management;
- technical data and records management;
- maintenance claim management; and
- on-lease asset management.

All airline customers are required under the terms of our operating leases to pay for all aircraft maintenance and repairs, whether scheduled or otherwise. Depending on the creditworthiness of our airline customers we may require our airline customers to pay cash maintenance reserves from which airline customers can subsequently draw when agreed maintenance is performed. Where, following completion of our detailed customer due diligence processes, we conclude that an airline customer is of an appropriate credit strength and profile, we may not require maintenance reserve payments to be paid monthly during the term of the lease but may require maintenance payments on expiry of the lease and/or that the airline customer will pay us a maintenance adjustment. In all cases, our leases require that the aircraft is to be re-delivered upon lease expiry in compliance with detailed condition requirements set out in the lease.

Typically, the amount of maintenance reserve payment required to be paid by relevant airline customers is determined by reference to various factors, such as the aircraft and engine types and specifications, inflation adjustments, the utilization of the aircraft (i.e. primarily, the hours flown) and the operating environment of the engines. When required during the lease term, such payments are usually paid monthly in arrears. In some cases, monthly or annual cash payments or other forms of security are obtained from customers for these maintenance payment obligations. The technical department monitors monthly utilization reports provided by our customers and is in regular dialogue with the technical and related personnel within our airline customers. For example, we closely monitor maintenance reserve drawdown requests from our airline customers and ensure that payment is only approved for actual maintenance performed and that any payment does not exceed the accrued maintenance reserves.

Monitoring of rental and other payments by airline customers is fundamental to aircraft operating leasing companies and within the Group. The risk management team pays close attention to those airline customers who we perceive as having weaker credits or who we anticipate may experience difficulties in meeting their payment obligations to us. The team follows up with airline customers in the event of any delay in payment. Our leases require our airline customers to provide financial data to us annually and we evaluate the information we receive and update our internal credit ratings as appropriate. Following the commencement of a lease transaction, customer financial data is monitored and evaluated on a regular basis. We also maintain a number of communication channels with our customers which enable us to gather information about their operations, financial condition and ability to perform their obligations to us. These channels include senior level commercial, fleet planning and treasury contacts, as well as operational contacts in finance, technical, insurance, legal and other areas.

In addition, in circumstances in which we determine that the financial condition of a customer deteriorates, or if a customer defaults on its obligations under one of our leases, we place the customer on our "watch list." A "watch list" customer will have more detailed and in-depth monitoring. When deemed appropriate, we may develop a lease "enforcement plan" and, in parallel, an aircraft "marketing plan." If the situation requires, we will implement these plans, and repossess and redeploy an aircraft. Our integrated business model allows us to put in place a series of plans and steps to deal with potential or actual enforcement of our rights under our leases or, ultimately, repossessions.

Because we monitor the compliance by our airline customers with their key payment obligations on a monthly basis, we are able to readily identify potential signs of default or other distress. For example, a missed payment or request for a deferral of a payment would be raised rapidly with the Group's Operating Committee and the relevant customer would become subject to additional monitoring and scrutiny.

To the extent that the financial and/or other relevant condition of an airline customer deteriorates, the Group mobilizes cross-functional teams to put in place an "enforcement plan" which details the specific steps required to repossess the aircraft and, more importantly, how and to whom it will be re-leased or sold, as appropriate, once repossessed. If required, this enforcement plan will be executed by an ad hoc cross-functional enforcement teams with assistance from external service providers, including external legal counsel, as quickly as possible, although the Group typically seeks to come to a negotiated arrangement with airline customers facing short-term only issues, typically in return for more favorable lease terms for the Group.

Our Lease Portfolio

Our overall business strategy has resulted in a very high aircraft utilization rate (being the total number of on-lease days as a percentage of available lease days) of 99.8% between January 1, 2008 and December 31, 2018.

In addition, our lease expirations are well-dispersed, with relatively few near-term expiries. The following table sets out the breakdown between fixed and floating rate rental terms[(1)] by net book value of our owned aircraft portfolio[(2)].

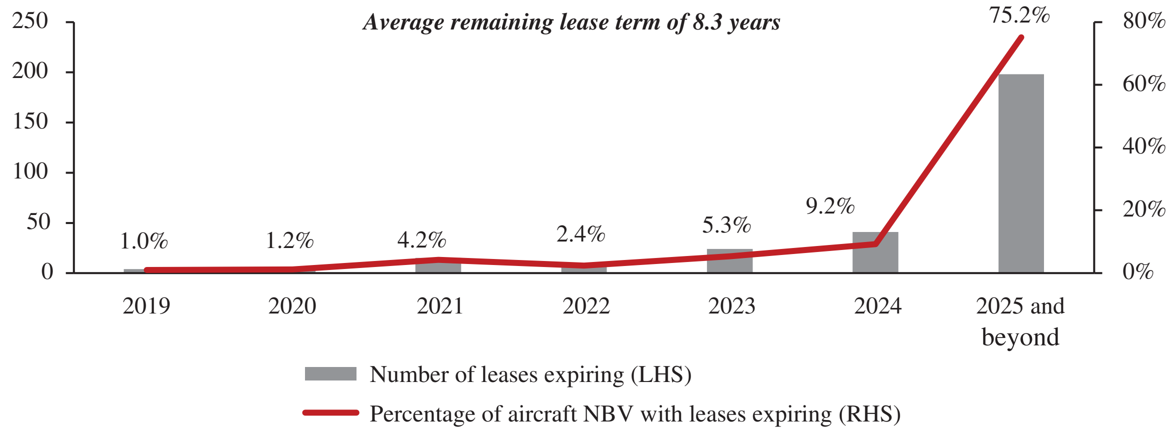
	Percentage by NBV as at December 31,		
	2018	**2017**	**2016**
Fixed rate rental terms	76%	66%	54%
Floating rate rental terms	24%	34%	46%

Notes:

(1) For further explanation of "fixed rate rental terms" and "floating rate rental terms," see "Business – Key Lease Terms."

(2) Includes aircraft held for sale. Excludes aircraft off lease as well as aircraft subject to finance lease.

The chart below illustrates the number of leases and percentage of net book value as at December 31, 2018[1] for those aircraft with leases expiring in future years, excluding any aircraft for which we have sale or lease commitments.



Note:

(1) Owned aircraft with lease expiring in each calendar year, weighted by net book value including aircraft off lease, excluding any aircraft for which we have sale or lease commitments.

We regularly monitor our lease portfolio to actively plan for the transition of aircraft where leases are due to expire in the near term. Three key actions are typically considered and analyzed for such leases, namely (i) seeking a lease extension with the existing airline customer, (ii) entering into a new lease with a different airline customer, or (iii) where appropriate, selling the relevant aircraft. To seek to minimize off-lease time as much as possible and to ensure maximum utilization of our aircraft portfolio, where we seek to enter into a new lease with a different airline customer we actively seek to ensure that terms of the existing lease match the terms of the new lease with regard to the timing and location of re-delivery/delivery of the aircraft.

Aircraft Sales

Overview

Selling aircraft is one of our core competencies. We have sold 330 owned and managed aircraft since inception in 1993. A successful sales program begins with disciplined aircraft procurement, purchasing the right aircraft in the right configuration at an attractive price and placing the aircraft on well-structured leases with good customers, all with a potential future sale in mind. We believe our ability to implement successful sales programs is one of the competitive strengths of the Group, which supports our strategy to generate revenue from gains on sales and to maintain a young fleet.

This integrated approach to being cognizant of future sales of aircraft and, therefore, positioning ourselves to obtain attractive sale prices for our owned aircraft, means that our aircraft sales team is involved in detailed discussions with our aircraft purchasing, leasing and sales team. In particular, we believe that ensuring that popular aircraft types with existing good quality medium-to long-term leases in place are likely to maximize the Group’s gains on sale.

Typically we sell aircraft for a number of factors, including to:

- maintain a young fleet;
- reinvest sales proceeds in attractive aircraft purchases;
- reduce airline customer, geographic and aircraft type concentration risk;

- reduce future transition risks and costs;
- exit from non-core or less popular aircraft types; and/or
- generate gains on sale.

Buyers of our Aircraft

We sell aircraft to a wide range of buyers including other leasing companies, airlines and financial investors. Other leasing companies typically seek to acquire aircraft to grow or re-adjust their own portfolios with aircraft that provide an immediate source of lease revenue. The factors driving the acquisition of aircraft by airlines vary during the industry cycle – during periods of financial strength, for example, some airlines may seek to own additional aircraft rather than enter into aircraft operating leases. The demand for aircraft from financial investors may also be cyclical and depend, among other factors, on the availability and cost of debt and equity capital.

Our fleet is regularly reviewed by our aircraft sales team to determine the optimal time to offer an aircraft for sale. This team is also in frequent and regular dialogue with various other teams across the Group to discuss and analyze potential sales opportunities as and when market intelligence suggests opportunities may exist. Typically, a competitive sales process is implemented in respect of aircraft we seek to sell. Our aircraft sales strategy is reviewed and approved by our management and our Board, as are any sales transactions entered into by the Group.

We aim to offer aircraft for sale at the optimal time, typically during the first lease term or after lease extensions or re-leases. In addition, various over-arching strategies underpin our approach to, and analysis of, aircraft sales. Given the types of typical buyer for our aircraft referred to above, these strategies include the following:

- positioning aircraft to be sold to suit the needs of investors, including aircraft operating leasing companies, who are seeking to grow their own portfolios with aircraft that provide immediate lease revenue;
- gathering and acting on market intelligence that a particular potential airline purchaser is seeking exposure to a particular aircraft type(s);
- positioning aircraft to satisfy the investment needs of particular types of financial investors which have capital to deploy into aircraft, whether over the short, medium or long term; and
- anticipating and being prepared to execute aircraft sales quickly during periods of potential shortages of supply.

In addition to the Group's core aircraft sales activities, as and when market opportunities present themselves, the Group also enters into aircraft sales transactions with special purpose financial counterparties that access the capital markets to finance purchases of aircraft. In these types of arrangement where the purchaser is a financial investor, the Group typically continues to manage the aircraft. The Group will continue to seek opportunities to execute these types of aircraft sales transactions as and when market conditions facilitate them.

Third Party Lease Management Services

In addition to our core aircraft leasing business, we also deploy our in-house expertise in lease management, technical management and aircraft leasing and sales to offer third party lease management and re-marketing services to aircraft owners in return for fees. This area of our business generates fee income for the Group with minimal capital investment, as it utilizes resources and expertise that are already in place for our core business.

While certain aircraft owners have the financial strength and ability to own aircraft for investment purposes, they may not have the operational and/or technical know-how or capabilities to manage their owned aircraft. Accordingly, we offer aircraft management services as additional or integral elements of transactions for the sale of aircraft to financial investors, including those seeking to access the capital markets to finance those aircraft purchases.

Depending on the nature and profile of our lease management services customers, we provide a variety of services, ranging from basic services such as invoicing and collections of rental payments to much more technically complex services such as organizing and reporting on aircraft inspections. The range of services we provide includes:

- invoicing and collections;
- monitoring insurance renewals;
- monitoring letter of credit renewals;
- utilization reporting and tracking aircraft utilization;
- technical inspections;
- transition planning and management of aircraft transitions;
- lease marketing;
- sales marketing; and/or
- lease enforcement management.

Fees received by the Group in connection with third party lease management services are typically structured as a percentage of periodic rentals, as well as additional fees for lease or sales marketing services. Technical work is usually charged at a fixed price per man/day.

Other Revenue-Generating Activities

As a complementary product offering in connection with our aircraft purchase and leaseback transactions, we sometimes collect fees from our airline customers for making pre-delivery payments to the aircraft OEMs for future aircraft delivery commitments. These types of arrangement are typically sourced through a combination of our aircraft leasing and sales and our aircraft purchasing teams, each of which is in regular dialogue with our airline customers and the OEMs. We are able to leverage our relationships with both our airline customers and the OEMs as well as the prevailing dynamics in particular situations. This, together with our strong financial position, enables us to execute these arrangements quickly and efficiently on competitive terms. Consistent with the approach we take to analyzing and evaluating all transactions which we enter into, any pre-delivery payment arrangement is analyzed and evaluated against the Group's expected financial returns and other benchmarking requirements.

In addition, we also derive fee income from fees received for modifications to pre-delivery schedules, in particular from making advance pre-delivery payments for our aircraft purchase commitments.

FINANCING

Overview

Financing cost is our second largest operating cost in the current low interest rate environment, after depreciation on our aircraft portfolio, and is our largest cash operating cost. We focus on maintaining a competitive debt funding cost, and we achieve this by adopting a proactive approach to debt financing and by maintaining a diverse range of financing sources. This has enabled us to achieve an average cost of debt of 3.3% in 2018, which we believe was one of the lowest among aircraft operating leasing companies.

We maintain a proactive approach towards financing through a dedicated treasury team which is in direct contact with a broad range of financial institutions. We finance ourselves on a full recourse corporate basis with both secured and unsecured financing and have raised nearly U.S.$25 billion in debt financing since January 1, 2007, including U.S.$2.7 billion during 2018.

As at December 31, 2018, 13.5% of our drawn debt financing was on a secured basis with the remainder unsecured. Secured indebtedness was 9.2% of total assets as at December 31, 2018. Collateral for secured debt includes a mortgage over the related aircraft, an assignment of the operating lease and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to the aircraft.

Diverse Sources of Funding

The growth of Singapore as a significant Asian regional financial center has enhanced our ability to access multiple sources of debt financing in Singapore and across Asia. Our status as a major global aircraft operating leasing company by value of owned fleet positions us well to access these financing sources. Our diverse sources of funding include:

- Loan Financing.

    - **Term Loans**. We have been raising debt in the loan market since the mid-1990s and have established strong relationships since then with many banks and other financial institutions in Asia Pacific, Europe, the Middle East and North America. Competitive commercial financing costs are achieved through regular "financing request for proposal" processes, which provide for regular benchmarking of financing costs. We raise loans on either an unsecured or secured basis with full recourse to the Company and currently have more than 80 banks and financial institutions lending to us. In 2018, we raised a U.S.$750 million term loan which remained unutilized as of December 31, 2018.

    - **Committed, Unsecured Revolving Credit Facilities**. As at December 31, 2018, we had a total of U.S.$4.3 billion in committed, unsecured revolving credit facilities in place, of which U.S.$2.8 billion were undrawn as at the same date. We have accessed these facilities in the past in order to fund attractive aircraft acquisition opportunities and they represent a key tool in allowing us to execute our growth strategy and provide a source of committed backstop liquidity. In particular, we had as at December 31, 2018 a U.S.$2.0 billion undrawn, committed unsecured revolving credit facility in place with our controlling shareholder, Bank of China, which matures in April 2022. In addition, we also have U.S.$2.3 billion in committed unsecured revolving credit facilities with other financial institutions. See "Capitalization and Indebtedness" for further details.

- **Debt Capital Markets**. We have a long history of debt capital market issuance in the Singapore and international markets dating back to 2000. In September 2012, we established a U.S.$2.0 billion Euro Medium Term Note Programme (**EMTN Programme**) which was increased to U.S.$5.0 billion in April 2014. In March 2015, we converted the EMTN Programme to a U.S.$5.0 billion Global Medium Term Note Program (**GMTN Program**) and, in April 2017, raised the GMTN Program limit to U.S.$10.0 billion. We had, as at December 31, 2018, U.S.$7.2 billion outstanding under the converted GMTN Program. Investors in our notes include financial asset managers, insurance companies and private banks.

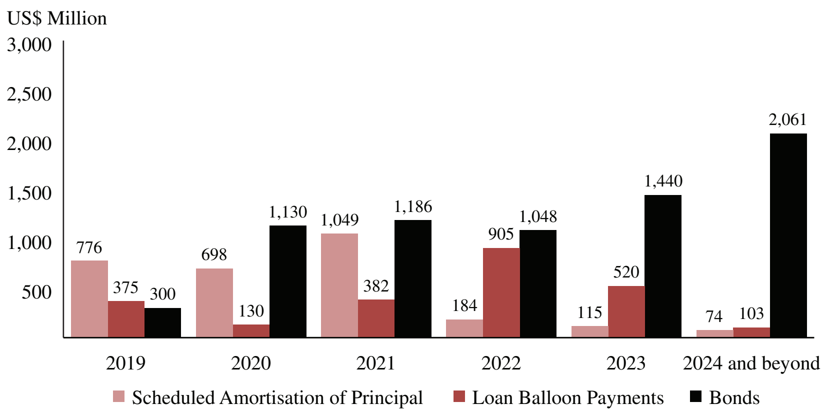
- **U.S. Exim and European Export Credit Agency Supported Financing**. We have accessed and may seek to continue to access funding guaranteed by the European export credit agencies for Airbus aircraft and U.S. Exim for Boeing aircraft in connection with new aircraft deliveries. We have close relationships with these national export credit agencies, and would typically utilize this debt financing if it represents the most cost-effective source of funding for a particular aircraft delivery. Financings from U.S. Exim and European Export Credit Agencies are typically structured as finance leases for which we retain substantially all the risks and rewards of ownership. Accordingly, we treat aircraft financed in this manner as owned aircraft and the finance lease obligations as secured loans.

As at December 31, 2018, our total indebtedness of U.S.$12,476 million comprised the following:

Debt Funding Sources	Amount Outstanding (in millions of U.S. dollars)	Percentage
Loans	4,503	36.1%
Debt capital markets	7,165	57.4%
U.S. Exim and European Export Credit Agencies guaranteed loans	808	6.5%
Total	12,476	100.0%

Debt Repayment Profile

We carefully evaluate and monitor our debt repayment profile to ensure that our refinancing requirements are well-dispersed. The following graph details our debt repayment (including finance lease payments) profile as at December 31, 2018.



Floating Versus Fixed Interest Rate Funding Mix

As at December 31, 2018, 39% of our outstanding debt was on a floating rate basis (including fixed rate debt which had been swapped to floating rates) and 61% was on a fixed rate basis (including floating rate debt which had been swapped to fixed rates). For details of approach to mitigating potential interest rate exposures see "Business – Risk Management."

Foreign Currency Hedging of non-U.S. dollar Borrowings

While the majority of our borrowings are in in U.S. dollars, from time to time we do borrow in other currencies through the issuance of local currency bonds under our GMTN Program. Our non-U.S. dollar borrowings are in Australian dollars, Renminbi, Hong Kong dollars and Singapore dollars. We have transactional and business currency exposures arising from these non-U.S. dollar borrowings as our Group functional currency is U.S. dollars and all of our operating revenues are denominated in U.S. dollars. To fully hedge this exposure we swap all of our non-U.S. dollar borrowings into U.S. dollar liabilities at or around the time of incurrence of such non-U.S. dollar borrowing through cross currency swaps with financial institutions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Qualitative and Quantitative Disclosures on Financial Risk."

KEY LEASE TERMS

Under the terms of our operating leases, airline customers bear the risks and rewards of operating the aircraft, while we retain title and bear the risks and rewards of ownership of the aircraft.

Our leases have a stated, fixed lease term, with terms that generally align with scheduled major maintenance events. Typical lease terms are between six and 16 years, with leases for new aircraft often in the 10 to 12 year range but shorter lease terms are more common for used aircraft. Some leases may contain extension rights for the airline customer, allowing the airline customer to extend the term of a lease for a fixed period at an agreed rental rate. In some cases, an airline customer may have an extension, early termination option or a purchase option, but these are only agreed in the event that we deem the economics of such arrangements to be satisfactory in the circumstances.

Our airline customers typically pay rent monthly in advance. All our operating leases require rental payments to be made in U.S. dollars. Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed at the time of execution of the lease contract or just prior to the delivery date by reference to a U.S. dollar swap-rate which is in line with the term of the lease. For floating rate leases, rents are typically re-set every three or six months by reference to either three-or six-month U.S. dollar LIBOR.

In general, operating lease rentals are correlated to interest rates, and rentals are expected to rise in a rising interest rate environment and fall when interest rates decline. Accordingly, we seek to enter into more floating rate leases in a low interest rate environment so as to avoid locking in low, fixed-rate lease rentals which may negatively affect our ability to sell aircraft in a rising or higher interest rate environment in the future. See "Business – Our Business Operations."

We typically hold a security deposit or letter of credit under our leases to secure the performance of the airline customer's obligations under the lease and which we may apply against those obligations if the airline customer defaults. The size of any security deposit or letter of credit varies according to the credit quality of the airline customer but is generally equivalent to between one and six months' rent. In some cases, we obtain credit support from a third party for the airline customer's obligations under the lease.

All aircraft are leased on a "dry" basis (also known as a "net" or "net lease" basis), with airline customers responsible for all operating expenses including fuel, crew, flight charges, maintenance, and insurance. In addition, all aircraft maintenance and repairs are the responsibility of the airline customers. If the lease requires the airline customer to pay maintenance reserves, we will typically agree to allow the cost of defined major maintenance events to be met out of the accrued maintenance reserves received from that airline customer or, in some cases, from a previous airline customer.

The airline customer is required to "gross-up" lease payments where they are subject to withholdings and other taxes, although there are some exceptions to this obligation, including typically taxes on our net income. The airline customer is also required to indemnify us for certain other tax liabilities relating to the lease and the aircraft, including value added taxes and stamp duties or taxes arising from changes in tax laws and regulations arising during the term of the lease. Typically our leases provide that the airline customer's payment obligations are absolute and unconditional under all circumstances.

Our lease agreements require the aircraft to be maintained in accordance with standards benchmarked with the relevant airworthiness authority and/or aircraft OEM and in accordance with all applicable laws and regulations. At the end of the lease term, the airline customer must return the aircraft in a pre-agreed minimum condition that allows the aircraft to enter service with its next operator. We are typically entitled to receive maintenance payments from our airline customers which represent the maintenance value of cycles, hours or calendar time consumed on the airframe, engines and certain other high-value components of the aircraft. Some airline customers make these maintenance payments in the form of monthly maintenance reserve payments during the term of the lease. Other airline customers make a lump sum return compensation payment at lease expiry. We account for all these maintenance payments as a liability in our balance sheet.

RISK MANAGEMENT

Overview

Our active risk management approach is an integral part of our strategy and culture. We take a holistic approach to managing risks. Our risk management team assesses and monitors the creditworthiness of our customers using a proprietary credit scoring model and applying internal guidelines on customer, country and regional diversification. The risk management team also plays an active role in our cash collections process. We adopt a portfolio management approach to monitoring and mitigating risk, driving decision-making in our core activities, including our investments and our sales program.

We evaluate and monitor key risks within our portfolio as follows.

- **Credit Risk.** As explained further in "Business – Our Business Operations," we conduct thorough due diligence on prospective airline customers and annual reviews of existing airline customers. We also assess the credit standing of, and monitor exposure to, significant business partners and third parties with whom we do business, such as financial institutions, insurance companies and other vendors which may expose us to counterparty risk.

- **Asset and Transaction Risk.** We employ a model to assign a grade to an overall transaction in order to evaluate risk, drawing on a range of inputs including aircraft price, rent, projected net book value and current and future projected appraised values. The assigned transaction grade is included in all credit assessments. We also assess relative liquidity for each aircraft type in our portfolio.

- **Jurisdictional Risk.** Minimizing the economic loss from a default will depend in part upon the legal framework in the relevant jurisdiction, and we assess these risks prior to entering into new transactions. In considering whether to proceed with leases in certain jurisdictions, we focus on a number of areas, including recognition of property rights, currency controls, tax regulation, aircraft registration requirements and repossession enforceability.

- **Technical Risk.** As the airline customer is responsible for maintenance of the aircraft during the lease, our technical management team negotiates the maintenance, return conditions and maintenance payment provisions in the relevant lease with reference to the airline customer's planned future utilization of the aircraft. In addition, we periodically inspect our owned aircraft and records to confirm compliance by the airline customer with the maintenance provisions in the lease agreement.

- **Liability Risk.** We have a policy framework for managing risks related to the Group's liabilities, including interest rate risk management and hedging, debt term structure management, liquidity risk management, currency hedging, and management of exposure to financial counterparties.

Know Your Customer and Related Compliance Risk Management

Our risk managers conduct "know your customer" assessments of potential counterparties, including prospective lessees and aircraft buyers as part of our transaction due diligence, to identify potential risks related to money-laundering, fraud, corruption, terrorist financing and breach of international sanctions. These assessments are conducted using public data sources, information provided by prospective counterparties and specialist software applications. Periodic screening of existing lessees is conducted as part of our annual review process. Implementation of our "know your customer" policy contributes to improving the risk profile of our portfolio, as well as protecting our integrity by ensuring that we transact with reputable counterparties maintaining high ethical standards. In addition, our staff are required to comply with the highest standards of ethical behavior in their internal and external-facing activities as set out in our code of professional conduct, deed of undertaking and staff handbook. We also have a robust fraud risk management policy setting out our fraud risk prevention, investigation and remediation processes and establishing our whistleblower and non-retaliation policies.

The scope of our international operations may require us in certain situations to comply with trade and economic sanctions and other restrictions imposed by the United States, the European Union, Singapore, China and other governments or organizations. A violation of these laws or regulations could adversely impact our business, financial condition and results of operations.

We have implemented and maintain policies and procedures that are designed to monitor and ensure compliance by us and our directors, officers and employees with international sanctions and other applicable laws and regulations. For example, our operating lease agreements allow us to terminate the lease if it becomes unlawful to continue to lease the aircraft to the lessee, such as in the case of sanctions being imposed that prohibit dealings with the lessee. If a lessee were to become subject to such sanctions during the term of an operating lease, we would seek to exercise our rights to terminate the relevant lease, following which we would seek to re-lease the relevant aircraft to an alternative customer in the same way as we would seek to re-lease an aircraft following a lessee default. See "Business – Our Business Operations – Aircraft Leasing."

Hedging Arrangements and Policies

With respect to its interest rate and currency exposure, we have defined hedging policies in place which have been approved by the Board's Risk Committee as part of the Group's liability risk management policy. Hedging arrangements are required to be in line with these policies. Counterparty risk, and limits in relation to hedge counterparties is monitored on a weekly basis by our Risk Management department. Compliance with the hedging policy is reviewed regularly through the internal audit process.

With respect to interest rate risk, we mitigate this exposure through an interest rate hedging policy. A significant portion of our funding is based on floating interest rates pegged to U.S. dollar LIBOR and is mostly repriced at intervals of six months or less. To the extent that there is a mismatch between the proportion of our aircraft portfolio on leases where the rentals are fixed and the proportion of our funding that is fixed, we will have exposure to the risk that our cost of implied debt funding for our fixed rental portfolio could increase without a commensurate increase in our revenue. We seek to hedge this exposure at all times by having in place fixed rate hedge contracts (interest rate swaps or interest rate caps) and fixed rate debt equivalent to at least 50% of the implied debt funding for the portfolio of our aircraft on fixed rate leases. The implied debt funding for our fixed rate portfolio of aircraft leases is calculated using internal assumptions for the debt to equity ratio of the Group.

Where we utilize fixed rate hedge contracts to hedge our floating rate debt, these contracts are typically for a tenor of no greater than five years compared with our typical lease term of up to 12 years. Considerations for our decision to hedge and with respect to the tenor include our views on interest rates, timing of expiration of interest rate hedging contracts, future potential financing at fixed rates and our view on the number and timing of future aircraft sales. An exposure may arise in the future from the mismatch between the longer term of our leases compared with the shorter term of our hedge contracts, which means we may have to roll over or re-execute new hedges in a higher interest rate environment.

We were in compliance with the above-described interest rate hedging policy as at December 31, 2018. See "*Business – Financing*" for further details.

With respect to currency risk, our exposure to currency risk on our non-U.S. dollar borrowings is fully hedged. Other foreign currency risk arises mainly from general operating expenses, where the Group is required to make certain payments in currencies other than U.S. dollars from time to time, principally in relation to operating expenditure such as salaries, office rent, travel expenses and certain ancillary components associated with our aircraft purchases.

The non-U.S. dollar denominated operating expenditure is not significant relative to the Group's overall expenditure requirements during the Relevant Period, and we will typically cover our foreign currency requirements in the foreign exchange spot market as and when required.

Internal Governance

In addition to our various committees of the Board (see "Board and Management"), we also have a well-established and developed committee and governance framework for managing the day-to-day business. The respective responsibilities and remits of each of these committees are summarized below:

- **Risk Management Committee:** provides an ongoing and forward-looking review of risk factors impacting both sides of our balance sheet, asset/credit risk and liability risk matters that may impact the Group. The committee also reviews changes in the external operating environment and the portfolio impact of implementing revenue plans. The committee is chaired by the Managing Director & Chief Executive Officer.

- **Management Committee:** has decision-making authority, delegated from the Board of Directors, to approve transactions that meet certain criteria, including leases and lease extensions, purchase and leasebacks, sales transactions, loan and bond financings, hedging, aircraft specification changes and other general administrative matters. The committee is chaired by the Managing Director & Chief Executive Officer. The six most senior members of the senior management team and the Chief Risk Officer are members of the committee.

- **Operations Committee:** brings together the main business functions involved in executing the Group's aircraft lease, acquisition and sales transactions and is involved in day-to-day management of the owned and managed portfolio, including the heads of the legal and transaction management, risk, technical, portfolio management, procurement, airline leasing and sales and aircraft sales departments. The committee is chaired by the Chief Operating Officer.

- **Finance Committee:** monitors and coordinates issues between the heads of the finance, tax, risk, aircraft sales and treasury departments including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Deputy Managing Director & Chief Financial Officer.

- **Investment Committee:** evaluates prospective aircraft acquisition, lease placement and sales activities on referral from the Revenue Committee. The committee is chaired by the Managing Director & Chief Executive Officer.

- **Revenue Committee:** provides guidance and planning for new PLB, lease placement and sales activities, and provides direction to the customer-facing airline leasing and sales and aircraft sales team for prospective new transactions. Approval of the Revenue Committee is typically obtained for purposes falling outside certain parameters. The committee is chaired by the Managing Director & Chief Executive Officer.

- **Funding Committee:** discusses funding requirements for the Group and debt markets. The committee is chaired by the Managing Director & Chief Executive Officer.

- **Internal Control Committee:** monitors compliance with internal processes and procedures and provides direction for any needed improvements thereto. The committee is responsible for oversight of the Group's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Group's business. The committee is chaired by the Chief Operating Officer.

- **Disclosure Committee:** monitors and approves all disclosures made on the Hong Kong Stock Exchange according to the Listing Rules. The committee is responsible for oversight of the Company's disclosure and the Company's inside information related policies and procedures. The committee is chaired by the Chief Executive Officer.

Further underpinning the Group's overall risk management approach are specific policies and procedures for each team within the Group, together with clear written delegations of authority to specified heads of department, each of which are reviewed and renewed, as appropriate, on an annual basis.

INSURANCE

In general, in order to be able to operate aircraft, our airline customers are required under applicable air transportation laws and regulations to carry key insurance coverage. Consistent with such regulatory requirements and standard practice across the airline industry, we also require under the terms of our leases that our airline customers carry casualty and liability insurance customary in the air transportation industry, including comprehensive liability insurance, aircraft all-risk hull insurance and war-risk insurance. We require evidence of insurance to be provided to us prior to delivery of an aircraft and prior to expiry of insurance coverages thereafter. Casualty insurance is required to be maintained at levels in excess of our anticipated net book value for the aircraft and liability policies are required to provide coverage at industry standard levels. Our airline customers are required to pay all insurance premiums for these coverages. In addition, in some jurisdictions our ownership of aircraft could give rise to strict liability for us resulting from operations of our owned aircraft. We require our airline customers, under the terms of our operating leases, to indemnify us for and to insure against liabilities arising from the use and operation of our aircraft, including third-party claims for damage to property and for death or injury for which we may be liable. If an airline customer fails to maintain the insurance coverages required under the relevant lease, we would typically have the right to exercise a number of remedies, including ordering the airline customer to ground the aircraft, procuring the relevant insurance coverage at the cost of the defaulting customer, or terminating the lease.

Separately, we purchase contingent hull insurance and liability insurance on all aircraft in our owned fleet. Contingent coverage is intended to provide casualty and liability insurance coverage for our aircraft if the airline customers' coverages are invalidated for certain reasons. We also maintain other insurance covering the specific needs of our business operations. We believe our insurance is customary for the aircraft operating lease industry both as to coverage and amount.

There can be no assurance that the insurance maintained by our airline customers will adequately cover us and our fleet against all risks, that airline customers will at all times comply with their obligations to maintain insurance, that any particular claim will be paid, that airline customers will be able to obtain adequate insurance coverage at commercially reasonable rates in the future or that our contingent or other insurance policies will adequately cover any areas not adequately covered by our airline customers' insurance policies.

REGULATION, LICENSES AND PERMITS

The airline industry is highly regulated. Because we do not operate aircraft in commercial service we are generally not directly subject to these laws and regulations. However, our airline customers are subject to extensive regulation under the laws of the jurisdictions in which they are registered or where they operate. These laws govern, among other things, the registration, operation, maintenance and condition of aircraft.

Most of our aircraft are registered in the jurisdictions in which the airline customers are certified as air operators, and as such, are subject to the airworthiness and other standards imposed by these jurisdictions. Laws affecting the airworthiness of aircraft generally are designed to ensure that all aircraft and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Aircraft OEMs may also issue their own recommendations or requirement.

Each airline customer is responsible for complying with airworthiness directives with respect to its aircraft. To the extent that an airline customer fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other OEM requirements in respect of an aircraft or if the aircraft is not currently subject to a lease, we may have to bear the cost of such compliance in order to be able to readily re-lease or sell the aircraft. Under certain of our leases, we have agreed to share with the airline customers the cost of complying with obligations under future airworthiness directives (or similar requirements).

In addition to these direct cost expenditures, which may be substantial, significant new requirements with respect to noise standards, emissions standards, import restrictions and other aspects of aircraft or their operation could cause the value of our aircraft portfolio to decrease. Other governmental regulations relating to noise and emissions levels, or relating to import restrictions or other matters, may be imposed not only by the jurisdictions in which the aircraft are registered but also in other jurisdictions where the aircraft operate or where we may wish to place the aircraft on lease.

Most countries' aviation laws also require aircraft to be maintained under an approved maintenance program with defined procedures and intervals for inspection, maintenance and repair. To the extent that our aircraft are not leased out or an airline customer defaults in effecting such compliance, we will likely be required to comply with such requirements at our expense.

Given the nature of the activities undertaken by our Group entities, we are subject to certain rules and regulations governing and regulating the scope of their activities.

COMPETITION

The procurement, leasing and sale of aircraft are highly competitive. In addition, barriers to entry into the aircraft operating lease industry are relatively low.

We face competition from a variety of competitors, including other aircraft operating leasing companies, aircraft manufacturers and financial investors, in all cases from both existing and potential new entrants to the market, in our business of purchasing, leasing and re-leasing aircraft and the sale of aircraft and of providing related services.

In particular, larger aircraft operating leasing companies – including competitors such as GE Commercial Aviation Services, AerCap Holdings NV, SMBC Aviation Capital, Air Lease Corporation and Avolon – are generally more focused on acquiring newer aircraft, which is similar to the Group's strategy. Other competitors include Aircastle Limited, Aviation Capital Group, ICBC Leasing and other smaller players that may rely on private equity or other private funding.

In addition, during various macroeconomic and industry cycles and as a consequence of regulatory changes such as changes to the tax treatment of aircraft ownership, leasing and sales, new and alternative sources of capital have historically been deployed to acquire, lease and sell aircraft. The Group believes that, given the nature of the aviation industry, this trend will continue to be prevalent during similar future cycles. In addition, sustained periods of financial strength for our airline customers may lead to them seeking to purchase their own aircraft and, in some cases, engaging in their own captive aircraft leasing operations in competition to the Group's leasing activities.

We believe that we are able to compete effectively in aircraft acquisition, leasing and sales activities because of our significant scale and strong relationship with the OEMs and airline customers, our access to competitively priced debt capital, the flexibility provided by our backstop unsecured debt facilities, the reputation and experience of our senior management team and our extensive contacts in the aircraft acquisition, leasing and sales markets.

EMPLOYEES

As at December 31, 2018, we had 169 employees who were engaged in the operation and management of the Group's business.

We provide to our employees certain benefits including retirement, heath, life, disability and accident insurance coverage. The Group enters into individual employment contracts with its employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination.

None of our employees are represented by a union or collective bargaining agreement. We believe we have good employment relationships with our employees.

HEALTH AND WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Health and Work Safety

The Group is subject to local health and safety requirements. The Group has internal policies and systems in place designed with a view to ensuring compliance with such requirements.

The Group is, and has been, in compliance with such requirements during the Relevant Period. During the Relevant Period, there were no material accidents related to health and work safety in the course of the Group's business operations.

Social and Environmental Matters

We are committed to promoting efficient use of resources and reduction of unnecessary waste. Our efforts are reflected in our sustainable business model and our electronic communications efforts. While we do not operate any of the aircraft that we own and cannot directly control the greenhouse gas emissions of aircraft operated by our airline customers, we may be subject to and required to comply with applicable aircraft-related environmental laws and regulations if we repossess and hold aircraft. In addition, our day-to-day operations are subject to a more limited set of environmental laws and regulations. We are also increasingly building a more efficient portfolio. In 2018, we took delivery of our first Boeing 737 MAX 8 aircraft and Airbus A321NEO aircraft, two of the newest technology aircraft. More than 95% of our order book comprises new technology aircraft, including the Airbus A320NEO and the Boeing 737 MAX family, the Airbus A330NEO, Airbus A350 and the Boeing 787 family, which are expected to deliver significant fuel efficiency improvements over the current technology models.

We have not received any material fines or penalties associated with the breach of any environmental laws or regulations since the commencement of our operations.

FACILITIES

We do not own any real estate. We lease our principal executive office at 8 Shenton Way, #18-01, Singapore, 068811 and as well as our overseas office facilities in Dublin, London, New York and Tianjin. Terms of these lease agreements in general range from 12 to 60 months.

INTELLECTUAL PROPERTY

As at December 31, 2018, three registered trademarks were licensed to the Group from Bank of China and the Group had one domain name which is material to its business.

LEGAL AND REGULATORY MATTERS

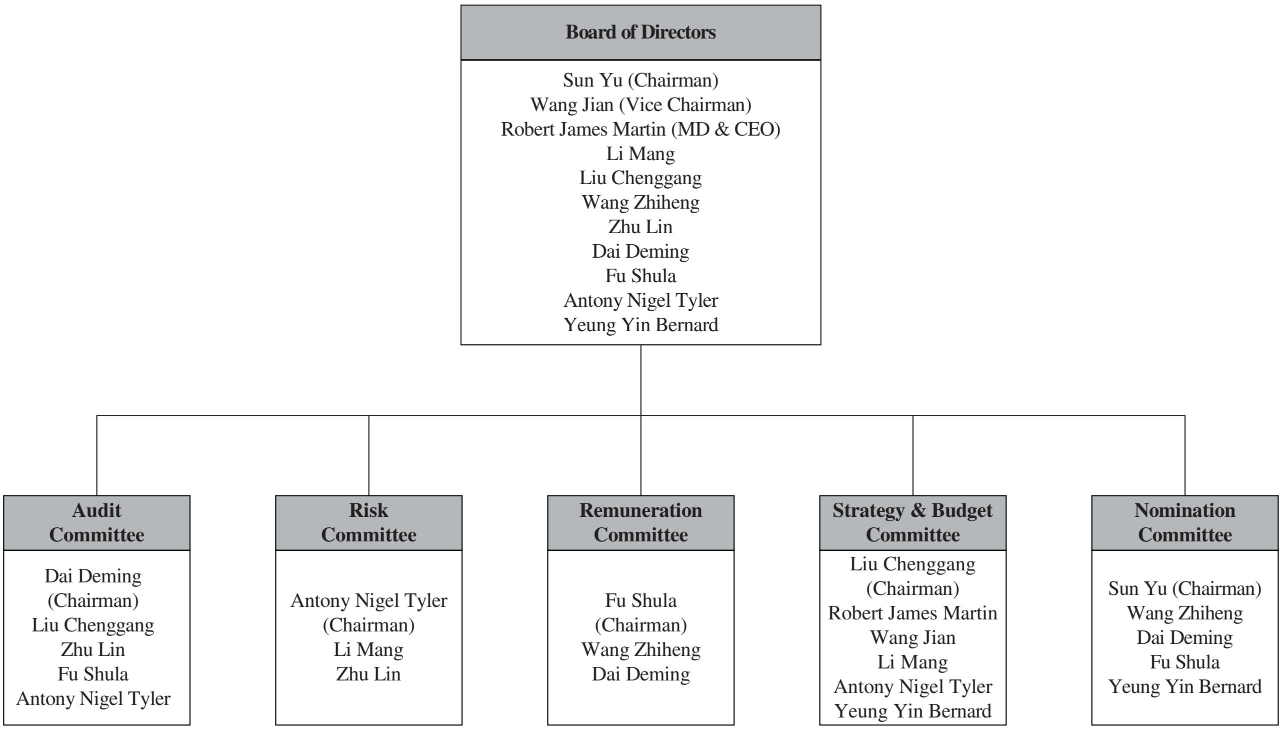
During the Relevant Period, the Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of laws or regulations applicable to the Group that would have a material adverse effect on its business or financial condition taken as a whole.

During the Relevant Period, the Group had obtained all material licenses and permits necessary for the operation of its business in the jurisdictions in which it operates and such licenses and permits are still valid and in force. The Group has not experienced any refusal of the renewal application of any material licenses and permits necessary for the operation of its business.

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

The Board is responsible for the overall corporate governance of BOC Aviation including establishing our strategic direction and the goals for management and monitoring the achievement of these goals. The Board comprises eleven members, six of whom are nominees of our controlling shareholder, four are Independent Non-executive Directors and the remaining member being the Chief Executive Officer of BOC Aviation. The Board has five standing Board Committees, namely the Audit Committee, the Risk Committee, the Remuneration Committee, the Strategy and Budget Committee, and the Nomination Committee.



As at the date of this Offering Circular, the members of the Board are:

Mr. SUN Yu

Chairman, Non-executive Director and Chairman of the Nomination Committee, aged 46. Mr. Sun has been serving as the Chairman of the Board of Directors of the Company since February 2019.

Mr. Sun Yu has been the Executive Vice President of Bank of China since February 2019. Mr. Sun joined Bank of China in 1998. He served as the Chief Overseas Business Officer of Bank of China from September 2018 to February 2019. From March 2015 to November 2018, he served as General Manager of Bank of China, London Branch, CEO of Bank of China (UK) Limited, and concurrently served as General Manager of London Trading Center of Bank of China from December 2015 to November 2018. Mr. Sun previously served as Director of Global Financial Markets Department, Director of Financial Markets Unit (Client Business), and Director of Financial Markets Unit (Securities Investment) of Bank of China, Deputy General Manager of Bank of China, Shanghai Branch and General Manager of Global Markets Department of Bank of China (Hong Kong) Limited. Mr. Sun has served as Director of Bank of China (UK) Limited since March 2015, and Chairman of Bank of China (UK) Limited since December 2018. Mr. Sun graduated from Nankai University with a Master's degree in Economics in 1998.

Mr. WANG Jian

Deputy Managing Director, Vice Chairman, Executive Director and a member of the Strategy and Budget Committee, aged 59. Mr. Wang was appointed as Deputy Managing Director, Vice Chairman, Executive Director and a member of the Strategy and Budget Committee in June 2017.

Mr. Wang was the General Manager of SME Services Department of Bank of China immediately before his appointment as an Executive Director of the Company in June 2017. Mr. Wang has successively held the positions of the Deputy General Manager of Bank of China Milan Branch and the Deputy General Manager of the Corporate Banking Department of Bank of China. From December 2006 to June 2012, Mr. Wang was a non-executive director of the Company. Mr. Wang was appointed as General Manager of SME Services Department of Bank of China in March 2014.

Mr. Wang graduated from Renmin University of China in January 2001 with a master's degree in International Finance.

Mr. Robert James MARTIN

Managing Director, Chief Executive Officer, Executive Director and a member of the Strategy and Budget Committee, aged 54.

Mr. Martin was appointed as a Director and the Managing Director in 1998. Mr. Martin joined the Company in 1998 and has more than 30 years of experience in the aircraft and leasing business, with Bank of America, The Long-Term Credit Bank of Japan and HSBC Investment Bank (Asia) Ltd. Mr. Martin graduated from Cambridge University in the United Kingdom with a Master of Arts degree in Economics in 1991.

Mr. LI Mang

Non-executive Director and a member of the Risk Committee and the Strategy and Budget Committee, aged 51. Mr. Li was appointed as a Non-executive Director in December 2015.

Mr. Li joined Bank of China in July 1990 and he is currently the General Manager of Global Transaction Banking Department of Bank of China. Mr. Li graduated from Central University of Finance and Economics in the PRC in June 1990 with a Bachelor's degree in Economics. He received a Master's degree in Economics from the Chinese Academy of Social Sciences in the PRC in July 2002.

Mr. LIU Chenggang

Non-executive Director, Chairman of Strategy and Budget Committee and a member of the Audit Committee, aged 46. Mr. Liu was appointed as a Non-executive Director in September 2016.

Mr. Liu joined Bank of China in 1994 and he is currently the General Manager of Equity Investment and Comprehensive Operation Management Department of Bank of China. From January 2017 to December 2018, Mr. Liu was the General Manager of Financial Management Department of Bank of China. Mr. Liu graduated from Renmin University of China in July 1994 with a Bachelor's degree in Economics. He then obtained a degree in Economics from the People's Bank of China Research Institute of Finance in April 1999, and was awarded a degree in Applied Finance by Macquarie University in November 2003. Mr. Liu is a chartered financial analyst.

Mr. WANG Zhiheng

Non-executive Director, a member of the Remuneration Committee and the Nomination Committee, aged 45. Mr. Wang was appointed as a Non-executive Director in October 2018.

Mr. Wang is currently an Employee Supervisor and the General Manager of the Human Resources Department of Bank of China. Mr. Wang joined Bank of China in 1999. Between April 2002 and December 2010, he successively served as Deputy Head of Corporate Planning Division of Corporate Banking Unit, Head of Management of Domestic Executives of Human Resources Department and the Deputy General Manager of Human Resources Department of Bank of China. From December 2010 to September 2018, Mr. Wang successively held the positions as Deputy General Manager of Bank of China Guangdong Branch and as General Manager of Bank of China Qinghai Branch. Mr. Wang graduated from Nankai University of China with a Bachelor's degree in Finance in 1996 and a master's degree in Finance in 1999.

Ms. ZHU Lin

Non-executive Director, a member of Audit Committee and the Risk Committee, aged 45. Ms. Zhu was appointed as a Non-executive Director in January 2014.

Ms. Zhu joined Bank of China in July 1997 and is currently the Deputy General Manager of Credit Management Department of Bank of China. Ms. Zhu graduated from Peking University in the PRC in July 1994 with a Bachelor's degree in Economics and received a Master's degree in Economics from Guanghua School of Management, Peking University in July 1997. Ms. Zhu has been a member of the Chinese Institute of Certified Public Accountants since July 1997.

Mr. DAI Deming

Independent Non-executive Director, Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee, aged 56. Mr. Dai was appointed as an Independent Non-executive Director in May 2016.

Mr. Dai is an independent non-executive director of China Zheshang Bank Co., Ltd. (stock code: 02016) (which is listed on the Stock Exchange), Qingdao Haier Co. Ltd. (stock code: 600690) (which is listed on the Shanghai Stock Exchange), CSC Financial Co. Ltd. (stock code: 6066) (which is listed on the Stock Exchange), Power Construction Corporation of China, Ltd (stock code: 601669) (which is listed on the Shanghai Stock Exchange) and Poly Developments and Holdings (stock code: 600048) (which is listed on the Shanghai Stock Exchange).

Mr. Dai was an independent non-executive director of CSR Corporation Limited (which merged with China CNR Corporation Limited in 2015 to form CRRC Corporation Limited and is listed on the Shanghai Stock Exchange (stock code: 601766) and the Stock Exchange (stock code: 01766)) and chairman of its audit and risk management committee from August 2008 to June 2014. Mr. Dai was also an independent director of Shanxi Taigang Stainless Steel Co., Ltd. (stock code: 000825) (which is listed on the Shenzhen Stock Exchange) from May 2011 to October 2016, Beijing Xinwei Telecom Technology Group Co., Ltd. (stock code: 600485) (which is listed on the Shanghai Stock Exchange) from September 2014 to August 2016 and Beijing Capital Development Co. Ltd. (stock code: 600376) (which is listed on the Shanghai Stock Exchange) from September 2015 to May 2018.

Mr. Dai has served as the dean of the Accounting Department of the School of Business of Renmin University of China from October 2001 to September 2010, professor of the Accounting Department at that university since July 1996 and associate professor of the Accounting Department of that university from July 1993 to June 1996. Mr. Dai graduated from Hunan College of Finance & Economics in the PRC with a Bachelor's degree in Economics with a major in Industrial Financial Accounting in July 1983, graduated with an Accounting major in July 1986 and obtained a Master's degree in Economics in October 1986 from Zhongnan University of Finance & Economics in the PRC, and obtained a Doctorate degree in Economics with a major in Accounting at Renmin University of China in June 1991.

Mr. FU Shula

Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee, aged 63. Mr. Fu was appointed as an independent Director in February 2011 and redesignated as an Independent Non-executive Director in March 2016.

From 1984 to 2015, Mr. Fu held various senior positions in Aviation Industry Corporation of China (**AVIC**), including President of China National Aero-Technology Import & Export Corporation, President of AVIC International Holding Corporation, Deputy Chief Economist of AVIC, Chairman of the Board of AVIC International Holding Corporation, Chairman of the Board of AVIC Aero-Engine Holding Corporation and Chairman of the Board of AVIC Economy & Technology Research Institute. Mr. Fu graduated with a Master's degree in Aero Engine Design from Northwestern Polytechnical University in the PRC in July 1984.

Mr. Antony Nigel TYLER

Independent Non-executive Director, Chairman of the Risk Committee, a member of the Audit Committee and the Strategy and Budget Committee, aged 63. Mr. Tyler was appointed as an Independent Non-executive Director in May 2016.

Mr. Tyler had been the Director General and Chief Executive Officer of the International Air Transport Association (IATA) from July 1, 2011 to September 2016. Prior to joining IATA, Mr. Tyler was an executive director of Cathay Pacific Airways Limited (which is listed on the Stock Exchange (stock code: 00293)) from December 1996 to March 2011 and the Chief Executive from July 2007 to March 2011. He was a non-executive director of Hong Kong Aircraft Engineering Company Limited (stock code: 00044) from December 1996 to September 2008 and an executive director of Swire Pacific Limited (stock code: 00019) (which are listed on the Stock Exchange) from January 2008 to March 2011. Mr. Tyler was also a member of the Board of Governors of IATA and served as its Chairman from June 2009 to June 2010. Mr. Tyler is currently an independent non-executive director of Bombardier Inc., Trans Maldivian Airways and Qantas Airways Limited. Mr. Tyler graduated with a degree in Jurisprudence from Oxford University in the United Kingdom in July 1977.

Dr. YEUNG Yin Bernard

Independent Non-executive Director, a member of the Nomination Committee and the Strategy and Budget Committee, aged 65. Dr. Yeung was appointed as an Independent Non-executive Director in December 2016. Dr. Yeung has been the Dean and Stephen Riady Distinguished Professor at National University of Singapore (**NUS**) Business School since 2008. Dr. Yeung has more than 30 years of research and teaching experience in finance, economics and business.

Dr. Yeung has various major public appointments. He is the President of Asia Bureau of Finance and Economics Research, a member of the third Advisory Board of Antai College of Economics and Management of Shanghai Jiao Tong University, a council member of Advisory Council of Economics and Management School of Wuhan University, a member of the advisory board of Healthway Medical Corporation Limited, the Honorary Dean of Business School of Global Commercial Newspapers Union, and the Honorary Dean of Mapletree Training & Development Centre Foshan, China. Dr. Yeung was the president of Association of Asia-Pacific Business Schools from 2009 to 2010. He was also a member of the main & first sub-committee of Singapore Economic Strategies Committee in 2009, and a member of Social Science Research Council in Singapore from 2016 to 2017.

Dr. Yeung graduated from University of Western Ontario in 1979 with a Bachelor's degree in Economics and Mathematics. He then was awarded a Master of Business Administration and a Doctor of Philosophy by The University of Chicago in December 1981 and 1984 respectively.

MANAGEMENT

The members of our senior management team are:

Name	Age	Position
Robert James Martin	54	Managing Director and Chief Executive Officer
Wang Jian	59	Deputy Managing Director
Phang Thim Fatt	62	Deputy Managing Director and Chief Financial Officer
David Walton	58	Chief Operating Officer
Steven Townend	49	Chief Commercial Officer (Europe, Americas and Africa)
Gao Jinyue	61	Chief Commercial Officer (Asia Pacific and the Middle East)

Mr. Robert James MARTIN

Managing Director and Chief Executive Officer. Please refer to the information on Mr. Martin's business and working experience as set out under "Board of Directors" above.

Mr. WANG Jian

Deputy Managing Director. Please refer to the information on Mr. Wang's business and working experience as set out under "Board of Directors" above.

Mr. PHANG Thim Fatt

Deputy Managing Director and Chief Financial Officer, aged 62. Mr. Phang joined the Company in 1996 as the Chief Financial Officer. Mr. Phang was appointed as the Deputy Managing Director of the Company in July 2001. His areas of responsibilities include accounting, treasury and risk management. Mr. Phang has been with the Company for more than 20 years. Mr. Phang graduated from the University of Malaya in Malaysia with a Bachelor's Degree in Economics (First Class Honors).

Mr. David WALTON

Chief Operating Officer, aged 58. Mr. Walton joined the Company in November 2014 as the Chief Operating Officer and has responsibility for legal and transaction management, portfolio planning and management, technical, strategy and market research, compliance and corporate affairs, investor relations and corporate communications and information technology. Mr. Walton has more than 30 years of experience in the aircraft leasing and finance industry. Prior to joining the Company, he served as a general counsel for both privately held and publicly listed companies, with primary responsibility for structuring and documenting capital raising, joint venture and leasing activities. Mr. Walton graduated from Stanford University in the United States with a Bachelor of Arts (Honors) degree and received a law degree from the University of California, Berkeley (Boalt Hall) in the United States.

Mr. Steven TOWNEND

Chief Commercial Officer (Europe, Americas and Africa), aged 49. Mr. Townend joined the Company in January 2001 as Structured Finance Director and was appointed as the Chief Commercial Officer in July 2004. He is currently based in London and oversees all revenue activities in Europe, Americas and Africa and is primarily responsible for airline leasing and sales within the region. Mr. Townend has more than 28 years of banking and leasing experience, having previously worked with DVB Bank and NatWest Markets. Mr. Townend graduated from Loughborough University in the United Kingdom with a Bachelor's Degree in Banking and Finance.

Mr. GAO Jinyue

Chief Commercial Officer (Asia Pacific and the Middle East), aged 61. Mr. Gao joined the Company as a non-executive director in December 2006 and was appointed as the Chief Commercial Officer in December 2014. He is responsible for overseeing all revenue activities within the Asia Pacific and the Middle East and is primarily responsible for airline leasing and sales within the region. He joined Bank of China in July 1986 and held various senior positions in Bank of China Head Office including Vice General Manager of Global Finance Department. Mr. Gao was also the General Manager of Bank of China, Hong Kong branch. Mr. Gao graduated with a postgraduate degree in International Finance from Wuhan University in the PRC and a Master in Public Administration degree from the John F. Kennedy School of Government in Harvard University in the United States.

CERTAIN ERISA CONSIDERATIONS

Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and Section 4975 of the Code, prohibit employee benefit plans subject to ERISA (**ERISA Plans**), as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, **Plans**), from engaging in certain transactions involving "plan assets" (within the meaning of ERISA) with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code (**Parties in Interest**) with respect to Plans. As a result of the Issuer's business, it may be a Party in Interest with respect to certain Plans. Where the Issuer is a Party in Interest with respect to a Plan (either directly or by reason of its ownership of its subsidiaries), the purchase and holding of the Notes by or on behalf of the Plan may be a prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, unless exemptive relief were available under an applicable prohibited transaction exemption.

Accordingly, the Notes (or any interest therein) may not be purchased or held by any Plan, any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of any Plan's investment in the entity (a **Plan Asset Entity**) or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under one or more Prohibited Transaction Class Exemptions (**PTCE**), including PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, issued by the U.S. Department of Labor or another applicable prohibited transaction exemption or exception. Any purchaser or holder of the Notes or any interest therein will be deemed to have represented by its purchase and holding thereof that either (a)(i) it is not (and for so long as it holds the Notes or interest therein will not be) a Plan or a Plan Asset Entity and is not (and for so long as it holds the Notes or interest therein will not be) purchasing the Notes (or any interest therein) on behalf of or with "plan assets" of any Plan or (ii) its purchase and holding of the Notes or any interest therein is eligible for the exemptive relief available under an applicable exemption or exception from the prohibitions under Section 406 of ERISA and Section 4975 of the Code, and (b) it will not sell or otherwise transfer the Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations and agreements with respect to its purchase and holding of the Notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to these "prohibited transaction" rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or documents. Fiduciaries or other persons considering purchasing the Notes on behalf of such a plan should consult with their counsel regarding these other applicable laws, rules or documents.

Due to the complexity of the applicable rules, it is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of a Plan, a Plan Asset Entity or with "plan assets" of any Plan consult with their counsel regarding the relevant provisions of ERISA and the Code and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, or another applicable prohibited transaction exemption or exception.

TAXATION

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the U.S. federal income tax considerations for initial purchasers of Notes at their original issuance that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the Code, final, temporary and proposed U.S. Treasury Regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect.

This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) partnerships or other pass-through entities; (viii) holders that are not U.S. Holders; (ix) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction; (x) investors that have a functional currency other than the U.S. dollar and (xi) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, Medicare contribution tax on net investment income considerations or non-U.S., state or local tax considerations. This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in Section 165(j) and 1287 of the Code. Moreover, the summary deals only with Notes with a term of 30 years or less and does not address the treatment of Index Linked Redemption Notes. The U.S. federal income tax consequences of owning Notes with a longer term or Index Linked Redemption Notes will generally be discussed in the applicable Pricing Supplement.

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof, or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding the Notes should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of the Notes.

This summary should be read in conjunction with the discussion of U.S. federal income tax consequences in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of U.S. tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. We generally intend to treat Notes issued under the Program as debt, unless otherwise indicated in the applicable Pricing Supplement. Certain Notes, however, such as Notes with extremely long maturities and certain Index Linked Redemption Notes, may be treated as equity for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than as debt may apply may be discussed in the applicable Pricing Supplement. The following disclosure applies only to Notes that are treated as debt for U.S. federal income tax purposes.

PAYMENTS OF INTEREST

General

Interest on a Note, including the payment of any additional amounts whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a **foreign currency**), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount – General"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for tax purposes. Interest paid by us on the Notes and original issue discount (**OID**), if any, accrued with respect to the Notes (as described below under "Original Issue Discount") will generally constitute income from sources outside the United States for U.S. foreign tax credit purposes. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of any payment of foreign taxes in respect of the Notes.

Unless specified otherwise in a Pricing Supplement, Interest on Floating Rate Notes and Indexed Linked Interest Notes will generally accrue at a hypothetical fixed rate equal to the rate at which the Notes bore interest on their issue date. The amount of interest actually recognized for any accrual period will increase (or decrease) if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical rate. U.S. Holders of Floating Rate Notes and Index Linked Interest Notes, therefore, generally will recognize income for each period equal to the amount paid during that period.

Under recent U.S. federal income tax legislation, certain accrual method U.S. Holders will be required to take items of gross income into account no later than the time such items are taken into account as revenue on its audited financial statements, notwithstanding the rules otherwise applicable to accrual method taxpayers or with respect to accrual of OID.

Foreign Currency Denominated Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a U.S. Holder, the part of the interest accrual period within each taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the U.S. Internal Revenue Service (**IRS**).

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. U.S. Holders will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt.

ORIGINAL ISSUE DISCOUNT

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event that we issue contingent payment debt instruments to U.S. Holders, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a **Short-Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note's "stated redemption price at maturity" over its issue price is at least a de minimis amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity or, in the case of Installment Notes, its weighted average maturity). An Installment Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the **issue price** of a Note will be the first price at which a substantial amount of such Notes is first sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The **stated redemption price at maturity** of a Note is the total of all payments provided under the Note that are not payments of "qualified stated interest." A **qualified stated interest** payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or at a qualifying variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the then outstanding principal amount of the Note. Solely for the purpose of determining whether a Note has been issued with OID, we will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has de minimis OID, a U.S. Holder must include the de minimis amount in income as ordinary income as stated principal payments are made on the Note, unless the holder makes the election described below under "– Election to Treat All Interest as Original Issue Discount." A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's de minimis OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and will generally have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includable in income is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Note allocable to the accrual period. The **adjusted issue price** of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments. OID accrued on the Notes will generally constitute income from sources outside the United States for U.S. foreign tax credit purposes.

Election to Treat All Interest as OID

A U.S. Holder may elect to include in gross income all interest and discount that accrues on a Note using the constant-yield method described above under "Original Issue Discount – General" with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described below under "Notes Purchased at a Premium") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant-yield method is applied, the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Note has amortizable bond premium, the U.S. Holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter.

Variable Interest Rate Notes

Notes that provide for stated interest at a variable rate (Variable Interest Rate Notes) are subject to special rules. Stated interest on a Variable Interest Rate Note will be treated as qualified stated interest for purposes of the rules governing accrual of OID if (a) the Variable Interest Rate Note's issue price does not exceed the total non-contingent principal payments due under the Note by more than a specified de minimis amount and (b) the Note provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) the Note does not provide for any principal payments that are contingent. If interest on a Variable Interest Rate Note does not qualify to be treated as "qualified stated interest" then the Variable Interest Rate Note will generally be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the applicable Pricing Supplement.

A **qualified floating rate** is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An **objective rate** is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Company (or a related party) or that is unique to the circumstances of the Company (or a related party), such as dividends, profits or the value of the Company's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Company). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. A variable rate will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A **qualified inverse floating rate** is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate.

If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the Variable Interest Rate Note must be set at a "current value" of that rate. A **current value** of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout its term, then any stated interest on the Note which is unconditionally payable in cash or property (other than additional Notes) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout its term will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout its term will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that provides for stated interest at a fixed rate for a portion of its term and a single qualified floating rate or a single objective rate throughout its remaining term, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

Short-Term Notes

Short-Term Notes are subject to special rules. For purposes of determining the amount of OID on such Notes, all interest payments are included in the Short-Term Note's stated redemption price at maturity. In general, a cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding).

U.S. Holders who are not required to and do not elect to include OID in income currently, any gain realized on the sale, redemption or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, redemption or other disposition. U.S. Holders who are not required to and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Dividend Equivalent Amounts on Index Linked Interest Notes

Section 871(m) of the Code and regulations promulgated thereunder treats certain "dividend equivalent" payments as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30 per cent. U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a treaty exemption, tax credit or refund from the IRS. A "dividend equivalent" payment includes payments that directly or indirectly reference the payment of a dividend by a U.S. corporation under certain equity linked or other instruments. To the extent that the Reference Rate or other Relevant Factor in determining the amount payable under any Floating Rate Notes or Index Linked Interest Notes are directly or indirectly determined by reference to dividends payable by a U.S. corporation, such payments may be considered dividend equivalent payments.

If we or any withholding agent determines that withholding is required under Section 871(m), we will not be required to pay any additional amounts with respect to amounts so withheld nor will any withholding agent. The proper U.S. federal tax treatment of Notes that give rise to a dividend equivalent pursuant to Section 871(m) will generally be more fully described in the applicable Pricing Supplement.

Foreign Currency Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "Payments of Interest." Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of a Note), a U.S. Holder may recognize exchange gain or loss, which will be U.S. source ordinary gain or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a **Market Discount Note**) if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of an Installment Note, the Installment Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes **de minimis market discount**. For this purpose, the **revised issue price** of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Generally, any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S.

Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder. Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Market discount on a Market Discount Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will generally be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, in excess of all amounts payable on the Discount Note after the acquisition date (other than payments of qualified stated interest), may elect to treat the excess as "amortizable bond premium," in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium (including acquisition premium) will be computed in units of foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, on a Note that is denominated in, or determined by reference to, a foreign currency, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount – Election to Treat All Interest as Original Issue Discount."

A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognize a capital loss when the Note matures, and with respect to any Notes that are denominated in, or determined by reference to foreign currency, a foreign currency exchange gain or loss with respect to the premium is realized based on the difference between the spot rates on the sale or other disposition of the Note and at the time of the acquisition of the Note. In such case, the amount of capital loss relating to the premium may be offset or eliminated by exchange gain.

SALE OR OTHER DISPOSITION OF NOTES

A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable Note premium applied to reduce interest on the Note. A U.S. Holder's tax basis in a foreign currency Note will be determined by reference to the U.S. dollar cost of the Notes. The U.S. dollar cost of a Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognize gain or loss on the sale or other disposition of a Note equal to the difference between the amount realized on the sale or other disposition and the holder's adjusted tax basis of the Note, each determined in U.S. dollars. The amount realized on a sale or other disposition for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or other disposition or, in the case of Notes traded on an established securities market sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Except to the extent described above under "Original Issue Discount – Short-Term Notes" or attributable to accrued but unpaid interest or changes in exchange rates (as described below), gain or loss recognized on the sale or other disposition of a Note will be capital gain or loss and will generally be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or other disposition and (ii) the date on which the U.S. Holder acquired the Note. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

DISPOSITION OF FOREIGN CURRENCY

Foreign currency received as interest on a Note or on the sale or other disposition of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or other disposition. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or an exchange for U.S. dollars) will be U.S. source ordinary income or loss.

BACKUP WITHHOLDING AND INFORMATION REPORTING

In general, payments of principal, interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments (including payments of OID) if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

DISCLOSURE REQUIREMENTS

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions with respect to the Notes may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency Note. Persons considering the purchase of such Notes should consult with their tax advisers to determine the tax return obligations, if any, with respect to an investment in such Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

FOREIGN FINANCIAL ASSET REPORTING

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING

Certain provisions of the Code and applicable U.S. Treasury Regulations implementing these provisions (commonly referred to as **FATCA**) may impose 30% withholding on "foreign passthru payments" made by a "foreign financial institution" (an **FFI**). Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Notes would be considered foreign passthru payments if we were considered to be an FFI. The United States has entered into an intergovernmental agreement with Singapore (the **IGA**) which potentially modifies the FATCA withholding regime, including the definition of an FFI. Under FATCA and the IGA, we do not expect to be treated as an FFI and, therefore, do not expect that payments on the Notes would be subject to withholding tax under FATCA or the IGA. Investors in the Notes should consult their tax advisors regarding the potential impact of FATCA, the IGA and any non-U.S. legislation implementing FATCA, on their investment in the Notes. Even if withholding would be required pursuant to FATCA or the IGA with respect to the Notes, under current final U.S. Treasury Regulations, such withholding would not apply prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register. However, proposed U.S. Treasury Regulations on which taxpayers may rely would delay withholding pursuant to FATCA or the IGA until two years after the date on which such final regulations are filed with the U.S. Federal Register. Notes which are treated as debt for U.S. federal income tax purposes and issued prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding, unless such Notes are materially modified after such date.

FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is an FFI that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Our obligations under the Notes are discharged once we have made payment to, or to the order of, the common depositary for the Clearing Systems or CMU (as bearer or registered holder of the Notes) and we have therefore no responsibility for any amount thereafter transmitted through the Clearing Systems or CMU and custodians or intermediaries.

SINGAPORE

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Monetary Authority of Singapore (**MAS**) in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasized that we do not and any other persons involved in the Program do not accept responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.*

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore (**ITA**), the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 22%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after January 1, 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after February 17, 2006; and

(c) prepayment fee, redemption premium or break cost from debt securities derived on or after February 15, 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the Program as a whole is jointly arranged by the Arrangers, each of which is a Financial Sector Incentive (Bond Market) Company, Financial Sector Incentive (Capital Market) Company or Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, any tranche of the Notes (the **Relevant Notes**) issued as debt securities under the Program during the period from the date of this Offering Circular to December 31, 2023 would be “qualifying debt securities” (**QDS**) for the purposes of the ITA, to which the following treatment shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the furnishing by us, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require, and the inclusion by us in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds and profits from that person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the **Qualifying Income**) from the Relevant Notes, paid by us and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the furnishing by us, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require), Qualifying Income from the Relevant Notes paid by us and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

(aa) our inclusion, in all offering documents relating to the Relevant Notes, of a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

(bb) the furnishing by us, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by us.

Notwithstanding the foregoing:

(A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by our related parties, such Relevant Notes would not qualify as QDS; and

(B) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50% or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any of our related party(ies), Qualifying Income derived from such Relevant Notes held by:

(I) any of our related party(ies); or

(II) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any of our related party(ies),

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term **related party**, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms **prepayment fee, redemption premium** and **break cost** are defined in the ITA as follows:

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "prepayment fee", "redemption premium" and "break cost" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard (**FRS**) 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) may, for Singapore income tax purposes, be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "Adoption of FRS 39 and FRS 109 for Singapore Income Tax Purposes."

3. Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The Inland Revenue Authority of Singapore has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39-Financial Instruments: Recognition and Measurement".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after January 1, 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The Inland Revenue Authority of Singapore has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after February 15, 2008.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On February 14, 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of CDP, DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither we nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

BOOK-ENTRY SYSTEMS

Clearance and Settlement under the Depository System

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (**Depository System**) maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organization. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a Global Note for persons holding the Notes in securities accounts with CDP (**Depositors**). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Notes through the Depository System may be effected through securities sub-accounts held with corporate depositors (**Depository Agents**). Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between the Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Principal Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

DTC

DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**, together with the Direct Participants, the **Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor of ours, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is our responsibility, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Subscription and Sale" and "Transfer Restrictions."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC NOTES

We may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

We expect DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. We also expect that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar nor of ours. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is our responsibility.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale" and "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. Neither we nor the agents nor any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated program agreement (such amended and restated program agreement as modified and/or supplemented and/or restated from time to time, the ***Program Agreement****) dated March 27, 2019, agreed with us a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes." In the Program Agreement, we have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.*

UNITED STATES

The Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

Each Dealer represents and agrees that it has offered, sold and delivered any Notes, and will offer, sell and deliver any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer also agrees that, at or prior to confirmation of sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used herein have the meanings given to them by Regulation S.

Each Dealer represents and agrees that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and in respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, it and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:

(a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **D Rules**), each Dealer (i) represents that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) represents that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(b) each Dealer represents that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, each Dealer represents that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section l.163-5(c)(2)(i)(D)(6) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010);

(d) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in subclauses (a), (b), (c) and (e) on such affiliate's behalf;

(e) each Dealer agrees that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4)(ii) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010)) that purchases any Notes in bearer form from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for our benefit and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subclauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder; and

(f) Terms used the provisions of subclauses (a), (b), (c) and (e) have the meanings given to them by the Code and regulations promulgated thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer represents and agrees in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations promulgated thereunder, including the D Rules and the U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **C Rules**).

Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold to QIBs in the United States in reliance on Rule 144A, and in connection therewith each Dealer represents and agrees that:

(a) offers, sales, resales and other transfers of Registered Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;

(b) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to (1) a limited number of institutional investors that are accredited investors (as defined in Rule 501(a)(1), (2) and (3) under the Securities Act each an institutional investor being hereinafter referred to as an Institutional Accredited Investor) that has executed and delivered to a Dealer an IAI Investment Letter, or (2) institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a **QIB**);

(c) the Registered Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Registered Notes in the United States;

(d) no sale of Registered Notes in the United States to (1) any one Institutional Accredited Investor will be for less than U.S.$250,000 principal amount and (2) any one QIB will be for less than U.S.$100,000 principal amount or (in each case) its equivalent rounded upwards and no Registered Note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$250,000 (in the case of (1) above) or U.S.$100,000 (in the case of (2) above) principal amount of the Registered Notes; and

(e) each Registered Note sold as a part of a private placement in the United States and each Regulation S Global Note shall contain a legend in substantially the form set out on the face of such Registered Note in the Agency Agreement.

We represent and agree that any resale or other transfer, or attempted resale or other transfer of Notes sold as part of a private placement in the United States made other than in compliance with the restrictions set out above shall not be recognized by us or any of our agent and shall be void.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as we and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

Prohibition of sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

  (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investor" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (c) above shall require us or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;

- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State; and

- the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) by us;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

CANADA

The Notes may only be offered or sold to a resident of Canada pursuant to an exemption from the requirement to file a prospectus in the applicable Canadian province or territory in which such offer or sale is made, and only by a dealer duly registered under the applicable securities laws of that province or territory or by a dealer that is relying in that province or territory on the "international dealer" exemption provided by section 8.18 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103). Furthermore, the Notes may only be offered or sold to or for the benefit of a resident of any such province or territory provided that such resident is both an "accredited investor" as defined in National Instrument 45-106 Prospectus Exemptions (NI 45-106) and a "permitted client" as defined in NI 31-103. The distribution of the Notes in Canada is being made on a private placement basis only and any resale of the Notes must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements or exemptions from the prospectus and registration requirements.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Under Canadian securities law, National Instrument 33-105 Underwriting Conflicts (NI 33-105) provides disclosure requirements with respect to potential conflicts of interest between an issuer and underwriters, dealers or placement agents, as the case may be. To the extent any conflict of interest between the Issuer and any of the Dealers (or any other placement agent acting in connection with this offering) may exist in respect of this offering, the applicable parties to this offering are relying on the exemption from these disclosure requirements provided to them by section 3A.3 of NI 33-105.

The Issuer and the Dealers hereby notify prospective Canadian purchasers that: (a) the Issuer or the Dealers may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone, number and the aggregate purchase price of any Notes purchased) ("personal information"), which Form 45-106F1 may be required to be filed by the Issuer or the Dealers under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Notes in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque maière que ce soit à la vente des voleurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis.*

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

HONG KONG

Each Dealer has represented and agreed that and each further Dealer appointed under the Program will be required to represent and agree that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

SINGAPORE

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each future Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor (as defined in the Securities and Futures Act) under Section 274 of the Securities and Futures Act (b) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1), or to any person pursuant to Section 275(1A), of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person who is:

(a) a corporation (which is not an accredited investor (as defined in the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the Securities and Futures Act; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

GENERAL

Each Dealer understands that no action has been taken in any jurisdiction that would permit a public offering of the Notes or possession or distribution of this Offering Circular or any other document, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither we nor any of the Dealers shall have any responsibility therefor.

Neither we nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have, directly or indirectly, provided advisory and investment banking services to, and entered into other commercial transactions with, us and our affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions with, us and our affiliates in the future.

In connection with each Tranche of Notes issued under the Program, the Dealers and/or their respective affiliates may purchase and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution, and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other of our securities or our subsidiaries or associates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

TRANSFER RESTRICTIONS

UNITED STATES

As a result of the following restrictions, purchases of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States who is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which we were or an affiliate of ours was the owner of such Notes, only (a) to us or any of our affiliate, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (e) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring the Notes for its own account or for the account of such an institutional "accredited investor" for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or (f) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above, the transferor shall deliver (i) an IAI Investment Letter to the Registrar, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act, and that it will acquire Notes having a minimum purchase price of at least U.S.$250,000 (or the approximate equivalent in another specified currency (as defined in the Agency Agreement)); and (ii) such other satisfactory evidence as we may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by us:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (5) TO AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF IN VIOLATION OF THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; IF ANY RESALE OR OTHER TRANSFER OF THE NOTES IS PROPOSED TO BE MADE PURSUANT TO CLAUSE (5) ABOVE, THE TRANSFEROR SHALL DELIVER A LETTER SUBSTANTIALLY IN THE FORM SET OUT IN SCHEDULE 4 TO THE AGENCY AGREEMENT TO THE TRANSFER AGENT, WHICH SHALL PROVIDE, AMONG OTHER THINGS, THAT THE TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT, THAT IT IS ACQUIRING SUCH NOTES FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, AND THAT IT WILL ACQUIRE NOTES HAVING A MINIMUM PURCHASE PRICE OF AT LEAST U.S.$250,000 (OR THE APPROXIMATE EQUIVALENT IN ANOTHER SPECIFIED CURRENCY (AS DEFINED IN THE AGENCY AGREEMENT)) AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND."

"THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the Distribution Compliance Period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 3 to the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made: (a) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or (b) to a person who is an Institutional Accredited Investor, together with, in the case of (b), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 4 to the Agency Agreement and such other satisfactory evidence as we may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; (iii) to us or any of our affiliates; or (if available) (iv) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by us of such satisfactory evidence as we may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by us:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

(viii) that we and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify us; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account. Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter.

Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see "Form of the Notes." The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes (including those set out above), and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$250,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$100,000 (or its foreign currency equivalent) nominal amount or, in the case of sales to Institutional Accredited Investors, U.S.$250,000 (or its foreign currency equivalent) nominal amount, and no Legended Note will be issued in connection with such a sale in a smaller nominal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$250,000 (or its foreign currency equivalent) nominal amount of Registered Notes.

LEGAL MATTERS

The validity of the Notes, certain U.S. legal matters and certain English legal matters will be passed upon for us by Freshfields Bruckhaus Deringer, our U.S. and English counsel. Allen & Overy LLP, U.S. and English counsel to the Dealers, will pass upon certain U.S. and English legal matters for the Dealers. Allen & Gledhill LLP, Singapore counsel to the Dealers, will pass upon certain Singapore legal matters for the Dealers.

INDEPENDENT AUDITORS

This Offering Circular includes our audited consolidated financial statements as at and for the years ended December 31, 2018 and 2017. For the audit of these financial statements, our independent auditor was Ernst & Young LLP, Public Accountants and Chartered Accountants, Singapore, located at One Raffles Quay, North Tower, Level 18, Singapore 048583.

GENERAL INFORMATION

ISSUER CHANGE OF NAME

On May 12, 2016, the Issuer was converted to a public company limited by shares and the Issuer's name was changed from "BOC Aviation Pte. Ltd." to "BOC Aviation Limited".

AUTHORIZATION

The establishment and update of the Program and the issue of Notes have been duly authorized by resolutions of our Board of Directors dated September 16, 2012, April 10, 2014, March 16, 2015 and December 13, 2016.

LISTING OF NOTES

Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of our merits or the merits of our subsidiary companies, their affiliated companies, the Program or the Notes. The Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 so long as any of the Notes remain listed on the SGX-ST.

DOCUMENTS AVAILABLE

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from our registered office and from the specified offices of the Paying Agents for the time being in Singapore:

(a) our constitutional documents;

(b) the audited consolidated financial statements of the Group in respect of the financial years ended December 31, 2018, 2017 and 2016. The Group currently prepares audited consolidated accounts on an annual basis;

(c) the most recently published audited consolidated financial statements of the Group and the most recent unaudited interim consolidated financial statements of the Group;

(d) the Program Agreement, the Agency Agreement, the Deed of Covenant, the CDP Deed of Covenant and Deed Poll;

(e) a copy of this Offering Circular; and

(f) any future offering circulars, prospectuses, information memoranda, supplements and Pricing Supplement (save that a Pricing Supplement relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to us and the Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

CLEARING SYSTEMS

Each series of Bearer Notes will be initially represented by either a Temporary Global Note or a Permanent Global Note that will be deposited on the issue date thereof with either (i) CDP; (ii) a common depositary on behalf of Euroclear and Clearstream, Luxembourg or any other agreed clearance system compatible with Euroclear and Clearstream, Luxembourg; or (iii) a sub-custodian for the CMU Service. Each series of Registered Notes will be initially represented by interests in a Registered Global Note and deposited on the issue date thereof with (i) a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg; or (ii) deposited with, and registered in the name of CDP; or (iii) a sub-custodian for the CMU

Service. The Common Code, the relevant ISIN number and, if applicable, the relevant CMU instrument number for each Series of Notes, will be contained in the applicable Pricing Supplement. In addition, we may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

CONDITIONS FOR DETERMINING PRICE

The price and amount of Notes to be issued under the Program will be determined by us and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial or trading position of the Group since December 31, 2018 and there has been no material adverse change in the financial position of the Group since December 31, 2018.

LITIGATION

We are not and have not, and no member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) in the 12 months preceding the date of this document which may have or have in such period had a material adverse effect on our or the Group's financial condition or business.

INDEPENDENT AUDITORS

This Offering Circular includes our audited consolidated financial statements as at and for the years ended December 31, 2018 and 2017. For the audit of these financial statements, our independent auditor was Ernst & Young LLP, Public Accountants and Chartered Accountants, Singapore, located at One Raffles Quay, North Tower, Level 18, Singapore 048583. The reports of our independent auditors are included in the form and context in which they are included, with the consent of the independent auditors who have authorized the contents of that part of this Offering Circular.

DEALERS TRANSACTING WITH US

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, us and our affiliates in the ordinary course of business.

INDEX TO FINANCIAL STATEMENTS

BOC AVIATION LIMITED AND
ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Contents

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited consolidated financial statements of BOC Aviation Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are as follows:

Sun Yu	Chairman (appointed on 27 February 2019)
Wang Jian	Vice-Chairman and Deputy Managing Director
Robert James Martin	Managing Director and Chief Executive Officer
Li Mang	Non-executive Director
Liu Chenggang	Non-executive Director
Wang Zhiheng	Non-executive Director (appointed on 22 October 2018)
Zhu Lin	Non-executive Director
Dai Deming	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Yeung Yin Bernard	Independent Non-executive Director

3. Arrangements to enable directors to acquire shares and debentures

Except for the "Restricted Share Unit Long Term Incentive Plan" disclosed in section 4 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, options and debentures of the Company or any other body corporate.

4. Restricted Share Unit Long Term Incentive Plan

The Company adopted the Restricted Share Unit Long Term Incentive Plan (the "RSU Plan") on 18 December 2017. The purpose of the RSU Plan is to attract skilled and experienced management and professional staff, to motivate and reward them to maximise profit and long-term investment returns for shareholders by providing them with the opportunity to acquire equity interests in the Company, thereby aligning the interests of employees with shareholders.

Eligible participants of the RSU Plan are selected employees (including executive directors) of the Company or any of its subsidiaries. An independent trustee will purchase shares of the Company from the market and will hold such shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new shares by the Company.

The first grant under the RSU Plan was made in May 2018 and the RSU award is accounted for over the vesting period of approximately three years commencing from the date of grant.

5. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interests in shares of the Company or of related companies as stated below:

Restricted share units granted by the Company but not yet vested

Name of director	At the beginning of financial year or date of appointment	At the end of financial year
Robert James Martin	–	199,373
Wang Jian	–	34,890

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares of the Company or of related companies either at the beginning of the financial year, or date of appointment if appointed during the financial year, or at the end of the financial year.

6. Audit Committee

The members of the Audit Committee at the date of this statement are as follows:

Dai Deming	Chairman, Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Liu Chenggang	Non-executive Director
Zhu Lin	Non-executive Director

The Audit Committee reviews the Group's statutory financial statements, and the Independent Auditor's Report thereon, with the auditor.

The Audit Committee may examine any aspect of the Group's financial affairs it deems appropriate and also reviews the Group's internal controls over its internal and external exposures to risks including operational, credit, market, legal and regulatory risks. It will keep under review the Group's system of accounting and internal financial controls, for which the directors are responsible.

The Audit Committee has full access to, and the co-operation of, the Group's management and has full discretion to invite any director or executive officer to its meetings. The Deputy Managing Director and Chief Financial Officer, the Chief Accounting Officer and the Head of Internal Audit will normally attend meetings and the auditor will have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources available to enable it to discharge its functions properly and may require the Company to appoint third parties to undertake independent audits of specific areas as it deems appropriate.

7. Auditor

Ernst & Young LLP has expressed its willingness to accept reappointment as auditor. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

On behalf of the Board of Directors:

Sun Yu
Director

Robert James Martin
Director

Singapore
13 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BOC Aviation Limited (the "Company") and its subsidiary companies (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the consolidated statement of changes in equity, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), International Financial Reporting Standards ("IFRS") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (continued)

Carrying value of plant and equipment - aircraft

The carrying value of aircraft in plant and equipment was significant to the audit because the aircraft carrying value of US$14,958 million as at the end of the reporting period was material to the financial statements, representing over 80% of the Group's total assets. During the year ended 31 December 2018, no impairment loss was recorded on aircraft.

As disclosed in Note 3.1(a) to the financial statements, the Group follows the guidance provided by IAS 36/SFRS(I) 1-36 *Impairment of Assets* in determining whether it is necessary to recognise any impairment loss on an aircraft. Management exercises significant judgement in determining whether there is any indication that any aircraft may have been impaired. This exercise involves management to consider both internal and external sources of information which include but are not limited to: observable indications that the value of aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; aircraft valuation reports provided by external appraisers; significant adverse changes in the expected usage of the aircraft, technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence or physical damage of the aircraft; and worse than expected economic performance of the aircraft. We reviewed management's assessment of whether indicators of impairment were present and assessed the reasonableness of significant judgements used in this review.

In addition, our audit procedures included, amongst others:

- Validating the information used in assessing the financial profitability of individual aircraft by comparing lease rental rates to depreciation and costs of financing for that aircraft;
- Validating the utilisation of aircraft;
- Assessing management's judgement on economic and technological relevance of aircraft and engine models in the current aviation demand and supply dynamics;
- Evaluating the competence and objectivity of the experts employed in the Group's methodology to assess whether the value of aircraft has declined significantly; and
- Performing sensitivity analyses on aircraft which were not identified as having indicators of impairment but have a higher risk of impairment due to lower excess when compared to their appraised values, higher age of aircraft or the existence of operational circumstances.

Furthermore, we assessed the adequacy of the Group's disclosures regarding the impairment of aircraft, which are disclosed in Notes 3.1 and 12 to the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, IFRSs and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 controls.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal controls 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 controls.

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

- Conclude on the appropriateness of management's 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 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 financial statements, including the disclosures, and whether the 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors 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 the directors, we determine those matters that were of most significance in the audit of the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

13 March 2019

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Revenues			
Lease rental income	42(a)	**1,542,539**	1,283,587
Interest and fee income	4	**80,753**	29,622
Other income:			
Net gain on sale of aircraft	5	**90,822**	77,754
Others		**11,485**	9,778
		1,725,599	1,400,741
Costs and expenses			
Depreciation of plant and equipment	12	**542,834**	460,496
Finance expenses	6	**353,035**	259,714
Amortisation of deferred debt issue costs	7	**23,186**	20,929
Amortisation of lease transaction closing costs		**194**	146
Staff costs	8	**91,543**	72,276
Marketing and travelling expenses		**5,384**	5,052
Other operating expenses	10	**24,198**	20,392
Impairment of aircraft	12	**–**	10,600
		(1,040,374)	(849,605)
Profit before income tax		**685,225**	551,136
Income tax (expense)/credit	11	**(64,786)**	35,511
Profit for the year attributable to owners of the Company		**620,439**	586,647
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US$)	41	**0.89**	0.85
Diluted earnings per share (US$)	41	**0.89**	0.85

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 US$'000	2017 US$'000
Profit for the year		**620,439**	586,647
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to statement of profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax	29	**(10,718)**	6,219
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	29	**(9,022)**	(1,651)
Total comprehensive income for the year attributable to owners of the Company		**600,699**	591,215

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Non-current assets			
Plant and equipment	12	**17,973,481**	15,434,163
Lease transaction closing costs		**1,286**	1,088
Derivative financial instruments	13	**14,379**	22,023
Trade receivables	14	**909**	–
Finance lease receivables	36(c)(ii)	**–**	10,375
Deferred income tax assets	26	**146**	141
Other non-current assets		**9,291**	–
		17,999,492	15,467,790
Current assets			
Derivative financial instruments	13	**2,593**	–
Trade receivables	14	**7,075**	5,467
Finance lease receivables	36(c)(ii)	**–**	5,625
Prepayments		**2,451**	2,972
Other receivables	15	**1,629**	14,179
Short-term deposits	16	**152,936**	162,235
Cash and bank balances	17	**90,047**	143,058
Assets held for sale	18	**–**	238,535
		256,731	572,071
Total assets		**18,256,223**	16,039,861
Current liabilities			
Derivative financial instruments	13	**1,536**	38,003
Trade and other payables	19	**156,923**	136,858
Deferred income	20	**63,569**	66,651
Income tax payables		**599**	956
Loans and borrowings	21	**1,438,258**	1,419,443
Finance lease payables	22	**–**	33,478
Security deposits	24	**47,623**	29,022
		1,708,508	1,724,411
Net current liabilities		**(1,451,777)**	(1,152,340)
Total assets less current liabilities		**16,547,715**	14,315,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Non-current liabilities			
Derivative financial instruments	13	**122,212**	62,583
Loans and borrowings	21	**10,840,469**	9,262,814
Finance lease payables	22	**–**	24,640
Security deposits	24	**221,529**	199,900
Deferred income	20	**60,445**	44,833
Maintenance reserves	25	**732,133**	558,503
Deferred income tax liabilities	26	**304,800**	296,339
Other non-current liabilities	27	**67,101**	47,081
		12,348,689	10,496,693
Total liabilities		**14,057,197**	12,221,104
Net assets		**4,199,026**	3,818,757
Equity attributable to owners of the Company			
Share capital	28	**1,157,791**	1,157,791
Retained earnings		**3,037,898**	2,639,874
Statutory reserves		**63**	9
Share-based compensation reserves		**1,931**	–
Hedging reserves	29	**1,343**	21,083
Total equity		**4,199,026**	3,818,757
Total equity and liabilities		**18,256,223**	16,039,861

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	Company 2018 US$'000	Company 2017 US$'000
Non-current assets			
Plant and equipment	12	**10,335,964**	8,899,925
Lease transaction closing costs		**711**	727
Derivative financial instruments	13	**14,379**	22,023
Trade receivables	14	**909**	–
Amounts due from subsidiary companies	32	**1,029,400**	758,260
Investments in subsidiary companies	33	**747,427**	747,428
Other non-current assets		**8,195**	–
		12,136,985	10,428,363
Current assets			
Derivative financial instruments	13	**2,593**	–
Trade receivables	14	**838**	2,704
Prepayments		**1,593**	1,394
Other receivables	15	**49,051**	21,472
Short-term deposits	16	**105,929**	134,235
Cash and bank balances	17	**13,331**	50,747
Assets held for sale	18	**–**	229,550
		173,335	440,102
Total assets		**12,310,320**	10,868,465
Current liabilities			
Derivative financial instruments	13	**1,536**	38,003
Trade and other payables	19	**106,106**	100,881
Deferred income	20	**42,366**	35,668
Loans and borrowings	21	**439,644**	854,703
Finance lease payables	22	**–**	33,478
Security deposits	24	**16,505**	18,285
Finance lease payable to subsidiary companies	31	**108,027**	107,895
		714,184	1,188,913
Net current liabilities		**(540,849)**	(748,811)
Total assets less current liabilities		**11,596,136**	9,679,552

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Note	Company 2018 US$'000	Company 2017 US$'000
Non-current liabilities			
Derivative financial instruments	13	**122,212**	62,583
Loans and borrowings	21	**7,662,543**	6,069,237
Finance lease payables	22	**–**	24,640
Security deposits	24	**125,861**	116,105
Deferred income	20	**30,060**	25,914
Maintenance reserves	25	**319,801**	245,874
Deferred income tax liabilities	26	**93,065**	72,430
Finance lease payable to subsidiary companies	31	**443,790**	555,911
Other non-current liabilities	27	**56,975**	40,073
		8,854,307	7,212,767
Total liabilities		**9,568,491**	8,401,680
Net assets		**2,741,829**	2,466,785
Equity attributable to owners of the Company			
Share capital	28	**1,157,791**	1,157,791
Retained earnings		**1,591,555**	1,304,926
Share-based compensation reserves		**1,657**	–
Hedging reserves	29	**(9,174)**	4,068
Total equity		**2,741,829**	2,466,785
Total equity and liabilities		**12,310,320**	10,868,465

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		Attributable to owners of the Company					
	Note	Share capital US$'000	Retained earnings US$'000	Statutory reserves* US$'000	Share-based compensation reserves US$'000	Hedging reserves US$'000	Total equity US$'000
At 1 January 2017		1,157,791	2,207,855	7	–	16,515	3,382,168
Profit for the year		–	586,647	–	–	–	586,647
Transfers to statutory reserves		–	(2)	2	–	–	–
Other comprehensive income for the year, net of tax	29	–	–	–	–	4,568	4,568
Total comprehensive income for the year		–	586,645	2	–	4,568	591,215
Transactions with owners of the Company:							
Dividends	34	–	(154,626)	–	–	–	(154,626)
At 31 December 2017 and 1 January 2018		**1,157,791**	**2,639,874**	**9**	**–**	**21,083**	**3,818,757**
Profit for the year		**–**	**620,439**	**–**	**–**	**–**	**620,439**
Transfers to statutory reserves		**–**	**(54)**	**54**	**–**	**–**	**–**
Other comprehensive income for the year, net of tax	29	**–**	**–**	**–**	**–**	**(19,740)**	**(19,740)**
Total comprehensive income for the year		**–**	**620,385**	**54**	**–**	**(19,740)**	**600,699**
Transactions with owners of the Company:							
Dividends	34	**–**	**(222,361)**	**–**	**–**	**–**	**(222,361)**
Share-based compensation		**–**	**–**	**–**	**1,931**	**–**	**1,931**
At 31 December 2018		**1,157,791**	**3,037,898**	**63**	**1,931**	**1,343**	**4,199,026**

* In accordance with statutory requirements in China and France, each subsidiary company in these countries is required to make appropriation of a certain percentage of its annual profit after tax to a statutory reserve until a statutory limit is reached.

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Cash flows from operating activities:			
Profit before income tax		**685,225**	551,136
Adjustments for:			
Depreciation of plant and equipment	12	**542,834**	460,496
Impairment of aircraft	12	**–**	10,600
Plant and equipment written off		**62**	–
Amortisation of deferred debt issue costs	7	**23,186**	20,929
Amortisation of lease transaction closing costs		**194**	146
Interest and fee income	4	**(80,753)**	(29,622)
Net gain on sale of aircraft	5	**(90,822)**	(77,754)
Finance expenses	6	**353,035**	259,714
Share-based compensation	8	**1,931**	–
Maintenance reserves written off	25	**(47)**	(1,341)
Operating profit before working capital changes		**1,434,845**	1,194,304
Decrease/(increase) in receivables		**16,557**	(26,986)
Increase/(decrease) in payables		**11,457**	(6,490)
Increase in maintenance reserves		**181,959**	85,930
Decrease in deferred income		**(3,082)**	(23,051)
Cash generated from operations		**1,641,736**	1,223,707
Security deposits received, net		**55,842**	17,613
Lease transaction closing costs paid		**(431)**	(588)
Income tax paid, net		**(55,929)**	(801)
Interest and fee income received		**81,454**	31,447
Net cash flows from operating activities		**1,722,672**	1,271,378
Cash flows from investing activities:			
Purchase of plant and equipment		**(4,143,287)**	(4,433,480)
Proceeds from sale of plant and equipment		**1,421,651**	1,239,171
Net cash flows used in investing activities		**(2,721,636)**	(3,194,309)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the financial year ended 31 December 2018

	Note	Group 2018 US$'000	2017 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**2,140,000**	2,626,229
Repayment of loans and borrowings and finance lease payables		**(1,247,380)**	(1,318,478)
Increase in borrowings from revolving credit facilities, net		**644,000**	795,000
Finance expenses paid		**(361,330)**	(257,605)
Debt issue costs paid		**(16,275)**	(20,779)
Dividends paid	34	**(222,361)**	(154,626)
Decrease in cash and bank balances - encumbered		**50,424**	186,589
Increase in cash and bank balances - encumbered		**(7,228)**	(85,271)
Net cash flows from financing activities		**979,850**	1,771,059
Net decrease in cash and cash equivalents		**(19,114)**	(151,872)
Cash and cash equivalents at beginning of year		**241,847**	393,719
Cash and cash equivalents at end of year	30	**222,733**	241,847

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

1. Corporate information

BOC Aviation Limited (the "Company") is a public company limited by shares and is listed on the main board of The Stock Exchange of Hong Kong Limited. The Company's majority shareholder is Sky Splendor Limited, which is incorporated in the Cayman Islands. Its shareholder is Bank of China Group Investment Limited, incorporated in Hong Kong and owned by Bank of China Limited, incorporated in the People's Republic of China ("PRC"). Bank of China Limited is majority owned by Central Huijin Investment Limited ("Central Huijin"), which is incorporated in the PRC. Central Huijin is a wholly owned subsidiary of China Investment Corporation ("CIC"), which is a wholly state-owned company in the PRC.

The registered address of the Company is 8 Shenton Way, #18-01, Singapore 068811.

The principal activities of the Company, which are conducted in Singapore, are the leasing of aircraft, management of aircraft leases and other related activities. The subsidiary companies are primarily engaged in the leasing of aircraft and other related activities as disclosed in Note 33.

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

As at 31 December 2018, the Group's and the Company's current liabilities exceeded its current assets by US$1,451.8 million (2017: US$1,152.3 million) and US$540.8 million (2017: US$748.8 million) respectively. The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Singapore Financial Reporting Standards (International) ("SFRS(I)") as issued by the Singapore Accounting Standards Council ("ASC"), which the Group adopted on 1 January 2018. Refer to Note 2.2 for information on the first-time adoption of SFRS(I).

The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The financial statements are presented in the Group's functional currency, United States Dollar ("US$" or "US Dollar"), and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS and SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I)

On 29 December 2017, the ASC issued SFRS(I), Singapore's equivalent of the IFRS which is available for application by Singapore-incorporated companies for annual periods beginning on or after 1 January 2018. Following the introduction and adoption of this new financial reporting framework, the Group has chosen to comply with both IFRS and SFRS(I).

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The Group adopted IFRS 9/SFRS(I) 9 *Financial Instruments* and IFRS 15/SFRS(I) 15 *Revenue from Contracts with Customers* on 1 January 2018. The nature of the changes in these financial reporting standards are described below:

IFRS 9/SFRS(I) 9 *Financial Instruments*

IFRS 9/SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting.

The classification of financial assets under this standard is based on their contractual cash flow characteristics and the business model under which they are held, and eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. The changes of this standard did not result in a change in the classification and measurement of financial assets of the Group.

The impairment requirements in this standard are based on an expected credit loss model and replaces the IAS 39 incurred loss model. This standard requires the Group to record expected credit losses on its trade and other receivables, finance lease receivables, short-term deposits and cash and bank balances, either on a 12-month or lifetime basis. As the Group has a rigorous counterparty selection and monitors closely the credit risks arising from the financial assets as detailed in Note 39(c), the changes of this standard did not have a material impact on the financial statements for the year ended 31 December 2018.

The new hedge accounting rules under IFRS 9/SFRS(I) 9 aligns 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 this standard introduces a more principle-based approach. The above change did not have a significant impact on the current hedging relationships entered into by the Group.

IFRS 15/SFRS(I) 15 *Revenue from Contracts with Customers*

Under IFRS 15/SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard specifically states that lease contracts within the scope of IFRS 16/SFRS(I) 16 Leases are outside the scope of this standard.

2. Summary of significant accounting policies (cont'd)

2.3 Changes in accounting policies (cont'd)

IFRS 15/SFRS(I) 15 *Revenue from Contracts with Customers (cont'd)*

As the Group derives its revenue primarily from lease rentals under lease contracts within the scope of IFRS 16/SFRS(I) 16 Leases, the adoption of this standard did not have a material impact on the financial statements for the year ended 31 December 2018.

The Group has not adopted the following new or amended standards and interpretation which are relevant to the Group that have been issued but are not yet effective:

Standards and Interpretation	Content	Applicable for financial year beginning on or after
IFRS 16/SFRS(I) 16	Leases	1 January 2019
IFRIC 23/SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Improvements to IFRS/SFRS(I) (December 2017)		
Amendments to IAS 12/ SFRS(I) 1-12	Income Tax Consequences of Payments on Financial Instruments Classified as Equity	1 January 2019
Amendments to IAS 23/ SFRS(I) 1-23	Borrowing Costs Eligible for Capitalisation	1 January 2019

Based on a preliminary assessment using currently available information, the Group does not expect the adoption of the above standards and interpretation to have a material impact on the financial statements in the period of initial application. These preliminary assessments may be subject to changes arising from ongoing analyses when the Group adopts the standards. The Group plans to adopt the above standards and interpretation on the effective date.

The nature of the impending changes in accounting policies on adoption of IFRS 16/SFRS(I) 16 is described below:

IFRS 16/SFRS(I) 16 *Leases*

IFRS 16/SFRS(I)16 replaces existing lease accounting guidance. This standard does not change the classification of leases for lessors except for more disclosures in the financial statements.

This standard eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

As the Group is primarily a lessor engaging in leasing aircraft, the Group does not expect the changes of this standard to have a material impact on the financial statements in the period of initial application.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2018. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All significant balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Functional and foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operates ("functional currency").

(b) Foreign currency transactions

Transactions in foreign currencies are measured at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of each year. Exchange differences arising from the translation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.6 Plant and equipment

(a) Aircraft

Purchased aircraft on operating lease to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of the aircraft prior to delivery. Subsequent to recognition, aircraft are stated at cost less accumulated depreciation and accumulated impairment loss. Modifications and all other costs associated with placing the aircraft in service are capitalised. The cost of aircraft is stated net of manufacturers' credits. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 Plant and equipment (cont'd)

(a) Aircraft (cont'd)

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset is charged to profit or loss.

The carrying values of aircraft are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

(b) Aircraft pre-delivery payments

Pre-delivery payments are recognised under plant and equipment when payments are made for aircraft under construction.

(c) Other plant and equipment

Other plant and equipment comprises office renovations, furniture, fittings and office equipment and are initially recognised at cost. Subsequent to recognition, these assets are stated at cost, less accumulated depreciation and accumulated impairment loss. Cost comprises purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs is charged to profit or loss.

(d) Depreciation

Aircraft are depreciated on a straight-line basis over 25 years with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis over the remaining 13 years with no residual value.

Depreciation on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

Office renovations	- 3 to 5 years
Furniture, fittings and office equipment	- 1 to 3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed at each year end and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

2. Summary of significant accounting policies (cont'd)

2.6 Plant and equipment (cont'd)

(e) Disposal

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. Assets classified as held for sale are not depreciated.

2.8 Lease transaction closing costs

Upfront legal fees and all other initial direct costs incurred in procuring the lease for the aircraft are capitalised and amortised on a straight-line basis over the related lease period in profit or loss.

Where the lease agreement is terminated or novated prior to its expiry date, the remaining lease transaction closing costs will be written off to profit or loss.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.10 Subsidiary Companies

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In structured entities, the ability to control does not come from holding the majority of voting shares, but rather from contractual agreements. Entities are consolidated from the time that the ability to control begins and cease to be consolidated when the ability to control ends.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All purchases and sales of financial assets are recognised or derecognised on the trade date which is the date that the Group commits to purchase or sell the asset.

Subsequent measurement

(i) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

(ii) Investments in other financial assets measured at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for financial assets is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

(a) Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets (cont'd)

(b) *General approach*

The Group applies the general approach to provide for ECLs on all other financial assets not held at fair value through profit or loss. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

For the purpose of recognition of an allowance for ECL, the Group considers a financial asset to be in default:

- when the lessee does not pay the amounts due under its lease agreements to the Group in excess of the security deposit or the value of the collateral; or

- in the case where the financial asset is not secured, when the financial asset is more than 90 days past due.

2.13 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross-currency interest rate swap, interest rate swap and foreign exchange forward contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss.

The fair values of cross-currency interest rate swap, interest rate swap and foreign exchange forward contracts are determined by marked-to-market values provided by counterparties which approximate fair value.

2. Summary of significant accounting policies (cont'd)

2.13 Derivative financial instruments and hedging activities (cont'd)

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

(a) Fair value hedges when hedging the exposure to changes in the fair values of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss; and

(b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

Hedging relationships designated under IAS 39 *Financial Instruments* that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of IFRS 9/SFRS(I) 9 *Financial Instruments*.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from the derivative and the hedged item are recognised in profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method.

2. Summary of significant accounting policies (cont'd)

2.13 Derivative financial instruments and hedging activities (cont'd)

(b) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in hedging reserve, while the ineffective portion is recognised in profit or loss.

Amounts recognised in hedging reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognised in hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedged future cashflows are no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in other comprehensive income until the future cashflows occur.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, fixed deposits, and short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each year and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.16 Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. Upon expiry of a lease, any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss.

If a lease requires the lessee to pay return compensation payments at the end of the lease, the lessee may also be required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which is providing flight hour-based support to the lessee.

2.17 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use is in progress, and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. The Group borrows to finance certain aircraft pre-delivery payments for aircraft under construction. The interest incurred on borrowings directly attributable to the acquisition of the aircraft under construction is capitalised and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitment or advances of pre-delivery payments on which the Group earns income. Capitalisation of interest ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

2.18 Debt issue costs

Debt issue costs are costs incurred in connection with obtaining financing. These costs comprise primarily front-end fees, agency fees and legal fees.

On initial recognition of a financial liability, debt issue costs that are directly attributable to the acquisition of the financial liability are included in the initial measurement of that liability. These costs are amortised over the related life of the debt using the effective interest method and written off upon prepayment of the financial liability, except for those debt issue costs relating to credit facilities which remain available for re-drawing after prepayment.

2. Summary of significant accounting policies (cont'd)

2.19 Trade and other payables

Liabilities for trade and other payables including payables to related parties, which are normally settled within 30-day credit terms, are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.20 Employee benefits

(a) Short term employee benefits

All short term employee benefits, including accumulated compensated absences, are recognised in profit or loss in the period in which the employees render their services to the Group.

(b) Short term incentive plan

The short term incentive plan bonus is payable to employees of the Group when certain key performance targets for each year are met and payment is to be made over a period. The bonus is accrued and recognised in profit or loss in the period in which the employees render their services to the Group. Any over or under provision will be recognised in profit or loss.

(c) Long term incentive plan

Selected employees of the Group are eligible to participate in the long term incentive plan, which comprises a cash portion and the RSU Plan. Cash amounts are payable to the participants based on the achievement of certain key performance targets at the end of a pre-determined period. The cash amount is accrued and recognised in profit or loss in the period in which the participants render their services to the Group. Any over or under provision will be recognised in profit or loss. Payment of accrued cash amounts will be made over a period after each pre-determined period.

With respect to the RSU Plan, a cash amount which is determined based on the achievement of certain key performance targets of the Group for a financial year will be paid to an independent trustee in the following year to purchase shares of the Company in the secondary market. These shares and any accrued dividends will be held on trust for the participants during the vesting period. The cost of these equity-settled share-based compensation transactions with employees is measured by reference to the fair value of RSU at grant date. This cost is recognised in the profit or loss over the vesting period (from the date of grant to the date the shares are vested) of the RSU Plan.

(d) Employers' defined contributions

As required by law, the Group makes contributions to Central Provident Fund ("CPF") in Singapore, National Insurance and Pension in United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in United States of America and Social Insurance in China. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

2. Summary of significant accounting policies (cont'd)

2.21 Leases

(a) *Where the Group or the Company is the lessor*

Leases where the Group or the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.22. Contingent rents are recognised as revenue in the period in which they are earned.

Finance leases, which effectively transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased asset, are recognised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income are charged directly to profit or loss.

(b) *Where the Group or the Company is the lessee*

Finance leases, which effectively transfer to the Group or the Company substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments and disclosed under Note 36. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group or the Company will obtain ownership of the leased asset by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

2.22 Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) Lease rental income

Lease rental income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

(b) Fee income from aircraft pre-delivery payments

Fee income from aircraft pre-delivery payments are recognised as revenue over time following the timing of satisfaction of the performance obligation.

(c) Remarketing and lease management fees

Remarketing and lease management fees are recognised as revenue at a point in time or over time following the timing of satisfaction of the performance obligation.

(d) Dividend income

Dividend income from investments is recognised when the Company's right to receive payment is established.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Lease termination fees

Lease termination fees are recognised based on contractual agreement with the relevant lessee.

2. Summary of significant accounting policies (cont'd)

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each year, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) Deferred income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each year.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.24 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.25 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have significant effect on the amounts recognised in the consolidated financial statements.

(a) Carrying value of aircraft

The Group follows the guidance provided by IAS 36/SFRS(I) 1-36 *Impairment of Assets* in determining whether it is necessary to recognise any impairment loss on an aircraft. Management exercises significant judgement in determining whether there is any indication that any aircraft may have been impaired. This exercise involves management consideration of both internal and external sources of information which include but are not limited to: observable indications that the value of aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of the aircraft, technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence or physical damage of the aircraft; and worse than expected economic performance of the aircraft. Analysis of impairment loss provision is disclosed in Note 12 in the financial statements.

(b) Maintenance of aircraft by lessees

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make monthly or end of lease maintenance contributions to the Group which can subsequently be drawn on for certain maintenance events carried out. Management has made a judgement based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements.

(c) Impairment of financial assets

The Group follows the guidance of IFRS 9/SFRS(I) 9 *Financial Instruments* in determining when a financial asset is impaired and this requires judgement on the correlation between historical observed default rates and ECLs.

(d) Fair value of financial instruments

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models by counterparties. The valuation of financial instruments is described in more detail in Note 38.

(e) Classification of leases

(i) Operating lease – As lessor

The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(e) Classification of leases (cont'd)

(ii) Operating lease – As lessee

The Group has entered into leases of office and facilities space, and copiers whereby the Group has determined that the lessor has retained substantially all risks and rewards incidental to ownership. Accordingly, these leases are not recognised as plant and equipment on the Group's statement of financial position.

(iii) Finance lease – As lessor

The Group has entered into aircraft leases whereby the Group has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Group has recorded the transaction as a sale of aircraft and finance lease receivables on the statement of financial position.

(iv) Finance lease – As lessee

The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft as plant and equipment on the statement of financial position.

(f) Deferred income taxes

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgement is required to determine that the undistributed profits of the subsidiary companies will not be distributed and remitted into Singapore in the foreseeable future. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiary companies and overseas unremitted income as at 31 December 2018 was US$1,172.0 million (2017: US$1,200.1 million) for which deferred tax liabilities have not been recognised.

Deferred tax assets are recognised for all unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(f) Deferred income taxes (cont'd)

In January 2017, the Company was awarded the Aircraft Leasing Scheme ("ALS") Incentive for five years from 1 July 2017 to 30 June 2022 at a concessionary income tax rate of 5%, subject to meeting certain conditions. Management is reasonably confident that the conditions of the award will be met.

While the concessionary income tax rates under the ALS have been streamlined to 8% for approvals on or after 1 April 2017, the Singapore Government further amended the Income Tax Act in October 2018 for existing ALS recipients to apply the tax rate under their existing award up till 31 December 2027 on qualifying income from leasing of aircraft or aircraft engines acquired during their existing award tenure. The Company has exercised judgement in determining the timing in which the existing portfolio of aircraft are expected to be sold. Consequently, the deferred tax liability arising from the temporary differences between the carrying amounts of the aircraft and their tax written down values is computed based on the tax rate applicable in those years.

Details have been disclosed in Note 11 and Note 26.

(g) Assets held for sale

An asset is classified as held for sale when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale is highly probable. Management judgement is required to assess whether the asset meets the conditions to be classified as assets held for sale and details have been disclosed in Note 18.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Depreciation of aircraft and estimation of residual values

Aircraft are depreciated on a straight-line basis over 25 years with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis over the remaining 13 years with no residual value. Management estimates the useful life to be 25 years based on the common life expectancies applied in the aircraft leasing industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A one-year decrease in the expected useful lives of these assets from management's estimates would result in an increase in annual depreciation charges of US$23.7 million (2017: US$21.3 million). Such a decrease in the useful lives of the Group's aircraft could affect the Group's annual profit before tax in future.

(b) Fair values

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 13.

Fair values of other financial instruments have been disclosed in Note 38.

(c) Income taxes and deferred income taxes

The Group has exposure to income taxes in several jurisdictions. Estimation is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Details have been disclosed in Note 11 and Note 26.

4. Interest and fee income

	Group 2018 US$'000	Group 2017 US$'000
Interest income from short-term deposits and bank balances	**3,668**	2,709
Fee income from aircraft pre-delivery payments	**66,209**	21,657
Lease management fee income	**3,392**	3,787
Remarketing fee income	**5,574**	850
Others	**1,910**	619
	80,753	29,622

5. Net gain on sale of aircraft

	Note	Group 2018 US$'000	Group 2017 US$'000
Proceeds from sale of aircraft*		**1,304,906**	1,196,722
Maintenance reserves released	25	**2,621**	–
Net book value of aircraft classified as:			
Plant and equipment		**(695,779)**	(522,587)
Assets held for sale	18	**(518,236)**	(594,103)
Expenses		**(2,690)**	(2,278)
		90,822	77,754

* Included an amount of nil (2017: US$91.8 million) received from a related company.

6. Finance expenses

	Group 2018 US$'000	Group 2017 US$'000
Interest expense and other charges on:		
Loans and borrowings	**352,804**	258,236
Finance leases	**231**	1,478
	353,035	259,714

7. Amortisation of deferred debt issue costs

	Note	Group 2018 US$'000	Group 2017 US$'000
Arising from:			
Loans and borrowings	21	**23,007**	20,860
Finance lease payables	22	**179**	69
		23,186	20,929

8. Staff costs

	Group 2018 US$'000	Group 2017 US$'000
Salaries, bonuses and other staff costs	**86,274**	68,305
Employers' defined contributions	**3,338**	3,971
Share-based compensation	**1,931**	–
	91,543	72,276

Share-based compensation (equity-settled)

The Group has adopted a Restricted Share Unit Long Term Incentive Plan. The Restricted Share Units ("RSU") in respect of a financial year are granted in the following year and vest in the third year following the end of such financial year.

During the year ended 31 December 2018, the Group granted 1,299,300 RSUs at a fair value of HK$46.61 per share (then equivalent to US$5.94 per share). The fair value of RSUs at grant date was determined by the average market price at which the shares of the Company were purchased by an independent trustee in the secondary market. As at 31 December 2018, the RSUs granted but not vested was 1,273,080 due to forfeiture of 26,220 RSUs.

9. Emoluments of directors, five highest paid individuals and senior management

(a) Emoluments paid to directors of the Company during the year

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2018					
Chairman, Non-executive director[1]					
Sun Yu[2]	–	–	–	–	–
Executive directors					
Wang Jian (Vice-Chairman)	–	536	385	–	921
Robert James Martin	–	1,059	6,420	–	7,479
Independent non-executive directors					
Antony Nigel Tyler	140	40	–	–	180
Dai Deming	60	17	–	–	77
Fu Shula	60	17	–	–	77
Yeung Yin Bernard	45	–	–	–	45
Non-executive directors[1]					
Li Mang	–	–	–	–	–
Liu Chenggang	–	–	–	–	–
Wang Zhiheng[3]	–	–	–	–	–
Zhu Lin	–	–	–	–	–
	305	1,669	6,805	–	8,779

9. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(a) Emoluments paid to directors of the Company during the year (cont'd)

2017	Fees US$'000	Salaries, allowances and other benefits US$'000	Discretionary bonus US$'000	Employers' defined contributions US$'000	Total US$'000
Chairman, non-executive director[1]					
Chen Siqing[4]	–	–	–	–	–
Executive directors					
Wang Jian (Vice-Chairman) [5]	–	335	–	–	335
Wang Genshan (Vice-Chairman) [6]	–	228	2,029	–	2,257
Robert James Martin	–	1,039	5,160	–	6,199
Independent non-executive directors					
Antony Nigel Tyler	140	40	–	–	180
Dai Deming	60	17	–	–	77
Fu Shula	60	17	–	–	77
Yeung Yin Bernard	45	–	–	–	45
Non-executive directors[1]					
Gao Zhaogang[7]	–	–	–	–	–
Li Mang	–	–	–	–	–
Liu Chenggang	–	–	–	–	–
Zhu Lin	–	–	–	–	–
	305	1,676	7,189	–	9,170

1 In 2017 and 2018, the non-executive Chairman and non-executive directors (other than independent non-executive directors) were not entitled to any emoluments under their respective engagement letters
2 Appointed on 27 February 2019
3 Appointed on 22 October 2018
4 Resigned on 16 March 2018
5 Appointed on 1 June 2017
6 Resigned on 31 May 2017
7 Resigned on 22 October 2018

9. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(b) Five highest paid individuals

In the year ended 31 December 2018 and 2017, the five individuals whose emoluments were the highest in the Group include one (2017: two) executive director whose emoluments are reflected in Note 9(a).

The emoluments paid to the remaining four (2017: three) individuals during the year ended 31 December 2018 and 2017 were as follows:

	2018	2017
	US$'000	US$'000
Salaries, allowances and other benefits	**2,414**	1,821
Discretionary bonus	**7,839**	5,048
Employers' defined contributions	**376**	318
	10,629	7,187

The number of such individuals whose emoluments paid during the year ended 31 December 2018 and 2017 fell within the following bands:

	2018	2017
HK$15,000,001 to HK$15,500,000	**1**	1
HK$19,000,001 to HK$19,500,000	**1**	–
HK$19,500,001 to HK$20,000,000	**–**	1
HK$20,500,001 to HK$21,000,000	**–**	1
HK$23,000,001 to HK$23,500,000	**1**	–
HK$25,000,001 to HK$25,500,000	**1**	–

During the year ended 31 December 2018 and 2017, 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 as compensation for loss of office.

9. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(c) Senior management's emoluments

The number of senior management whose emoluments paid during the year ended 31 December 2018 and 2017 fell within the following bands:

	2018	2017
HK$2,500,001 to HK$3,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
HK$11,000,001 to HK$11,500,000	**1**	–
HK$15,000,001 to HK$15,500,000	**–**	1
HK$17,500,001 to HK$18,000,000	**–**	1
HK$19,000,001 to HK$19,500,000	**1**	–
HK$19,500,001 to HK$20,000,000	**–**	1
HK$20,500,001 to HK$21,000,000	**–**	1
HK$23,000,001 to HK$23,500,000	**1**	–
HK$25,000,001 to HK$25,500,000	**1**	–
HK$48,000,001 to HK$48,500,000	**–**	1
HK$58,500,001 to HK$59,000,000	**1**	–

10. Other operating expenses

	Group	
	2018	2017
	US$'000	US$'000
General office expenses	**4,895**	4,266
Operating lease expenses	**2,250**	2,609
Technical services expenses	**3,867**	2,756
Professional fees	**5,189**	5,541
Auditors' remuneration	**393**	381
Net foreign exchange losses/(gains)[1]	**413**	(50)
Other taxes and expenses	**7,191**	4,889
	24,198	20,392

Technical services expenses include net provisions for repair, maintenance, and repossession costs of aircraft.

[1] Included foreign exchange gain of US$12.5 million (2017: exchange loss of US$50.9 million) in revaluation of financial liabilities which were offset by fair value loss of US$12.5 million (2017: fair value gain of US$50.9 million) in derivative financial instruments.

11. Income tax expense/(credit)

The major components of income tax expense/(credit) for the year ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	US$'000	US$'000
Current income tax		
Singapore	**(40)**	(40)
Foreign	**56,377**	1,415
Over provision in respect of prior years	**(7)**	(17)
	56,330	1,358
Deferred income tax		
Singapore	**21,207**	16,426
Foreign	**(11,930)**	46,694
Over provision in respect of prior years	**(821)**	(8,989)
Reduction in US tax rate	**–**	(91,000)
	8,456	(36,869)
	64,786	(35,511)

11. Income tax expense/(credit) (cont'd)

A reconciliation between tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	2017
	US$'000	US$'000
Profit before income tax	**685,225**	551,136
Tax at the Singapore tax rate of 17% (2017:17%)	**116,488**	93,693
Adjustments:		
Different tax rates in foreign jurisdictions	**17,726**	12,658
Effects of Aircraft Leasing Scheme incentive on Company's results	**(72,172)**	(44,437)
Income not subject to tax	**(388)**	(102)
Expenses not deductible for tax purposes	**3,329**	2,293
Others	**631**	390
Over provision in respect of prior years, net	**(828)**	(9,006)
	64,786	55,489
Reduction in US tax rate[1]	–	(91,000)
	64,786	(35,511)

[1]Following the enactment of the US Tax Cuts and Jobs Act on 22 December 2017 which amongst other measures, reduced the US federal corporate income tax rate to 21%, the Group has re-measured its net deferred tax liabilities as at 31 December 2017 and recognised a reduction of deferred tax liabilities of US$91.0 million.

12. Plant and equipment

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2017	11,825,450	2,166,578	1,261	9,363	14,002,652
Additions	3,054,048	1,391,638	468	2,043	4,448,197
Disposals/reductions	(625,115)	(42,449)	(126)	(23)	(667,713)
Transfers	1,511,490	(1,511,490)	–	–	–
Transfer to assets held for sale	(723,853)	–	–	–	(723,853)
Adjustments	(437)	–	–	–	(437)
At 31 December 2017 and 1 January 2018	15,041,583	2,004,277	1,603	11,383	17,058,846
Additions	1,698,738	2,471,401	547	1,846	4,172,532
Disposals/reductions	(915,731)	(116,745)	(257)	(46)	(1,032,779)
Transfers	1,345,149	(1,345,149)	–	–	–
Transfer to assets held for sale	(407,639)	–	–	–	(407,639)
Adjustments	1,992	(85)	–	–	1,907
At 31 December 2018	**16,764,092**	**3,013,699**	**1,893**	**13,183**	**19,792,867**

12. Plant and equipment (cont'd)

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Accumulated depreciation and impairment:					
At 1 January 2017	1,388,386	–	1,032	8,634	1,398,052
Charge for the year	458,939	–	154	1,403	460,496
Disposals	(102,528)	–	(126)	(23)	(102,677)
Impairment of aircraft	10,600	–	–	–	10,600
Transfer to assets held for sale	(141,788)	–	–	–	(141,788)
At 31 December 2017 and 1 January 2018	1,613,609	–	1,060	10,014	1,624,683
Charge for the year	540,701	–	208	1,925	542,834
Disposals	(219,952)	–	(195)	(46)	(220,193)
Transfer to assets held for sale	(127,938)	–	–	–	(127,938)
At 31 December 2018	**1,806,420**	**–**	**1,073**	**11,893**	**1,819,386**
Net book value:					
At 31 December 2017	13,427,974	2,004,277	543	1,369	15,434,163
At 31 December 2018	**14,957,672**	**3,013,699**	**820**	**1,290**	**17,973,481**

12. Plant and equipment (cont'd)

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2017	6,801,505	79,664	1,016	9,180	6,891,365
Additions	3,590,861	131,476	256	1,987	3,724,580
Disposals/reductions	(299,056)	(42,449)	(126)	(23)	(341,654)
Transfer to subsidiary companies	–	(38,750)	–	–	(38,750)
Transfer to assets held for sale	(485,567)	–	–	–	(485,567)
Adjustments	12	–	–	–	12
At 31 December 2017 and 1 January 2018	9,607,755	129,941	1,146	11,144	9,749,986
Additions	1,940,905	387,141	547	1,647	2,330,240
Disposals/reductions	(654,439)	–	(25)	(42)	(654,506)
Transfer to assets held for sale	(73,000)	–	–	–	(73,000)
Adjustments	(2,718)	(85)	–	–	(2,803)
At 31 December 2018	**10,818,503**	**516,997**	**1,668**	**12,749**	**11,349,917**

12. Plant and equipment (cont'd)

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Accumulated depreciation and impairment:					
At 1 January 2017	703,362	–	926	8,469	712,757
Charge for the year	282,212	–	82	1,360	283,654
Disposals	(52,667)	–	(126)	(23)	(52,816)
Impairment of aircraft	6,400	–	–	–	6,400
Transfer to assets held for sale	(99,934)	–	–	–	(99,934)
At 31 December 2017 and 1 January 2018	839,373	–	882	9,806	850,061
Charge for the year	347,565	–	109	1,740	349,414
Disposals	(162,951)	–	(24)	(40)	(163,015)
Transfer to assets held for sale	(22,507)	–	–	–	(22,507)
At 31 December 2018	**1,001,480**	–	**967**	**11,506**	**1,013,953**
Net book value:					
At 31 December 2017	8,768,382	129,941	264	1,338	8,899,925
At 31 December 2018	**9,817,023**	**516,997**	**701**	**1,243**	**10,335,964**

12. Plant and equipment (cont'd)

(a) Impairment of assets

As at 31 December 2018, the accumulated impairment loss on the Group's and the Company's plant and equipment was nil (2017: US$4.7 million).

The impairment loss in 2017 represented the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value in use.

Movement of accumulated impairment loss provision:

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
At 1 January	**4,700**	4,800	**4,700**	2,200
Impairment loss	**–**	10,600	**–**	6,400
Utilised	**(4,700)**	(10,700)	**(4,700)**	(3,900)
At 31 December	**–**	4,700	**–**	4,700

(b) Assets held under finance leases

The net book value of aircraft owned by the Group and Company held under finance lease arrangements amounted to nil (2017: US$93.1 million) and US$1,294.7 million (2017: US$1,431.2 million) respectively.

(c) Reconciliation of capital expenditure in plant and equipment to net cash flows used in investing activities

Extract from Consolidated Statement of Cash Flows

	Group	
	2018	2017
	US$'000	US$'000
Cash flows from investing activities		
Purchase of plant and equipment	**(4,143,287)**	(4,433,480)
Proceeds from sale of plant and equipment	**1,421,651**	1,239,171
Net cash flows used in investing activities	**(2,721,636)**	(3,194,309)

12. Plant and equipment (cont'd)

(c) Reconciliation of capital expenditure in plant and equipment to net cash flows used in investing activities (cont'd)

	Group	
	2018	2017
	US$'000	US$'000
Cash flows from investing activities		
Additions of aircraft	**(1,698,738)**	(3,054,048)
Additions of aircraft pre-delivery payments	**(2,471,401)**	(1,391,638)
Additions of other plant and equipment	**(2,393)**	(2,511)
Proceeds from sale of aircraft	**1,304,906**	1,196,722
Reductions of aircraft pre-delivery payments upon delivery of aircraft to airlines	**116,745**	42,449
Adjustments for capitalised borrowing costs	**29,245**	14,717
Net cash flows used in investing activities	**(2,721,636)**	(3,194,309)

(d) Assets pledged as security

The net book value of aircraft and aircraft held for sale (Note 18) owned by the Group and the Company, including aircraft held under finance lease arrangements in Note 12(b), that have been charged for loan facilities granted (Note 21 and Note 22) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft (Note 33) amounted to US$3,258.5 million (2017: US$3,968.4 million) and US$1,977.7 million (2017: US$2,307.2 million) respectively.

(e) Capitalisation of borrowing costs

The borrowing costs capitalised as cost of aircraft amounted to US$29.2 million (2017: US$14.7 million). The rate used to determine the amount of borrowing costs for capitalisation ranged from 2.8% to 3.2% (2017: 2.6% to 2.7%) per annum.

13. Derivative financial instruments

	Group and Company					
	2018			2017		
	Outstanding notional amounts	**Assets**	**Liabilities**	Outstanding notional amounts	Assets	Liabilities
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Current:						
Cross-currency interest rate swaps	**–**	**–**	**–**	492,225	–	(38,003)
Interest rate swaps	**600,000**	**2,593**	**(1,536)**	–	–	–
		2,593	**(1,536)**		–	(38,003)
Non-current:						
Cross-currency interest rate swaps	**875,019**	**2,859**	**(99,733)**	875,019	5,008	(59,506)
Interest rate swaps	**2,890,000**	**11,520**	**(22,479)**	1,300,000	17,015	(3,077)
		14,379	**(122,212)**		22,023	(62,583)

The fair values of interest rate swaps and cross-currency interest rate swaps as shown above are determined with reference to marked-to-market values provided by counterparties.

Hedge accounting has been applied for interest rate swaps and cross-currency interest rate swaps that are assessed by the Group to be highly effective hedges.

The Group determines the economic relationship between the loans and borrowings and the derivatives by matching the critical terms of the hedging instruments with the terms of the hedged items. The hedge ratio (the ratio between the notional amount of the derivative financial instrument to the amount of the loans and borrowings being hedged) is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivatives match exactly with the terms of the hedged item.

13. Derivative financial instruments (cont'd)

The following hedging instruments used by the Group are shown as derivative financial instruments in the statement of financial position:

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates USD interest rates (p.a.)	Hedge rates Foreign currency rates	Maturity (Year)
2018					
Group and Company					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Australian Dollar	373,493	(81,001)	6-month LIBOR + Margin ranging from 1.70% to 1.96%	US$1 : AUD1.06 to AUD 1.08	2020 to 2021
- Chinese Yuan	250,179	(15,154)	6-month LIBOR + Margin ranging from 0.64% to 2.28%	US$1 : CNY6.04 to CNY 6.57	2020 to 2024
Interest rate swaps[2]					
- United States Dollar	500,000	(4,806)	6-month LIBOR + Margin ranging from 1.283% to 2.05%	–	2019 to 2020
Cash flow hedge					
Cross-currency interest rate swaps[3]					
- Chinese Yuan	40,000	(2,846)	2.95%	US$1 : CNY6.25	2020
- Hong Kong Dollar	102,464	(732)	3.72%	US$1 : HK$7.81	2027
- Singapore Dollar	108,883	2,859	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[4]					
- United States Dollar	2,990,000	(5,096)	1.975% to 4.242%	–	2019 to 2025

[1] The Group uses these cross-currency interest rate swaps to hedge the exposure to changes in the fair values of the Group's fixed rate loans and borrowings which are liabilities designated as hedged items in fair value hedge. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest and pays US Dollar principal and floating interest pegged to US Dollar LIBOR. These hedges are classified as fair value hedges and the fair value changes of these cross-currency interest rate swaps are recognised in profit or loss.

[2] The Group uses these interest rate swaps to hedge the exposure to changes in the fair values of the Group's fixed rate loans and borrowings which are liabilities designated as hedged items in fair value hedge. Under these interest rate swaps, the Group receives fixed interest and pays floating interest pegged to US Dollar LIBOR. These hedges are classified as fair value hedges and the fair value changes of these interest rate swaps are recognised in profit or loss.

13. Derivative financial instruments (cont'd)

[3] The Group uses these cross-currency interest rate swaps to hedge against (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal with fixed interest, and pays US Dollar principal and fixed interest. The cross-currency interest rate swaps are bifurcated into two portions. The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve.

[4] The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. Under these interest rate swaps, the Group receives floating interest pegged to US Dollar LIBOR and pays fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognised in hedging reserve.

14. Trade receivables

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (current)	**7,075**	5,467	**838**	2,704
Trade receivables (non-current)	**909**	–	**909**	–

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Included in the current and non-current portion of the Group's trade receivables was an amount of US$4.2 million (2017: US$2.8 million) and US$0.9 million (2017: nil) respectively which were contractually deferred by mutual agreement and interest bearing.

None of the trade receivables was past due or impaired as at 31 December 2018 (2017: US$1.4 million were past due for less than 30 days but not impaired). These trade receivables are generally secured by cash security deposits or letters of credit.

15. Other receivables

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**596**	608	**567**	579
Sundry receivables	**636**	12,473	**242**	5,876
Accrued income	**397**	1,098	**6,920**	3,460
Amounts due from subsidiary companies	**–**	–	**41,322**	11,557
	1,629	14,179	**49,051**	21,472

Sundry receivables are non-interest bearing.

The amounts due from subsidiary companies are non-trade related, unsecured, interest free and are repayable on demand.

16. Short-term deposits

		Group		Company	
	Note	**2018**	2017	**2018**	2017
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	30	**152,936**	162,235	**105,929**	134,235

Short-term deposits consist of fixed deposits and investments in money market funds which are placed for varying periods between one day and three months depending on cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate for fixed deposits and money market funds were 2.0% (2017: 1.1%) and 2.2% (2017: nil) per annum respectively.

As at 31 December 2018, fixed deposits placed with the intermediate holding company for the Group and the Company amounted to US$45.0 million (2017: nil). As at 31 December 2018, fixed deposits placed with other related party amounted to US$12.0 million for the Group (2017: US$146.0 million) and nil for the Company (2017: US$118.0 million).

17. Cash and bank balances

	Note	Group		Company	
		2018	2017	**2018**	2017
		US$'000	US$'000	**US$'000**	US$'000
Encumbered		**20,250**	63,446	**8,313**	33,636
Unencumbered	30	**69,797**	79,612	**5,018**	17,111
		90,047	143,058	**13,331**	50,747

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations (Note 21) and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US$33.8 million (2017: US$42.4 million) and US$0.6 million (2017: US$13.2 million) respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2018, the Group's cash and bank balances included an amount of US$11.4 million (2017: US$8.4 million) placed with the intermediate holding company.

Cash and bank balances were denominated in United States Dollar except for the following:

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Australian Dollar	**151**	166	**–**	–
Chinese Yuan	**7,146**	4,303	**–**	–
Euro	**1,666**	1,691	**1,064**	1,106
Hong Kong Dollar	**314**	308	**314**	308
Japanese Yen	**969**	1,718	**–**	–
Malaysian Ringgit	**93**	148	**–**	–
Sterling Pound	**33**	802	**–**	–
Singapore Dollar	**50**	773	**50**	773
	10,422	9,909	**1,428**	2,187

18. Assets held for sale

As at 31 December 2018 and 2017, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale were as follows:

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Plant and equipment – aircraft				
At beginning of year	**238,535**	250,573	**229,550**	92,969
Additions	**279,701**	582,065	**50,493**	385,633
Disposals	**(518,236)**	(594,103)	**(280,043)**	(249,052)
At end of year	**–**	238,535	**–**	229,550

19. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**258**	2,519	**–**	144
Sundry payables	**2,728**	9,751	**1,380**	2,256
Accrued interest expenses	**76,521**	58,863	**61,221**	50,118
Accrued maintenance reserve payables	**7,271**	1,610	**738**	523
Accrued technical expenses	**1,926**	2,162	**629**	862
Staff costs related accruals	**44,070**	49,471	**36,440**	42,170
Other accruals and liabilities	**24,149**	12,482	**2,621**	2,111
Amounts due to subsidiary companies	**–**	–	**3,077**	2,697
	156,923	136,858	**106,106**	100,881

Trade payables and sundry payables are substantially denominated in US Dollar, non-interest bearing, current in nature and are normally settled on 30-day credit terms.

The table below summarises the aging of trade payables based on invoice due date:

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Current	**256**	2,464	**–**	144
1 – 30 days	**–**	–	**–**	–
31 – 60 days	**–**	–	**–**	–
61 – 90 days	**–**	–	**–**	–
More than 90 days	**2**	55	**–**	–
	258	2,519	**–**	144

20. Deferred income

Deferred income (current) relates to advance receipts for lease and other income for which services have not yet been rendered.

Deferred income (non-current) relates to the difference between the nominal value of the security deposits (Note 24) and their fair value. The deferred income is charged to profit or loss on a straight-line basis over the lease term.

21. Loans and borrowings

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Current:				
Medium term notes	**300,000**	492,225	**300,000**	492,225
Loans	**1,150,566**	975,074	**142,239**	401,728
Medium term notes discount (net of premium)	**(241)**	79	**(241)**	79
Fair value and revaluation adjustments	**(1,536)**	(38,003)	**(1,536)**	(38,003)
Deferred debt issue costs	**(10,531)**	(9,932)	**(818)**	(1,326)
	1,438,258	1,419,443	**439,644**	854,703
Non-current:				
Medium term notes	**6,865,019**	5,425,019	**6,865,019**	5,425,019
Loans	**4,160,037**	3,988,387	**936,035**	738,274
Medium term notes discount (net of premium)	**(9,639)**	(12,334)	**(9,639)**	(12,334)
Fair value and revaluation adjustments	**(106,498)**	(61,469)	**(106,498)**	(61,469)
Deferred debt issue costs	**(68,450)**	(76,789)	**(22,374)**	(20,253)
	10,840,469	9,262,814	**7,662,543**	6,069,237
Total loans and borrowings	**12,278,727**	10,682,257	**8,102,187**	6,923,940

21. Loans and borrowings (cont'd)

The deferred debt issue costs relating to the obtaining of the loans are analysed as follows:

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Cost:				
At beginning of year	**158,608**	151,840	**32,536**	28,137
Additions	**15,403**	15,125	**8,061**	8,853
Fully amortised costs written off	**(11,640)**	(8,357)	**(2,554)**	(4,454)
Adjustments	**(136)**	–	**(124)**	–
At end of year	**162,235**	158,608	**37,919**	32,536
Accumulated amortisation:				
At beginning of year	**71,887**	59,384	**10,957**	9,642
Charge for the year (Note 7)	**23,007**	20,860	**6,324**	5,769
Fully amortised costs written off	**(11,640)**	(8,357)	**(2,554)**	(4,454)
At end of year	**83,254**	71,887	**14,727**	10,957
Net book value:				
At end of year	**78,981**	86,721	**23,192**	21,579
Deferred debt issue costs, net	**78,981**	86,721	**23,192**	21,579
Less: Current portion	**(10,531)**	(9,932)	**(818)**	(1,326)
Non-current portion	**68,450**	76,789	**22,374**	20,253

21. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the gross loans and borrowings before adjustments for debt issue costs, fair value, revaluations and discounts/premiums to medium term notes at the end of each year for the Group and Company.

	Group				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2018					
Medium term notes	300,000	1,129,788	3,674,174	2,061,057	7,165,019
Loans	1,150,566	828,324	3,155,115	176,598	5,310,603
Total gross loans and borrowings	**1,450,566**	**1,958,112**	**6,829,289**	**2,237,655**	**12,475,622**
2017					
Medium term notes	492,225	300,000	2,863,962	2,261,057	5,917,244
Loans	975,074	1,104,650	2,439,153	444,584	4,963,461
Total gross loans and borrowings	1,467,299	1,404,650	5,303,115	2,705,641	10,880,705

	Company				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2018					
Medium term notes	300,000	1,129,788	3,674,174	2,061,057	7,165,019
Loans	142,239	438,865	461,264	35,906	1,078,274
Total gross loans and borrowings	**442,239**	**1,568,653**	**4,135,438**	**2,096,963**	**8,243,293**
2017					
Medium term notes	492,225	300,000	2,863,962	2,261,057	5,917,244
Loans	401,728	142,239	396,387	199,648	1,140,002
Total gross loans and borrowings	893,953	442,239	3,260,349	2,460,705	7,057,246

21. Loans and borrowings (cont'd)

As at 31 December 2018, secured loans amounted to US$1,686.6 million (2017: US$2,273.5 million) and US$523.3 million (2017: US$665.0 million) for the Group and the Company respectively. These amounts are secured by the related aircraft (Note 12), certain cash and bank balances and designated bank accounts (Note 17) and/or a pledge of the shares in certain subsidiary companies (Note 33) that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to all of these companies' assets and revenues (other than any encumbrance in existence at the time the negative pledge is entered into or created subsequently to secure finance to acquire or re-finance any aircraft).

(a) Medium term notes

Outstanding notes issued at fixed coupon rate and floating rate denominated in various currencies issued were:

			Group and Company 2018		
		Maturity	Outstanding amounts	Amounts swapped to US$ and floating rates	Amounts swapped to US$ and fixed rates
		(Year)	US$'000	US$'000	US$'000
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	5.375%	2020 to 2021	**373,493**	**373,493**	**–**
Chinese Yuan	4.5% to 5.5%	2020 to 2024	**290,179**	**250,179**	**40,000**
Hong Kong Dollar	3.25%	2027	**102,464**	**–**	**102,464**
Singapore Dollar	3.93%	2025	**108,883**	**–**	**108,883**
United States Dollar	2.375% to 4.375%	2019 to 2027	**4,850,000**	**500,000**	**–**
			5,725,019	**1,123,672**	**251,347**
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	**1,440,000**	**–**	**1,440,000**
			7,165,019	**1,123,672**	**1,691,347**

21. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

			Group and Company 2017		
		Maturity	Outstanding amounts	Amounts swapped to US$ and floating rates	Amounts swapped to US$ and fixed rates
		(Year)	US$'000	US$'000	US$'000
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.2% to 5.5%	2018 to 2024	782,404	742,404	40,000
Hong Kong Dollar	3.25%	2027	102,464	–	102,464
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2019 to 2027	4,550,000	500,000	–
			5,917,244	1,615,897	251,347

As at 31 December 2018, an amount of US$1,123.7 million (2017: US$1,615.9 million) in medium term notes of the Group and the Company has been swapped to floating rate liabilities and US Dollar (for non-US Dollar denominated notes) via interest rate swap and cross-currency interest rate swap contracts. The carrying amount of these medium term notes was US$1,021.4 million (2017: US$1,511.1 million). These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy. The floating interest rate ranged from 1.9% to 4.9% (2017: 2.0% to 4.0%) per annum during the year.

Effects of fair value hedges on the notes in 2018 were as follows:

	Group and Company 2018			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value and revaluation adjustments	Carrying amounts of liabilities
	US$'000	US$'000	US$'000	US$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	**623,672**	**(532)**	**(96,097)**	**527,043**
- Interest rate swaps	**500,000**	**(874)**	**(4,805)**	**494,321**
	1,123,672	**(1,406)**	**(100,902)**	**1,021,364**

As at 31 December 2018, an amount of US$251.3 million (2017: US$251.3 million) in medium term notes of the Group and the Company which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollar and at fixed rates via cross-currency interest rate swap contracts to hedge (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve. The net fair value gain of US$2.4 million (31 December 2017: US$4.1 million) on these cross-currency interest rate swaps was recognised in hedging reserve while the balance amount was recognised in profit or loss.

21. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 31 December 2018, an amount of US$1,440.0 million (2017: nil) in medium term notes of the Group and the Company has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value loss of US$14.9 million (2017: nil) on these financial instruments was recognised in hedging reserve.

The terms of the above cross-currency interest rate swap and interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the hedges are assessed to be highly effective.

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 3.1% (2017: 2.2%) per annum. The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans are between 2019 and 2025 (2017: 2018 and 2025).

As at 31 December 2018, loans due to related parties by the Group were US$735.3 million (2017: US$375.8 million).

As at 31 December 2018, loans outstanding amounting to US$1,550 million (2017: US$800 million) have been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The net fair value loss of US$7.2 million (2017: gain of US$0.5 million) was accounted for in hedging reserve.

As at 31 December 2018, the Group and Company had unutilised unsecured committed revolving credit facilities of US$2,841 million (2017: US$3,355 million) and US$2,170 million (2017: US$2,240 million) respectively. These facilities include a US$2 billion committed revolving credit facility which is granted by the intermediate holding company and matures in 2022, and an amount of US$118.7 million (2017: US$218.2 million) in undrawn commitments which are provided by other related parties as part of committed syndicated revolving credit facilities which mature between 2019 and 2021. The Group and Company had committed long-term credit facilities pending the provision of new replacement aircraft as collateral of nil (2017: US$37.1 million) and nil (2017: US$16.1 million) respectively.

As at 31 December 2018, the Group had a committed unutilised unsecured term loan facility of US$750 million (2017: US$300 million), of which US$145 million (2017: US$300 million) was provided by related parties.

22. Finance lease payables

	Group and Company	
	2018	2017
	US$'000	US$'000
Current:		
Finance lease payables	–	33,526
Deferred debt issue costs	–	(48)
Finance lease payables, net	–	33,478
Non-current:		
Finance lease payables	–	24,771
Deferred debt issue costs	–	(131)
Finance lease payables, net	–	24,640
Total finance lease payables, net	–	58,118

The finance lease payables are secured by a charge over leased assets (Note 12). During the year, interest on the leases ranged from 1.9% to 3.6% (2017: 1.7% to 3.6%) per annum.

The deferred debt issue costs relating to finance lease payables are analysed as follows:

		Group and Company	
	Note	**2018**	2017
		US$'000	US$'000
Cost:			
At beginning of year and at end of year		**504**	504
Accumulated amortisation:			
At beginning of year		**325**	256
Charge for the year	7	**179**	69
At end of year		**504**	325
Net book value:			
At end of year		–	179
Deferred debt issue costs, net		–	179
Less: Current portion		–	(48)
Non-current portion		–	131

22. Finance lease payables (cont'd)

The table below summarises the maturity profile of the finance lease payables before adjustments for debt issue costs at the end of each year.

	Group and Company				
	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
2018	**–**	**–**	**–**	**–**	**–**
2017	33,526	2,285	22,486	–	58,297

23. Reconciliation of movement of financial liabilities to net cash flows from financing activities

Extracted from Consolidated Statement of Cash Flows

	Group	
	2018 US$'000	2017 US$'000
Cash flows from financing activities		
Proceeds from loans and borrowings	**2,140,000**	2,626,229
Repayment of loans and borrowings and finance lease payables	**(1,247,380)**	(1,318,478)
Increase in borrowings from revolving credit facilities, net	**644,000**	795,000
Finance expenses paid	**(361,330)**	(257,605)
Debt issue cost paid	**(16,275)**	(20,779)
	1,159,015	1,824,367
Cash flows used in other financing activities	**(179,165)**	(53,308)
Net cash flows from financing activities	**979,850**	1,771,059

23. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

		Group					
				Non-cash changes			
	Note	2017	Cash flows	Fair value and revaluation adjustments	Amortisation /accretion	Re-classification	2018
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and borrowings							
Medium term notes							
- current		454,222	(492,225)	36,467	–	300,000	**298,464**
- non-current		5,363,550	1,740,000	(45,029)	–	(300,000)	**6,758,521**
Medium term notes discount/premium (net)							
- current		79	–	–	–	(320)	**(241)**
- non-current		(12,334)	(1,008)	–	3,383	320	**(9,639)**
Loans							
- current		975,074	(975,074)	–	–	1,150,566	**1,150,566**
- non-current		3,988,387	1,322,216	–	–	(1,150,566)	**4,160,037**
Deferred debt issue costs							
- current		(9,932)	–	–	9,932	(10,531)	**(10,531)**
- non-current		(76,789)	(15,267)	–	13,075	10,531	**(68,450)**
	21	10,682,257	1,578,642	(8,562)	26,390	–	**12,278,727**
Finance lease payables							
Finance lease payables							
- current		33,526	(33,526)	–	–	–	**–**
- non-current		24,771	(24,771)	–	–	–	**–**
Deferred debt issue costs							
- current		(48)	–	–	48	–	**–**
- non-current		(131)	–	–	131	–	**–**
	22	58,118	(58,297)	–	179	–	**–**
Trade and other payables							
Accrued interest expenses		58,863	(361,330)	91	378,897	–	**76,521**
	19	58,863	(361,330)	91	378,897	–	**76,521**
Total		**10,799,238**	**1,159,015**	**(8,471)**	**405,466**	**–**	**12,355,248**

23. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

		Group					
				Non-cash changes			
	Note	2016	Cash flows	Fair value and revaluation adjustments	Amortisation /accretion	Re-classification	2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and borrowings							
Medium term notes							
- current		500,000	(500,000)	(38,003)	–	492,225	454,222
- non-current		3,755,489	1,954,632	145,654	–	(492,225)	5,363,550
Medium term notes discount/premium (net)							
- current		–	–	–	–	79	79
- non-current		(9,572)	(5,654)	–	2,971	(79)	(12,334)
Loans							
- current		412,451	(412,451)	–	–	975,074	975,074
- non-current		3,878,322	1,085,139	–	–	(975,074)	3,988,387
Deferred debt issue costs							
- current		(10,206)	–	–	10,206	(9,932)	(9,932)
- non-current		(82,250)	(15,125)	–	10,654	9,932	(76,789)
Liabilities associated with assets held for sale							
- loans		14,963	(14,963)	–	–	–	–
	21	8,459,197	2,091,578	107,651	23,831	–	10,682,257
Finance lease payables							
Finance lease payables							
- current		9,606	(9,606)	–	–	33,526	33,526
- non-current		58,297	–	–	–	(33,526)	24,771
Deferred debt issue costs							
- current		(69)	–	–	69	(48)	(48)
- non-current		(179)	–	–	–	48	(131)
	22	67,655	(9,606)	–	69	–	58,118
Trade and other payables							
Accrued interest expenses		45,183	(257,605)	(175)	271,460	–	58,863
	19	45,183	(257,605)	(175)	271,460	–	58,863
Total		8,572,035	1,824,367	107,476	295,360	–	10,799,238

24. Security deposits

In addition to the cash security deposits recorded on the statement of financial position, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US$139.9 million (2017: US$110.5 million) and US$74.4 million (2017: US$73.9 million) respectively.

25. Maintenance reserves

		Group		Company	
	Note	**2018**	2017	**2018**	2017
		US$'000	US$'000	**US$'000**	US$'000
At beginning of year		**558,503**	470,020	**245,874**	180,271
Contributions		**232,526**	192,064	**124,164**	101,151
Utilisation		**(18,324)**	(11,282)	**(6,594)**	(1,206)
Transfer to buyers		**(37,904)**	(90,958)	**(19,466)**	(27,390)
Transfer to subsidiary companies		**–**	–	**(15,958)**	(5,611)
Release to profit or loss for excess written off		**(47)**	(1,341)	**(47)**	(1,341)
Release to profit or loss upon sale of aircraft	5	**(2,621)**	–	**–**	–
Release to profit or loss upon sale of aircraft to subsidiary companies		**–**	–	**(8,172)**	–
At end of year		**732,133**	558,503	**319,801**	245,874

Letters of credit received by the Group and the Company from certain lessees to cover all or a portion of their maintenance contribution payment obligations amounted to US$220.9 million (2017: US$196.7 million) and US$103.1 million (2017: US$83.1 million) respectively.

26. Deferred income tax assets and liabilities

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Deferred income tax liabilities, net	**304,800**	296,339	**93,065**	72,430
Deferred income tax assets, net	**(146)**	(141)	**–**	–
	304,654	296,198	**93,065**	72,430

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are grouped separately.

26. Deferred income tax assets and liabilities (cont'd)

Breakdown of deferred income tax assets and liabilities is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	**399,112**	378,694	**118,411**	98,230
Gross deferred tax assets	**(94,458)**	(82,496)	**(25,346)**	(25,800)
Net deferred tax liabilities	**304,654**	296,198	**93,065**	72,430

The unrecognised deferred tax liabilities are as disclosed in Note 3.1(f).

Movements in the Group's and Company's deferred tax assets and liabilities during the year are as follows:

	Group			
	Differences in depreciation	**Unremitted overseas income**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax liabilities arising from:				
At 1 January 2017	478,259	11,683	38	489,980
(Credited)/charged to profit or loss	(104,729)	(7,392)	835	(111,286)
At 31 December 2017 and 1 January 2018	**373,530**	**4,291**	**873**	**378,694**
Charged to profit or loss	**17,867**	**1,764**	**787**	**20,418**
At 31 December 2018	**391,397**	**6,055**	**1,660**	**399,112**

26. Deferred income tax assets and liabilities (cont'd)

	Group			
	Unabsorbed capital allowances and unutilised tax losses	Provisions	Others	Total
	US$'000	US$'000	US$'000	US$'000
Deferred tax assets arising from:				
At 1 January 2017	(148,562)	(5,918)	(3,226)	(157,706)
Charged/(credited) to profit or loss	73,522	(433)	1,328	74,417
Others	793	–	–	793
At 31 December 2017 and 1 January 2018	**(74,247)**	**(6,351)**	**(1,898)**	**(82,496)**
Credited to profit or loss	**(9,523)**	**(1,045)**	**(1,394)**	**(11,962)**
At 31 December 2018	**(83,770)**	**(7,396)**	**(3,292)**	**(94,458)**

	Company			
	Differences in depreciation	Unremitted overseas income	Others	Total
	US$'000	US$'000	US$'000	US$'000
Deferred tax liabilities arising from:				
At 1 January 2017	102,341	11,683	38	114,062
(Credited)/charged to profit or loss	(8,713)	(7,392)	273	(15,832)
At 31 December 2017 and 1 January 2018	**93,628**	**4,291**	**311**	**98,230**
Charged/(credited) to profit or loss	**18,449**	**1,764**	**(32)**	**20,181**
At 31 December 2018	**112,077**	**6,055**	**279**	**118,411**

26. Deferred income tax assets and liabilities (cont'd)

	Company			
	Unabsorbed capital allowances and unutilised tax losses	Provisions	Others	Total
	US$'000	US$'000	US$'000	US$'000
Deferred tax assets arising from:				
At 1 January 2017	(44,822)	(4,030)	(387)	(49,239)
Charged/(credited) to profit or loss	23,385	(65)	119	23,439
At 31 December 2017 and 1 January 2018	**(21,437)**	**(4,095)**	**(268)**	**(25,800)**
Charged/(credited) to profit or loss	**1,276**	**(632)**	**(190)**	**454**
At 31 December 2018	**(20,161)**	**(4,727)**	**(458)**	**(25,346)**

27. Other non-current liabilities

Included in other non-current liabilities are the non-current portion of bonuses and related employers' contributions payable and provided for under the staff cash incentive plans. These bonuses are payable over a 3-year period from the second year after the end of each year.

28. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of year	**694,010**	**1,157,791**	694,010	1,157,791

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

29. Hedging reserves

Hedging reserves record the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Interest rate and foreign currency risk:				
At beginning of year	**21,083**	16,515	**4,068**	–
Effective portion of changes in fair value of cash flow hedges:				
- Interest rate swaps	**(14,871)**	1,905	**(16,460)**	–
- Cross-currency interest rate swaps	**4,153**	4,314	**4,153**	4,314
	(10,718)	6,219	**(12,307)**	4,314
Net change in fair value of cash flow hedges reclassified to profit or loss:				
- Interest rate swaps	**(7,240)**	(1,405)	**847**	–
- Cross-currency interest rate swaps	**(1,782)**	(246)	**(1,782)**	(246)
	(9,022)	(1,651)	**(935)**	(246)
	(19,740)	4,568	**(13,242)**	4,068
At end of year	**1,343**	21,083	**(9,174)**	4,068

30. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Note	Group 2018 US$'000	Group 2017 US$'000
Short-term deposits	16	**152,936**	162,235
Cash and bank balances	17	**69,797**	79,612
		222,733	241,847

31. Finance lease payable to subsidiary companies

	Company 2018 US$'000	Company 2017 US$'000
Current:		
Finance lease payables	**112,922**	112,881
Deferred debt issue costs	**(4,895)**	(4,986)
Finance lease payables, net	**108,027**	107,895
Non-current:		
Finance lease payables	**462,980**	580,034
Deferred debt issue costs	**(19,190)**	(24,123)
Finance lease payables, net	**443,790**	555,911
Total finance lease payables, net	**551,817**	663,806

31. Finance lease payable to subsidiary companies (cont'd)

The finance lease payable to subsidiary companies are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 1.5% to 4.1% (2017: 1.1% to 2.8%) per annum.

The deferred debt issue costs relating to finance lease payable to subsidiary companies are analysed as follows:

	Company	
	2018	2017
	US$'000	US$'000
Cost:		
At beginning of year	**59,265**	60,521
Fully amortised cost written off	**(1,230)**	(1,285)
Transfers	**178**	29
At end of year	**58,213**	59,265
Accumulated amortisation:		
At beginning of year	**30,156**	25,806
Charge for the year	**5,297**	5,611
Fully amortised cost written off	**(1,230)**	(1,285)
Transfers	**(95)**	24
At end of year	**34,128**	30,156
Net book value:		
At end of year	**24,085**	29,109
Deferred debt issue costs, net	**24,085**	29,109
Less: Current portion	**(4,895)**	(4,986)
Non-current portion	**19,190**	24,123

31. Finance lease payable to subsidiary companies (cont'd)

The table below summarises the maturity profile of the finance lease payable to subsidiary companies before adjustments for debt issue costs at the end of each year.

	Company				
	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
2018	**112,922**	**116,095**	**283,136**	**63,749**	**575,902**
2017	112,881	116,140	331,083	132,811	692,915

32. Amounts due from subsidiary companies

The amounts due from subsidiary companies of US$1,029.4 million (2017: US$758.3 million) are interest bearing, non-trade related and unsecured. The interest ranged from 2.5% to 3.2% (2017: 2.5% to 2.7%) per annum.

33. Investments in subsidiary companies

	Company	
	2018 US$'000	2017 US$'000
Equity investments at cost:		
At beginning of year	**747,428**	733,928
Additions	**–**	25,000
Dissolutions	**(1)**	(11,500)
At end of year	**747,427**	747,428

33. Investments in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2018	Percentage of equity held	
					2018	2017
					%	%
[1]	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	US$75,000,000	**100**	100
[1]	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	US$250,000,000 +€5.08	**100**	100
[1]	BOC Aviation Leasing (Tianjin) Limited	People's Republic of China	Investment holding	US$1,800,000	**100**	100
[1]	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	US$186,400,000	**100**	100
[2]	BOC Aviation (Bermuda) Limited	Bermuda	Holding of funds	US$12,000	**100**	100
[2,5]	BOCA Leasing (Bermuda) Limited	Bermuda	In dissolution process	US$100	**100**	100
[2,5]	Acme Leasing Three Limited	Cayman Islands	In dissolution process	–	**–**	100
[2,5]	Bluebell Leasing Limited	Cayman Islands	In dissolution process	–	**–**	100
[2]	BOC Aviation Capital Limited	Cayman Islands	Financing activities	US$10	**100**	100
[2]	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	US$100	**100**	100
[2]	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2018	Percentage of equity held	
					2018	2017
					%	%
[2]	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2]	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	SALE Cayman (35073) Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2,5]	SALE Cayman (VLE2) Limited	Cayman Islands	In dissolution process	–	**–**	100

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2018	Percentage of equity held	
					2018	2017
					%	%
[2,3]	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2,3]	Vanda Leasing Eight Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[1]	BOC Aviation (Labuan) Pte. Ltd.	Malaysia	Dormant	US$275,000	**100**	100

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2018	Percentage of equity held	
					2018	2017
					%	%
	Consolidated structured entities*					
[2,4]	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
[2,4]	Gawain Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
[2,4]	Green Knight Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
[2,4]	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
[1,4]	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
[1,4]	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
[2]	ACME Lease Holdings LLC	United States	Dissolved	–	**–**	–
[2,4]	Chilli Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
[2,4]	Laylya Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
[2,4]	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2018	Percentage of equity held	
					2018	2017
					%	%
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
2,4	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by Pacific Triangle Holdings Pte. Ltd.:					
2,4	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by BOC Aviation (Ireland) Limited:					
2	BOC Aviation (France) SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 2 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 4 SARL	France	Dissolved	–	**–**	100
2	BOC Aviation (France) 5 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 6 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 8 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 9 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 10 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 11 SARL	France	Leasing of aircraft	€1,000	**100**	100

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2018	Percentage of equity held	
					2018 %	2017 %
	Held by BOC Aviation Leasing (Tianjin) Limited:					
[2]	博加阿尔法航空租赁（天津）有限公司 (BOCA Alpha Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
[2]	博加布拉沃航空租赁（天津）有限公司 (BOCA Bravo Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
[2]	博加查理航空租赁（天津）有限公司 (BOCA Charlie Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
	Held by BOC Aviation (USA) Corporation:					
[2]	BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	US$100	**100**	100

All subsidiary companies, including all consolidated structured entities, are incorporated as limited liability entities.

[1] Audited by Ernst & Young LLP, Singapore or member firms of Ernst & Young.
[2] Not required to be audited by law in its country of incorporation.
[3] The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Note 21 and Note 22).
[4] The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.
[5] Subsequent to 31 December 2018, these companies have completed their dissolution processes.

34. Dividends

	Group and Company	
	2018 **US$'000**	2017 US$'000
Declared and paid during the year:		
Final dividend for 2017: US$0.192 (2016: US$0.119) per share	**133,250**	82,587
Interim dividend for 2018: US$0.1284 (2017: US$0.1038) per share	**89,111**	72,039
	222,361	154,626
Proposed as at 31 December:		
Final dividend for 2018: US$0.1845 (2017: US$0.192) per share	**128,045**	133,250

The directors declared an interim dividend of US$0.1284 per ordinary share for the first half of 2018 amounting to approximately US$89.1 million.

On 13 March 2019, the directors proposed to recommend in the Annual General Meeting on 29 May 2019 a final dividend of US$0.1845 per ordinary share for the year ended 31 December 2018 amounting to approximately US$128.0 million, bringing the total dividend for 2018 to US$217.2 million (2017: US$205.3 million) or US$0.3129 (2017: US$0.2958) per ordinary share. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

35. Related party transactions

The Group is majority owned by Bank of China Limited which is controlled by Central Huijin, a wholly owned subsidiary of CIC, which is a wholly state-owned company in the PRC. Central Huijin and CIC have equity interests in certain other entities in the PRC. Bank of China Limited is indirectly subject to the control of the State Council of the PRC Government through CIC and Central Huijin. The State Council directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities.

The Group enters into leasing, purchase and leaseback, borrowings and other transactions with certain state-owned entities mentioned above in the normal course of business and on commercial terms.

35. Related party transactions (cont'd)

The Group considers only those entities known to the management to be a subsidiary company, associate or joint venture of Central Huijin to be related parties.

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties in the normal course of business and on commercial terms:

	Group	
	2018	2017
	US$'000	US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**230**	429
(b) Other related parties:		
Interest income	**166**	362
Interest expense	**19,063**	7,124

	Group	
	2018	2017
	US$'000	US$'000
Directors' and key executives' remuneration paid during the year		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**8,779**	9,170
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	**13,427**	11,468
CPF and other defined contributions	**376**	318
	13,803	11,786

As at 31 December 2018, US$20.2 million (2017: US$19.5 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

During the year ended 31 December 2018, the share-based compensation expense for directors of the Company and key executives of the Group amounted to US$0.3 million (2017: nil) and US$0.5 million (2017: nil) respectively.

36. Commitments

(a) Operating lease commitments

(i) Operating lease commitments - As lessor

Aircraft

The Group and the Company lease its aircraft under operating lease agreements that are non-cancellable.

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year for existing aircraft are as follows:

	Group		**Company**	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**1,604,258**	1,422,158	**1,003,738**	875,345
After one year but not more than five years	**5,852,949**	5,158,185	**3,749,286**	3,294,224
After five years	**5,100,722**	4,912,322	**3,744,823**	3,490,284
	12,557,929	11,492,665	**8,497,847**	7,659,853

Future net minimum lease receivables committed for aircraft yet to be delivered are as follows:

	Group		**Company**	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**108,167**	157,077	**68,467**	76,805
After one year but not more than five years	**1,067,218**	1,305,834	**679,643**	735,956
After five years	**2,220,613**	2,355,602	**1,399,203**	1,313,770
	3,395,998	3,818,513	**2,147,313**	2,126,531

36. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

Offices and other leases

The Group and the Company lease office and facilities space, and rental of copiers under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Future minimum lease payments for the leases with initial or remaining terms of one year or more are as follows:

	Group		**Company**	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**2,300**	2,329	**1,935**	1,992
After one year but not more than five years	**5,093**	7,544	**4,647**	6,696
	7,393	9,873	**6,582**	8,688

(b) Capital expenditure commitments

As at 31 December 2018, the Group had committed to purchase various aircraft delivering between 2019 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery was US$9,216.7 million (2017: US$7,901.3 million).

36. Commitments (cont'd)

(c) Finance lease commitments

(i) Finance lease commitments - As lessee

The Group and Company lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Group and the Company upon the Group and Company discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Group and Company by entering into these leases.

		Group and Company			
		2018		2017	
	Note	**Minimum lease payments US$'000**	**Present value of payments US$'000**	Minimum lease payments US$'000	Present value of payments US$'000
Finance lease with third party:					
Within one year		–	–	34,820	33,526
After one year but not more than five years		–	–	27,337	24,771
Total minimum lease payments		–	–	62,157	58,297
Less: Amounts representing finance charges		–	–	(3,860)	–
	22	–	–	58,297	58,297

36. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(i) Finance lease commitments - As lessee (cont'd)

		Company			
		2018		2017	
	Note	**Minimum lease payments**	**Present value of payments**	Minimum lease payments	Present value of payments
		US$'000	**US$'000**	US$'000	US$'000
Finance lease with its subsidiary companies:					
Within one year		**131,178**	**112,922**	132,870	112,881
After one year but not more than five years		**434,722**	**399,231**	492,164	447,223
After five years		**65,358**	**63,749**	137,705	132,811
Total minimum lease payments		**631,258**	**575,902**	762,739	692,915
Less: Amounts representing finance charges		**(55,356)**	**–**	(69,824)	–
	31	**575,902**	**575,902**	692,915	692,915

36. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(ii) Finance lease commitments - As lessor

	Group			
	2018		2017	
	Minimum lease payments	**Present value of payments**	Minimum lease payments	Present value of payments
	US$'000	**US$'000**	US$'000	US$'000
Finance lease with third party:				
Within one year	–	–	6,364	5,625
After one year but not more than five years	–	–	10,847	10,375
Total minimum lease payments	–	–	17,211	16,000
Less: Amounts representing finance charges	–	–	(1,211)	–
	–	–	16,000	16,000

37. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2018, the corporate guarantees for loans to subsidiary companies amounted to approximately US$4,232.3 million (2017: US$3,823.5 million).

38. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities, as defined in IFRS 9/SFRS(I) 9, are disclosed either in the statement of financial position or in the notes to the financial statements.

Financial assets measured at amortised cost comprise trade receivables (Note 14), other receivables (Note 15), short-term deposits (Note 16), cash and bank balances (Note 17), amounts due from subsidiary companies (Note 32), finance lease receivables (Note 36) and other non-current assets.

As at 31 December 2018, the financial assets measured at amortised cost for the Group and Company were US$254.2 million (2017: US$340.9 million) and US$1,201.0 million (2017: US$967.4 million) respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 19), loans and borrowings (Note 21), finance lease payables (Note 22), security deposits (Note 24), other non-current liabilities (Note 27) and finance lease payable to subsidiary companies (Note 31).

As at 31 December 2018, the financial liabilities measured at amortised cost for the Group and Company were US$12,770.3 million (2017: US$9,630.3 million) and US$8,959.5 million (2017: US$6,401.9 million) respectively.

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 13).

The fair values of the derivative financial instruments are determined by reference to marked-to-market values provided by counterparties. The fair value measurement of all derivative financial instruments under the Group are classified under Level 2 of the fair value hierarchy, for which inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) are included as inputs for the determination of fair value.

38. Classification of financial instruments and their fair values (cont'd)

(b) Financial instruments whose carrying amounts approximate fair values

Management has determined that except for derivative financial instruments, the carrying amounts of its current financial assets and liabilities, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently. Amounts due from subsidiary companies approximate their fair value because these are repriced frequently.

Non-current loans and borrowings reasonably approximate their fair values for those that are at floating rate and are re-priced to market interest rates on or near the end of each year for the respective financial year.

(c) Financial instruments not measured at fair value, for which fair value is disclosed

Set out below is a comparison of carrying amounts and fair values of all of the Group's and Company's financial instruments not measured at fair value.

	Group and Company	
	2018	2017
	US$'000	US$'000
Medium term notes :		
Carrying amounts	**4,578,648**	4,274,312
Fair values	**4,492,516**	4,296,180

As at 31 December 2018, the fair value measurement of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$102.2 million (2017: US$102.2 million) with fair value of US$98.5 million (2017: US$100.5 million) which was classified under Level 2 of the fair value hierarchy as it was determined based on indicative bid price obtained from a counterparty.

39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's exposure to financial risks and the objectives, policies and processes for the management of these risks.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings, finance lease payable to third parties and lease rental income.

The Group obtains financing through loans and capital market notes. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A portion of the Group's financial assets and liabilities are based on floating interest rates pegged to US Dollar LIBOR and are contractually repriced at intervals of less than 12 months (2017: less than 12 months) from the end of each year. Interest rate exposure for the Group arises when the Group collects fixed rate rentals but pays floating interest rate under its borrowings.

The Group's policy is to hedge at least 50% of its mismatched interest rate exposure through appropriate interest rate derivative financial instruments and borrowing fixed rate debts. At the end of the year, the Group had hedged approximately 80% (2017: 70%) of the Group's mismatched interest rate exposure.

Sensitivity analysis for interest rate risk

A sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of the year:

(i) Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include short-term deposits and floating rate loans.

(ii) Changes in interest rates affect the fair values of derivative financial instruments.

(iii) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of the year.

39. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

For a more meaningful analysis on the impact of a change in floating interest rates, the sensitivity analysis includes the effect of such a change on the lease rental income in order to determine the potential impact on the Group's net profit after tax.

Under these assumptions, an increase or decrease in US Dollar floating interest rates of 25 basis points (2017: 25 basis points) with all other variables held constant will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	Group		
	Basis points	Increase/ (decrease) on profit net of tax US$'000	Increase/ (decrease) on hedging reserve in equity US$'000
2018			
Increase in interest rate	**+25**	**(2,835)**	**23,319**
Decrease in interest rate	**-25**	**2,835**	**(23,630)**
2017			
Increase in interest rate	+25	(2,615)	3,561
Decrease in interest rate	-25	2,615	(3,563)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

The Group's primary sources of liquidity have principally comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. The Group's business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. The cash flows from operations, particularly revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

To ensure that the Group is able to meet its financial obligations, the Group's policy is to have its loan repayment spread over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

As at 31 December 2018, the Group had unutilised unsecured committed revolving credit facilities of US$2,841 million (2017: US$3,355 million), a committed unutilised unsecured term loan facility of US$750 million (2017: US$300 million) and committed long-term credit facilities pending the provision of new replacement aircraft as collateral of nil (2017: US$37.1 million).

As at 31 December 2018, approximately 12% (2017: 14%) of the Group's gross debt would have matured in less than one year.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the year based on contractual undiscounted repayment obligations.

	Group			
2018	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables	**156,923**	**–**	**–**	**156,923**
Loans and borrowings	**1,450,566**	**8,787,401**	**2,237,655**	**12,475,622**
Estimated interest and net swap payments	**411,958**	**1,049,134**	**217,891**	**1,678,983**
Security deposits	**47,623**	**33,534**	**248,440**	**329,597**
Other non-current liabilities	**–**	**67,101**	**–**	**67,101**
Total undiscounted financial liabilities	**2,067,070**	**9,937,170**	**2,703,986**	**14,708,226**

	Group			
2017	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables	136,858	–	–	136,858
Loans and borrowings	1,467,299	6,707,765	2,705,641	10,880,705
Estimated interest and net swap payments	305,016	812,818	280,925	1,398,759
Finance lease payables	33,526	24,771	–	58,297
Security deposits	29,022	36,172	208,561	273,755
Other non-current liabilities	–	47,081	–	47,081
Total undiscounted financial liabilities	1,971,721	7,628,607	3,195,127	12,795,455

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial liabilities by remaining contractual maturities (cont'd)

	Company			
2018	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables	**106,106**	**–**	**–**	**106,106**
Loans and borrowings	**442,239**	**5,704,091**	**2,096,963**	**8,243,293**
Estimated interest and net swap payments	**295,341**	**761,185**	**209,812**	**1,266,338**
Finance lease payable to subsidiary companies	**112,922**	**399,231**	**63,749**	**575,902**
Security deposits	**16,505**	**25,978**	**129,943**	**172,426**
Other non-current liabilities	**–**	**56,975**	**–**	**56,975**
Total undiscounted financial liabilities	**973,113**	**6,947,460**	**2,500,467**	**10,421,040**

	Company			
2017	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables	100,881	–	–	100,881
Loans and borrowings	893,953	3,702,588	2,460,705	7,057,246
Estimated interest and net swap payments	222,113	631,527	273,011	1,126,651
Finance lease payable to subsidiary companies	112,881	447,223	132,811	692,915
Finance lease payables	33,526	24,771	–	58,297
Security deposits	18,285	21,419	120,600	160,304
Other non-current liabilities	–	40,073	–	40,073
Total undiscounted financial liabilities	1,381,639	4,867,601	2,987,127	9,236,367

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, finance lease receivables, derivative financial instruments, short-term deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in certain cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long-term procurement contracts are being contemplated.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group's policy is to undertake deposit and derivative transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of S&P Global Ratings credit rating of "A-".

(i) Exposure to credit risk

At the end of the year, the Group's maximum exposure to credit risk was represented by:

- the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values; and

- corporate guarantees provided by the Group to the lenders on loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual debtor and regional exposure to its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables by debtor's geographic region based on the jurisdiction of each debtor under the relevant contracts was as follows:

	2018		2017	
	US$'000	**%**	US$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,762**	**47.1**	–	–
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**348**	**4.4**	2,390	43.7
Americas	**–**	**–**	2,763	50.5
Europe	**2,516**	**31.5**	13	0.3
Middle East and Africa	**1,358**	**17.0**	301	5.5
	7,984	**100.0**	5,467	100.0

(iii) Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired were either creditworthy receivables with good payment records with the Group or receivables which were contractually deferred by mutual agreement or were less than the security deposits held by the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

(d) Foreign currency risk

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the functional currency of the Group.

All loans and borrowings which are denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar are swapped into United States Dollar. Foreign currency exposure arises as the Group's revenues and principal assets are denominated in United States Dollar. The Group primarily utilises cross-currency interest rate swap contracts to hedge its financial liabilities denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar.

As a result of the Group's hedging as described above, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Capital management

The primary objective of the Group's capital management is to maximise shareholder value given an optimal debt to equity structure.

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders.

The Group monitors its gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in its loan facilities and to maintain its investment grade credit rating. Gross debt comprises the Group's loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Total equity refers to the equity attributable to owners of the Company.

There were no changes made in the objectives, policies and processes during the year ended 31 December 2018 and 31 December 2017.

During the year ended 31 December 2018, the Group raised US$2.7 billion (2017: US$2.9 billion) in new debt. An amount of US$1.7 billion was raised through issuance of notes under the Global Medium Term Note Program and the remainder from unsecured term loans, including a US$750 million term loan that was unutilised as at 31 December 2018 and was available to be utilised in 2019. The Group also utilised US$1.4 billion under its committed revolving credit facilities as at 31 December 2018. These debt raising activities contributed to an increase in the Group's total indebtedness that was proportionately greater than the increase in the Group's total equity, resulting in an increase in the Group's gearing as set out in the table below.

	Group	
	2018	2017
	US$'000	US$'000
Gross debt	**12,475,622**	10,939,002
Total equity	**4,199,026**	3,818,757
Gearing (times)	**3.0**	2.9

41. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 31 December 2018 and 31 December 2017.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share:

	Group	
	2018	2017
	US$'000	US$'000
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**620,439**	586,647
	2018	2017
	'000	'000
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation	**694,010**	694,010
Basic earnings per share (US$)	**0.89**	0.85
Diluted earnings per share (US$)	**0.89**	0.85

42. Segmental analysis

All revenues are derived from the Group's principal activities of leasing and management of aircraft leases and other related activities. There is no known seasonality of the Group’s contracted revenues. The main revenue and assets are analysed by geographical region as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income by operator’s geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2018		2017	
	US$’million	**%**	US$’million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**378**	**24.5**	350	27.3
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**443**	**28.7**	363	28.3
Americas	**184**	**11.9**	200	15.5
Europe	**379**	**24.6**	307	23.9
Middle East and Africa	**159**	**10.3**	64	5.0
	1,543	**100.0**	1,284	100.0

Other than the lease rental income attributable to Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 28.7% of the total lease rental income for the year ended 31 December 2018 (2017: 28.3%), there was no other country concentration in excess of 10% of the total lease rental income.

42. Segmental analysis (cont'd)

(b) Net book value of aircraft

The distribution of net book value of aircraft (including assets held for sale) by operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2018		2017	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,424**	**22.9**	3,192	23.3
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**4,685**	**31.3**	4,139	30.3
Europe	**3,536**	**23.6**	3,311	24.2
Middle East and Africa	**1,918**	**12.8**	1,239	9.1
Americas and others*	**1,395**	**9.4**	1,786	13.1
	14,958	**100.0**	13,667	100.0

** Two aircraft were returned in November 2018 following an early termination of the leases. Both aircraft have been delivered to the next lessee in Americas subsequent to 31 December 2018.*

	Group	
Represented by:	**2018**	2017
	US$'million	US$'million
Plant and equipment (Note 12)	**14,958**	13,428
Assets held for sale (Note 18)	**–**	239
	14,958	13,667

Other than the net book value of aircraft leased to operators in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 31.3% of the total net book value as at 31 December 2018 (2017: 30.3%), there was no other country concentration in excess of 10% of the total net book value.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors passed on 13 March 2019.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

Contents

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The Directors present their statement to the members together with the audited consolidated financial statements of BOC Aviation Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this report are as follows:

Chen Siqing	Chairman
Wang Jian	Vice-Chairman and Deputy Managing Director (Appointed on 1 June 2017)
Robert James Martin	Managing Director and Chief Executive Officer
Gao Zhaogang	Non-executive Director
Li Mang	Non-executive Director
Liu Chenggang	Non-executive Director
Zhu Lin	Non-executive Director
Dai Deming	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Yeung Yin Bernard	Independent Non-executive Director

3. Arrangements to enable Directors to acquire shares and debentures

Except for the "Restricted Share Unit Long Term Incentive Plan" disclosed in section 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, options and debentures of the Company or any other body corporate.

4. Directors' interests in shares and debentures

No Director who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interest in shares of the Company or of related companies, either at the beginning of the financial year or date of appointment, if later, or at the end of the financial year.

5. Restricted Share Unit Long Term Incentive Plan

The Company adopted a Restricted Share Unit Long Term Incentive Plan (the "RSU Plan") on 18 December 2017. The purpose of the RSU Plan is to attract skilled and experienced management and professional staff, to motivate and reward them to maximise profit and long term investment returns for shareholders by providing them with the opportunity to acquire equity interests in the Company, thereby aligning the respective interests of employees and shareholders.

Eligible participants of the RSU Plan are selected employees (including Executive Directors) of the Company or any of its subsidiaries. An independent trustee will purchase shares of the Company from the market and will hold such shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new shares by the Company.

The Company is expected to make the first payment to the trustee to execute the RSU Plan, and the first grant of awards under the RSU Plan is expected to be completed, in 2018.

6. Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Dai Deming	Chairman, Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Liu Chenggang	Non-executive Director
Zhu Lin	Non-executive Director

The Audit Committee reviews the Group's statutory financial statements, and the Independent Auditor's Report thereon, with the auditor.

The Audit Committee may examine any aspect of the Group's financial affairs it deems appropriate and also reviews the Group's internal controls over its internal and external exposures to risks including operational, credit, market, legal and regulatory risks. It will keep under review the Group's system of accounting and internal financial controls, for which the Directors are responsible.

The Audit Committee has full access to, and the co-operation of, the Group's management and has full discretion to invite any Director or executive officer to its meetings. The Deputy Managing Director and Chief Financial Officer, the Chief Accounting Officer and the Head of Internal Audit will normally attend meetings and the auditor will have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources available to enable it to discharge its functions properly and may require the Company to appoint third parties to undertake independent audits of specific areas as it deems appropriate.

7. Auditor

Ernst & Young LLP has expressed its willingness to accept reappointment as auditor. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

On behalf of the Board of Directors:

Chen Siqing
Director

Robert James Martin
Director

Singapore
14 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BOC Aviation Limited (the "Company") and its subsidiary companies (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2017, the consolidated statement of changes in equity, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (continued)

Carrying value of plant and equipment - aircraft

The carrying value of plant and equipment - aircraft was significant to the audit because aircraft carrying value (including aircraft classified as held for sale) of US$13,667 million as at the end of the reporting period was material to the financial statements, representing over 85% of the Group's total assets. During the year ended 31 December 2017, the Group recognised an impairment loss of US$10.6 million on aircraft and aircraft held for sale. The impairment loss represents the write-down of the aircraft book value to their estimated recoverable amount.

As disclosed in Note 3.1(a) to the financial statements, the Group follows the guidance provided by IAS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. Management exercises significant judgment in determining whether there is any indication that any aircraft may have been impaired. This exercise involves management to consider both internal and external sources of information which include but are not limited to: observable indications that the value of aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of the aircraft, technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence or physical damage of the aircraft; and worse than expected economic performance of the aircraft. We reviewed management's assessment of whether indicators of impairment were present and assessed the reasonableness of significant judgments used in this review.

In addition, our audit procedures included, amongst others:

- Validating the information used in assessing the financial profitability of individual aircraft by comparing lease rental rates to depreciation and costs of financing for that aircraft;
- Validating the utilisation of aircraft;
- Assessing management's judgment on economic and technological relevance of aircraft and engine models in the current aviation demand and supply dynamics;
- Evaluating the competence and objectivity of the experts employed in the Group's methodology to assess whether the value of aircraft has declined significantly; and
- Performing sensitivity analyses on aircraft which were not identified as having indicators of impairment but have a higher risk of impairment due to lower excess when compared to their fair values, higher age of aircraft or the existence of operational circumstances.

Furthermore, we assessed the adequacy of the Group's disclosures regarding the impairment of aircraft, which are disclosed in Notes 3.1 and 12 to the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 controls.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal controls 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 controls.

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

- Conclude on the appropriateness of management's 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 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 financial statements, including the disclosures, and whether the 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors 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 the directors, we determine those matters that were of most significance in the audit of the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
14 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2017

	Note	Group 2017 US$'000	2016 US$'000
Revenues			
Lease rental income	42(a)	**1,283,587**	1,048,413
Interest and fee income	4	**29,622**	47,676
Other income:			
Net gain on sale of aircraft	5	**77,754**	90,927
Others		**9,778**	6,069
		1,400,741	1,193,085
Costs and expenses			
Depreciation of plant and equipment	12	**460,496**	377,948
Finance expenses	6	**259,714**	215,737
Amortisation of deferred debt issue costs	7	**20,929**	18,757
Amortisation of lease transaction closing costs		**146**	183
Staff costs	8	**72,276**	74,579
Marketing and travelling expenses		**5,052**	5,116
Other operating expenses	10	**20,392**	22,158
Impairment of aircraft	12	**10,600**	4,800
		(849,605)	(719,278)
Profit before income tax		**551,136**	473,807
Income tax credit/(expense)	11	**35,511**	(55,727)
Profit for the year attributable to owners of the Company		**586,647**	418,080
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US$)	41	**0.85**	0.64
Diluted earnings per share (US$)	41	**0.85**	0.64

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group	
		2017	2016
		US$'000	US$'000
Profit for the year		**586,647**	418,080
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to statement of profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax	29	**4,568**	16,515
Total comprehensive income for the year attributable to owners of the Company		**591,215**	434,595

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 US$'000	Group 2016 US$'000
Non-current assets			
Plant and equipment	12	**15,434,163**	12,604,600
Lease transaction closing costs		**1,088**	652
Derivative financial instruments	13	**22,023**	16,649
Trade receivables	14	**–**	2,772
Finance lease receivables	36(c)(ii)	**10,375**	–
Deferred income tax assets	26	**141**	208
		15,467,790	12,624,881
Current assets			
Trade receivables	14	**5,467**	–
Finance lease receivables	36(c)(ii)	**5,625**	–
Prepayments		**2,972**	2,582
Other receivables	15	**14,179**	8,036
Fixed deposits	16	**162,235**	352,882
Cash and bank balances	17	**143,058**	205,601
Assets held for sale	18	**238,535**	250,573
		572,071	819,674
Total assets		**16,039,861**	13,444,555
Current liabilities			
Derivative financial instruments	13	**38,003**	–
Trade and other payables	19	**136,858**	119,186
Deferred income	20	**66,651**	89,702
Income tax payables		**956**	210
Loans and borrowings	21	**1,419,443**	902,245
Finance lease payables	22	**33,478**	9,537
Security deposits	24	**29,022**	50,088
Liabilities associated with assets held for sale	18	**–**	18,857
		1,724,411	1,189,825
Net current liabilities		**(1,152,340)**	(370,151)
Total assets less current liabilities		**14,315,450**	12,254,730

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Note	Group 2017 US$'000	Group 2016 US$'000
Non-current liabilities			
Derivative financial instruments	13	**62,583**	207,257
Loans and borrowings	21	**9,262,814**	7,541,989
Finance lease payables	22	**24,640**	58,118
Security deposits	24	**199,900**	168,797
Deferred income	20	**44,833**	37,257
Maintenance reserves	25	**558,503**	470,020
Deferred income tax liabilities	26	**296,339**	332,482
Other non-current liabilities	27	**47,081**	56,642
		10,496,693	8,872,562
Total liabilities		**12,221,104**	10,062,387
Net assets		**3,818,757**	3,382,168
Equity attributable to owners of the Company			
Share capital	28	**1,157,791**	1,157,791
Retained earnings		**2,639,874**	2,207,855
Statutory reserves		**9**	7
Hedging reserve	29	**21,083**	16,515
Total equity		**3,818,757**	3,382,168
Total equity and liabilities		**16,039,861**	13,444,555

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		Company	
	Note	**2017**	2016
		US$'000	US$'000
Non-current assets			
Plant and equipment	12	**8,899,925**	6,178,608
Lease transaction closing costs		**727**	780
Derivative financial instruments	13	**22,023**	16,649
Amounts due from subsidiary companies	32	**758,260**	1,883,660
Investments in subsidiary companies	33	**747,428**	733,928
		10,428,363	8,813,625
Current assets			
Trade receivables	14	**2,704**	–
Prepayments		**1,394**	1,768
Other receivables	15	**21,472**	14,656
Fixed deposits	16	**134,235**	257,880
Cash and bank balances	17	**50,747**	136,182
Assets held for sale	18	**229,550**	92,969
		440,102	503,455
Total assets		**10,868,465**	9,317,080
Current liabilities			
Derivative financial instruments	13	**38,003**	–
Trade and other payables	19	**100,881**	88,658
Deferred income	20	**35,668**	70,133
Loans and borrowings	21	**854,703**	579,557
Finance lease payables	22	**33,478**	9,537
Security deposits	24	**18,285**	12,175
Finance lease payable to subsidiary companies	31	**107,895**	107,028
Liabilities associated with assets held for sale	18	**–**	18,371
		1,188,913	885,459
Net current liabilities		**(748,811)**	(382,004)
Total assets less current liabilities		**9,679,552**	8,431,621

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Note	Company 2017 US$'000	Company 2016 US$'000
Non-current liabilities			
Derivative financial instruments	13	**62,583**	207,257
Loans and borrowings	21	**6,069,237**	4,789,115
Finance lease payables	22	**24,640**	58,118
Security deposits	24	**116,105**	107,447
Deferred income	20	**25,914**	23,728
Maintenance reserves	25	**245,874**	180,271
Deferred income tax liabilities	26	**72,430**	64,823
Finance lease payable to subsidiary companies	31	**555,911**	676,091
Other non-current liabilities	27	**40,073**	44,961
		7,212,767	6,151,811
Total liabilities		**8,401,680**	7,037,270
Net assets		**2,466,785**	2,279,810
Equity attributable to owners of the Company			
Share capital	28	**1,157,791**	1,157,791
Retained earnings		**1,304,926**	1,122,019
Hedging reserve	29	**4,068**	–
Total equity		**2,466,785**	2,279,810
Total equity and liabilities		**10,868,465**	9,317,080

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Attributable to owners of the Company				
		Share capital US$'000	Retained earnings US$'000	Statutory reserves* US$'000	Hedging reserve US$'000	Total equity US$'000
Balance at 1 January 2016		607,601	1,832,117	–	–	2,439,718
Profit for the year		–	418,080	–	–	418,080
Transfers to statutory reserves		–	(7)	7	–	–
Other comprehensive income for the year, net of tax	29	–	–	–	16,515	16,515
Total comprehensive income for the year		–	418,073	7	16,515	434,595
Contributions by and distributions to owners						
Issuance of ordinary shares pursuant to the initial public offering	28	562,783	–	–	–	562,783
Initial public offering expenses	28	(12,593)	–	–	–	(12,593)
Dividends	34	–	(42,335)	–	–	(42,335)
Total contributions by and distributions to owners		550,190	(42,335)	–	–	507,855
At 31 December 2016 and 1 January 2017		**1,157,791**	**2,207,855**	**7**	**16,515**	**3,382,168**
Profit for the year		**–**	**586,647**	**–**	**–**	**586,647**
Transfers to statutory reserves		**–**	**(2)**	**2**	**–**	**–**
Other comprehensive income for the year, net of tax	29	**–**	**–**	**–**	**4,568**	**4,568**
Total comprehensive income for the year		**–**	**586,645**	**2**	**4,568**	**591,215**
Distributions to owners						
Dividends	34	**–**	**(154,626)**	**–**	**–**	**(154,626)**
Total distributions to owners		**–**	**(154,626)**	**–**	**–**	**(154,626)**
At 31 December 2017		**1,157,791**	**2,639,874**	**9**	**21,083**	**3,818,757**

*In accordance with statutory requirements in China and France, each subsidiary company in these countries is required to make appropriation of a certain percentage of its annual profit after tax to a statutory reserve until a statutory limit is reached.

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	Group 2017 US$'000	2016 US$'000
Cash flows from operating activities:			
Profit before income tax		**551,136**	473,807
Adjustments for:			
Depreciation of plant and equipment	12	**460,496**	377,948
Impairment of aircraft	12	**10,600**	4,800
Amortisation of deferred debt issue costs	7	**20,929**	18,757
Amortisation of lease transaction closing costs		**146**	183
Net gain on sale of aircraft	5	**(77,754)**	(90,927)
Interest and fee income		**(29,622)**	(43,235)
Finance expenses	6	**259,714**	215,737
Maintenance reserves written off		**(1,341)**	–
Operating profit before working capital changes		**1,194,304**	957,070
(Increase)/decrease in receivables		**(26,986)**	4,514
(Decrease)/increase in payables		**(6,490)**	6,590
Increase in maintenance reserves		**85,930**	45,501
(Decrease)/increase in deferred income		**(23,051)**	27,462
Cash generated from operations		**1,223,707**	1,041,137
Security deposits received, net		**17,613**	18,568
Lease transaction closing costs paid		**(588)**	(255)
Income tax paid, net		**(801)**	(1,095)
Interest and fee income received		**31,447**	47,682
Net cash flows from operating activities		**1,271,378**	1,106,037
Cash flows from investing activities:			
Purchase of plant and equipment		**(4,433,480)**	(2,895,318)
Proceeds from sale of plant and equipment		**1,239,171**	1,695,056
Net cash flows used in investing activities		**(3,194,309)**	(1,200,262)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the financial year ended 31 December 2017

	Note	Group 2017	Group 2016
Cash flows from financing activities:		**US$'000**	US$'000
Proceeds from shares issuance	28	**–**	562,783
Initial public offering expenses paid	28	**–**	(12,593)
Proceeds from loans and borrowings		**2,626,229**	1,950,362
Repayment of loans and borrowings		**(1,318,478)**	(1,850,588)
Increase/(decrease) in borrowings from revolving credit facilities, net		**795,000**	(220,000)
Finance expenses paid		**(257,605)**	(217,861)
Debt issue costs paid		**(20,779)**	(23,892)
Dividends paid	34	**(154,626)**	(42,335)
Decrease in cash and bank balances - encumbered		**186,589**	85,823
Increase in cash and bank balances - encumbered		**(85,271)**	(115,148)
Net cash flows from financing activities		**1,771,059**	116,551
Net (decrease)/increase in cash and cash equivalents		**(151,872)**	22,326
Cash and cash equivalents at beginning of year		**393,719**	371,393
Cash and cash equivalents at end of year	30	**241,847**	393,719

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

1. Corporate information

BOC Aviation Limited (the "Company") is a public company limited by shares and is listed on the main board of Stock Exchange of Hong Kong Limited. The Company's majority shareholder is Sky Splendor Limited, which is incorporated in the Cayman Islands. Its shareholder is Bank of China Group Investment Limited, incorporated in Hong Kong and owned by Bank of China Limited, incorporated in the People's Republic of China ("PRC"). Bank of China Limited is majority owned by Central Huijin Investment Limited ("Central Huijin"), which is incorporated in the PRC. Central Huijin is a wholly owned subsidiary of China Investment Corporation ("CIC"), which is a wholly state-owned company in the PRC.

The registered address of the Company is 8 Shenton Way, #18-01, Singapore 068811.

The principal activities of the Company, which are conducted in Singapore, are the leasing of aircraft, management of aircraft leases and other related activities. The subsidiary companies are primarily engaged in the leasing of aircraft and other related activities as disclosed in Note 33.

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

As at 31 December 2017, the Group's and the Company's current liabilities exceeded its current assets by US$1,152.3 million and US$748.8 million respectively (2016: US$370.2 million and US$382.0 million respectively). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"s) as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The financial statements are presented in the Group's functional currency, United States Dollar ("US$"), and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The Group has not adopted the following new IFRSs and interpretation by the International Financial Reporting Interpretations Committee ("IFRIC") which are relevant to the Group that have been issued but are not yet effective:

Standards and Interpretation	Content	Applicable for financial years beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

Based on a preliminary assessment using currently available information, the Group does not expect the adoption of the above standards and interpretation to have a material impact on the financial statements in the period of initial application. These preliminary assessments may be subject to changes arising from ongoing analyses when the Group adopts the standards. The Group plans to adopt the standards in the respective effective date.

The nature of the impending changes in accounting policies on adoption of IFRS 9, IFRS 15 and IFRS 16 are described below:

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in this standard are based on an expected credit loss model and will replace the IAS 39 incurred loss model.

This standard requires the Group to record expected credit losses on its trade and other receivables, derivative financial instruments, finance lease receivables, fixed deposits and cash and bank balances, either on a 12-month or lifetime basis. As the Group monitors closely the credit risks arising from the financial assets as detailed in Note 39(c), the Group does not expect the changes of this standard to have a material impact on the financial statements in the period of initial application.

The new hedge accounting rules under IFRS 9 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 this standard introduces a more principles-based approach. The above change is not expected to have a significant impact on the current hedging relationships entered into by the Group.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

IFRS 15 *Revenue from Contracts with Customers*

Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard specifically states that lease contracts within the scope of IFRS 16 Leases are outside the scope of this standard.

As the Group derives its revenue primarily from lease rentals, the Group does not expect that the adoption of this standard to have a material impact on the financial statements in the period of initial application.

IFRS 16 *Leases*

IFRS 16 replaces existing lease accounting guidance. This standard does not change the classification of leases for lessors except for more disclosures in the financial statements.

This standard eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

As the Group is primarily a lessor engaging in leasing aircraft, the Group does not expect the changes of this standard to have a material impact on the financial statements in the period of initial application.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2017. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All significant balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.4 Functional and foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operates ("functional currency").

2. Summary of significant accounting policies (cont'd)

2.4 Functional and foreign currency (cont'd)

(b) Foreign currency transactions

Transactions in foreign currencies are measured at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of each year. Exchange differences arising from the translation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.5 Plant and equipment

(a) Aircraft

Purchased aircraft on operating lease to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of the aircraft prior to delivery. Subsequent to recognition, aircraft are stated at cost less accumulated depreciation and accumulated impairment loss. Modifications and all other costs associated with placing the aircraft in service are capitalised. The cost of aircraft is stated net of manufacturers' credits. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to profit or loss.

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset is charged to profit or loss.

The carrying values of aircraft are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

(b) Aircraft pre-delivery payments

Pre-delivery payments are recognised under plant and equipment when payments are made for aircraft under construction.

(c) Other plant and equipment

Other plant and equipment comprises office renovations, furniture, fittings and office equipment and are initially recognised at cost. Subsequent to recognition, these assets are stated at cost, less accumulated depreciation and accumulated impairment loss. Cost comprises purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs is charged to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 Plant and equipment (cont'd)

(d) *Depreciation*

Aircraft are depreciated on a straight-line basis over 25 years with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years.

Depreciation on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

Office renovations	- 3 to 5 years
Furniture, fittings and office equipment	- 1 to 3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed at each year end and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

(e) *Disposal*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.6 Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. Assets classified as held for sale are not depreciated.

2.7 Lease transaction closing costs

Upfront legal fees and all other initial direct costs incurred in procuring the lease for the aircraft are capitalised and amortised on a straight-line basis over the related lease period in profit or loss.

Where the lease agreement is terminated or novated prior to its expiry date, the remaining lease transaction closing costs will be written off to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Subsidiary Companies

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In structured entities, the ability to control does not come from holding the majority of voting shares, but rather from contractual agreements. Entities are consolidated from the time that the ability to control begins and cease to be consolidated when the ability to control ends.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value, plus, in the case of other financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.11 Impairment of financial assets

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

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2. Summary of significant accounting policies (cont'd)

2.12 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross-currency interest rate swap, interest rate swap and foreign exchange forward contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss.

The fair values of cross-currency interest rate swap, interest rate swap and foreign exchange forward contracts are determined by marked-to-market values provided by counterparties which approximate fair value.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

(a) Fair value hedges when hedging the exposure to changes in the fair values of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss; and

(b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

2. Summary of significant accounting policies (cont'd)

2.12 Derivative financial instruments and hedging activities (cont'd)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are recognised in profit or loss.

(b) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in hedging reserve, while the ineffective portion is recognised in profit or loss.

Amounts recognised in hedging reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognised in hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognised in profit or loss.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each year and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.14 Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. Upon expiry of a lease, any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss.

If a lease requires the lessee to pay return compensation payments at the end of the lease, certain lessees are required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which is providing flight hour-based support to the lessee.

2.15 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use is in progress, and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. The Group borrows to finance certain aircraft pre-delivery payments for aircraft under construction. The interest incurred on borrowings directly attributable to the acquisition of the aircraft under construction is capitalised and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitment or advances of pre-delivery payments on which the Group earns income. Capitalisation of interest ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

2.16 Debt issue costs

Debt issue costs are costs incurred in connection with obtaining financing. These costs comprise primarily front-end fees, agency fees and legal fees.

On initial recognition of a financial liability, debt issue costs that are directly attributable to the acquisition of the financial liability are included in the initial measurement of that liability. These costs are amortised over the related life of the debt using the effective interest method and written off upon prepayment of the financial liability, except for those debt issue costs relating to credit facilities which remain available for re-drawing after prepayment.

2. Summary of significant accounting policies (cont'd)

2.17 Trade and other payables

Liabilities for trade and other payables including payable to related parties, which are normally settled within 30-day credit terms, are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.18 Employee benefits

(a) Short term employee benefits

All short term employee benefits, including accumulated compensated absences, are recognised in profit or loss in the period in which the employees render their services to the Group.

(b) Short term incentive plan

The short term incentive plan bonus is payable to employees of the Group when certain key performance targets for each year are met and payment is to be made over a period. The bonus is accrued and recognised in profit or loss in the period in which the employees render their services to the Group. Any over or under provision will be recognised in profit or loss.

(c) Long term incentive plan

Selected employees of the Group are eligible to participate in the long term incentive plan, which comprises a cash portion and the RSU Plan. Cash amounts are payable to the participants based on the achievement of certain key performance targets at the end of a pre-determined period. The cash amount is accrued and recognised in profit or loss in the period in which the participants render their services to the Group. Any over or under provision will be recognised in profit or loss. Payment of accrued cash amounts will be made over a period after each pre-determined period.

With respect to the RSU Plan, a cash amount which is determined based on the achievement of certain key performance targets of the Group for a financial year will be paid to an independent trustee in the following year to purchase shares of the Company in the secondary market. These shares and any accrued dividends will be held in trust for the participants during the vesting period. The cash amount contributed by the Company to the RSU Plan is recognised in the profit or loss over the vesting period (from the date of grant to the date the shares are vested) of the RSU Plan.

(d) Employers' defined contributions

As required by law, the Group makes contributions to Central Provident Fund ("CPF") in Singapore, National Insurance and Pension in United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in United States of America and Social Insurance in China. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

2. Summary of significant accounting policies (cont'd)

2.19 Leases

(a) *Where the Group or the Company is the lessor*

Leases where the Group or the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.20. Contingent rents are recognised as revenue in the period in which they are earned.

Finance leases, which effectively transfer to lessee substantially all the risks and benefits incidental to ownership of the leased asset, are recognised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income are charged directly to profit or loss.

(b) *Where the Group or the Company is the lessee*

Finance leases, which effectively transfer to the Group or the Company substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments and disclosed under Note 36. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership of the leased asset by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

2.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) Lease rental income

Lease rental income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

Lease rental income is not recognised if the collections are not probable due to prolonged financial difficulties of lessees.

(b) Remarketing and lease management fees

Remarketing and lease management fees are recognised as revenue upon rendering of services.

(c) Dividend income

Dividend income from investments is recognised when the Company's right to receive payment is established.

(d) Interest income

Interest income is recognised on an accrual basis unless collectability is in doubt.

(e) Lease termination fees

Lease termination fees are recognised based on contractual agreement with the relevant lessee to the extent that it is probable that the economic benefits will flow to the Group.

2. Summary of significant accounting policies (cont'd)

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each year, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(b) Deferred income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each year.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.22 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.23 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments which have significant effect on the amounts recognised in the financial statements.

(a) *Carrying value of aircraft*

The Group follows the guidance provided by IAS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. Management exercises significant judgment in determining whether there is any indication that any aircraft may have been impaired. This exercise involves management to consider both internal and external sources of information which include but are not limited to: observable indications that the value of aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of the aircraft, technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence or physical damage of the aircraft; and worse than expected economic performance of the aircraft. Analysis of impairment loss provision is disclosed in Note 12 in the financial statements.

(b) *Maintenance of aircraft by lessees*

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make monthly or end of lease maintenance contributions to the Group which can subsequently be drawn on for certain maintenance events carried out. Management has made a judgment based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements.

(c) *Impairment of financial assets*

The Group follows the guidance of IAS 39 in determining when a financial asset is other-than-temporarily impaired and this requires judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost.

(d) *Fair value of financial instruments*

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models by counterparties. The valuation of financial instruments is described in more detail in Note 38.

3. Significant accounting judgments and estimates (cont'd)

3.1 Judgments made in applying accounting policies (cont'd)

(e) Classification of leases

(i) Operating lease – As lessor

The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

(ii) Finance lease – As lessor

The Company has entered into aircraft leases whereby the Company has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Company has recorded the transaction as a sale of aircraft and finance lease receivables on the statement of financial position.

(iii) Finance lease – As lessee

The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft as plant and equipment on the statement of financial position.

(f) Deferred income taxes

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgment is required to determine that the undistributed profits of the subsidiary companies will not be distributed and remitted into Singapore in the foreseeable future. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiary companies and overseas unremitted income as at 31 December 2017 was US$1,200.1 million (2016: US$1,047.1 million) for which deferred tax liabilities have not been recognised.

Deferred tax assets are recognised for all unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments and estimates (cont'd)

3.1 Judgments made in applying accounting policies (cont'd)

(f) Deferred income taxes (cont'd)

The Company was granted a concessionary income tax rate of 5% for five years from 1 July 2012 to 30 June 2017 under the Aircraft Leasing Scheme incentive ("ALS") that is administered by the Economic Development Board of Singapore ("EDB"). The Company has met all the conditions required to qualify for the five years of concessionary tax rate of 5%. In January 2017, the Company was awarded the ALS for another five-year period from 1 July 2017 to 30 June 2022 at the same concessionary income tax rate of 5%, subject to meeting certain conditions. Management is reasonably confident that the conditions will be met.

For ALS awarded to companies on or after 1 April 2017, a concessionary income tax rate of 8% would apply. However, since the Company was awarded the ALS prior to 1 April 2017, the concessionary income tax rate of 5% has been used to compute the Company's deferred income taxes.

Details have been disclosed in Note 11 and Note 26.

(g) Assets held for sale

An asset is classified as held for sale when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale is highly probable. Management judgment is required to assess whether the asset meets the conditions to be classified as assets held for sale and details have been disclosed in Note 18.

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Depreciation of aircraft and estimation of residual values

Aircraft are depreciated on a straight-line basis over 25 years with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years. Management estimates the useful life to be 25 years based on the common life expectancies applied in the aircraft leasing industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A one-year decrease in the expected useful lives of these assets from management's estimates would result in an increase in annual depreciation charges of US$21.3 million (2016: US$16.8 million). Such a decrease in the useful lives of the Group's aircraft could affect the Group's annual profit before tax in future.

(b) Fair values

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 13.

Fair values of other financial instruments have been disclosed in Note 38.

(c) Income taxes and deferred income taxes

The Group has exposure to income taxes in numerous jurisdictions. Estimation is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Details have been disclosed in Note 11 and Note 26.

4. Interest and fee income

	Group 2017 US$'000	2016 US$'000
Interest income from fixed deposits and bank balances	**2,709**	6,538
Fee income from aircraft pre-delivery payments	**21,657**	36,599
Lease management fee income	**3,787**	4,274
Remarketing fee income	**850**	167
Others	**619**	98
	29,622	47,676

5. Net gain on sale of aircraft

	Note	Group 2017 US$'000	2016 US$'000
Proceeds from sale of aircraft*		**1,196,722**	1,490,536
Maintenance reserves released	25	**–**	8,378
Net book value of aircraft classified as:			
Plant and equipment		**(522,587)**	(747,501)
Assets held for sale	18	**(594,103)**	(656,459)
Expenses, net of costs written back		**(2,278)**	(4,027)
		77,754	90,927

* Included an amount of US$91.8 million (2016: US$44.1 million) received from a related company.

6. Finance expenses

	Group 2017 US$'000	2016 US$'000
Interest expense and other charges on:		
Loans and borrowings	**258,236**	214,793
Finance leases	**1,478**	1,337
	259,714	216,130
Net fair value gains on derivative financial instruments	**–**	(393)
	259,714	215,737

7. Amortisation of deferred debt issue costs

	Note	Group 2017 US$'000	Group 2016 US$'000
Arising from:			
Loans and borrowings	21	**20,860**	18,688
Finance lease payables	22	**69**	69
		20,929	18,757

8. Staff costs

	Group 2017 US$'000	Group 2016 US$'000
Salaries, bonuses and other staff costs	**68,305**	72,503
Employers' defined contributions	**3,971**	2,076
	72,276	74,579

The Company adopted a Restricted Share Unit Long Term Incentive Plan (the "RSU Plan") on 18 December 2017. The purpose of the RSU Plan is to attract skilled and experienced management and professional staff, to motivate and reward them to maximise profit and long term investment returns for shareholders by providing them with the opportunity to acquire equity interests in the Company, thereby aligning the respective interests of employees and shareholders.

Eligible participants of the RSU Plan are selected employees (including Executive Directors) of the Company or any of its subsidiaries. An independent trustee will purchase shares of the Company from the market and will hold such shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new shares by the Company.

The Company is expected to make the first payment to the trustee to execute the RSU Plan, and the first grant of awards under the RSU Plan is expected to be completed, in 2018.

9. Emoluments of directors, five highest paid individuals and senior management

(a) Emoluments paid to directors of the Company during the year

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2017					
Chairman, non-executive director					
Chen Siqing[1]	–	–	–	–	–
Executive directors					
Wang Jian (Vice-Chairman)[2]	–	335	–	–	335
Wang Genshan (Vice-Chairman)[3]	–	228	2,029	–	2,257
Robert James Martin	–	1,039	5,160	–	6,199
Independent non-executive directors					
Antony Nigel Tyler	140	40	–	–	180
Dai Deming	60	17	–	–	77
Fu Shula	60	17	–	–	77
Yeung Yin Bernard	45	–	–	–	45
Non-executive directors[1]					
Gao Zhaogang	–	–	–	–	–
Li Mang	–	–	–	–	–
Liu Chenggang	–	–	–	–	–
Zhu Lin	–	–	–	–	–
	305	1,676	7,189	–	9,170

9. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(a) Emoluments paid to directors of the Company during the year (cont'd)

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2016					
Chairman, non-executive director					
Chen Siqing[1]	–	–	–	–	–
Executive directors					
Wang Genshan (Vice-Chairman)	–	546	1,882	–	2,428
Robert James Martin	–	862	4,700	–	5,562
Gao Jinyue[4]	–	198	80	14	292
Independent non-executive directors					
Antony Nigel Tyler[5]	89	25	–	–	114
Dai Deming[5]	38	11	–	–	49
Fu Shula	54	11	–	–	65
Yeung Yin Bernard[6]	2	–	–	–	2
Non-executive directors[1]					
Gao Zhaogang[6]	–	–	–	–	–
Li Mang	–	–	–	–	–
Liu Chenggang[7]	–	–	–	–	–
Zhu Lin	–	–	–	–	–
	183	1,653	6,662	14	8,512

[1] In 2016 and 2017, the non-executive Chairman and non-executive directors (other than independent non-executive directors) were not entitled to any emoluments under their respective engagement letters
[2] Appointed on 1 June 2017
[3] Resigned on 31 May 2017
[4] Resigned on 12 May 2016
[5] Appointed on 12 May 2016
[6] Appointed on 13 December 2016
[7] Appointed on 7 September 2016

9. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(b) Five highest paid individuals

In the year ended 31 December 2017 and 2016, the five individuals whose emoluments were the highest in the Group include two executive directors whose emoluments are reflected in Note 9(a).

The emoluments paid to the remaining three individuals during the year ended 31 December 2017 and 2016 were as follows:

	2017	2016
	US$'000	US$'000
Salaries, allowances and other benefits	**1,821**	**1,571**
Discretionary bonus	**5,048**	**5,188**
Employers' defined contributions	**318**	**302**
	7,187	**7,061**

The number of such individuals whose emoluments paid during the year ended 31 December 2017 and 2016 fell within the following bands:

	2017	2016
HK$15,000,001 to HK$15,500,000	**1**	–
HK$16,500,001 to HK$17,000,000	**–**	1
HK$18,500,001 to HK$19,000,000	**–**	1
HK$19,000,001 to HK$19,500,000	**–**	1
HK$19,500,001 to HK$20,000,000	**1**	–
HK$20,500,001 to HK$21,000,000	**1**	–

During the year ended 31 December 2017 and 2016, 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 as compensation for loss of office.

9. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(c) Senior management's emoluments

The number of senior management whose emoluments paid during the year ended 31 December 2017 and 2016 fell within the following bands:

	2017	2016
HK$2,500,001 to HK$3,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$9,000,001 to HK$9,500,000	**1**	–
HK$15,000,001 to HK$15,500,000	**1**	–
HK$16,500,001 to HK$17,000,000	**–**	1
HK$17,500,001 to HK$18,000,000	**1**	–
HK$18,500,001 to HK$19,000,000	**–**	2
HK$19,000,001 to HK$19,500,000	**–**	1
HK$19,500,001 to HK$20,000,000	**1**	–
HK$20,500,001 to HK$21,000,000	**1**	–
HK$43,000,001 to HK$43,500,000	**–**	1
HK$48,000,001 to HK$48,500,000	**1**	–

10. Other operating expenses

	Group	
	2017	2016
	US$'000	US$'000
General office expenses	**4,266**	3,812
Operating lease expenses	**2,609**	2,576
Technical services expenses	**2,756**	6,923
Professional fees	**5,541**	4,307
Listing expenses	**–**	2,951
Auditors' remuneration	**381**	353
Net foreign exchange (gains)/losses[1]	**(50)**	684
Other taxes and expenses	**4,889**	552
	20,392	22,158

Technical services expenses include net provisions for repair, maintenance, and repossession costs of aircraft.

[1] Included foreign exchange loss of US$50.9 million (2016: exchange gain of US$44.4 million) in revaluation of financial liabilities of which were offset by fair value gain of US$50.9 million (2016: fair value loss of US$44.4 million) in derivative financial instruments.

11. Income tax (credit)/expense

The major components of income tax (credit)/expense for the year ended 31 December 2017 and 2016 are:

	Group	
	2017	2016
	US$'000	US$'000
Current income tax		
Singapore	**(40)**	–
Foreign	**1,415**	374
(Over)/under provision in respect of prior years	**(17)**	89
	1,358	463
Deferred income tax		
Singapore	**16,426**	20,712
Foreign	**46,694**	43,705
Over provision in respect of prior years	**(8,989)**	(9,153)
Reduction in US tax rate	**(91,000)**	–
	(36,869)	55,264
	(35,511)	55,727

11. Income tax (credit)/expense (cont'd)

A reconciliation between tax (credit)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	2016
	US$'000	US$'000
Profit before income tax	**551,136**	473,807
Tax at the Singapore tax rate of 17% (2016:17%)	**93,693**	80,547
Adjustments:		
Different tax rates in foreign jurisdictions	**12,658**	5,716
Effects of Aircraft Leasing Scheme incentive on Company's results	**(44,437)**	(23,040)
Income not subject to tax	**(102)**	(1,042)
Expenses not deductible for tax purposes	**2,293**	2,855
Others	**390**	(245)
Over provision in respect of prior years, net	**(9,006)**	(9,064)
	55,489	55,727
Reduction in US tax rate[1]	**(91,000)**	–
	(35,511)	55,727

[1]Following the enactment of the US Tax Cuts and Jobs Act on 22 December 2017 which amongst other measures, reduced the US federal corporate income tax rate to 21%, the Group has re-measured its net deferred tax liabilities as at 31 December 2017 and recognised a reduction of deferred tax liabilities of US$91.0 million.

As at 31 December 2017, the Group had unabsorbed capital allowances and unutilised tax losses of approximately US$813.1 million (2016: US$1,275.7 million) which, subject to the provisions of relevant local tax legislation and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profits.

12. Plant and equipment

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2016	10,891,562	2,240,342	1,058	9,326	13,142,288
Additions	1,899,653	1,005,390	226	1,042	2,906,311
Disposals/reductions	(967,349)	(204,520)	(23)	(1,005)	(1,172,897)
Transfers	874,634	(874,634)	–	–	–
Transfer to assets held for sale	(873,486)	–	–	–	(873,486)
Adjustments	436	–	–	–	436
At 31 December 2016 and 1 January 2017	11,825,450	2,166,578	1,261	9,363	14,002,652
Additions	3,054,048	1,391,638	468	2,043	4,448,197
Disposals/reductions	(625,115)	(42,449)	(126)	(23)	(667,713)
Transfers	1,511,490	(1,511,490)	–	–	–
Transfer to assets held for sale	(723,853)	–	–	–	(723,853)
Adjustments	(437)	–	–	–	(437)
At 31 December 2017	**15,041,583**	**2,004,277**	**1,603**	**11,383**	**17,058,846**

12 Plant and equipment (cont'd)

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Accumulated depreciation and impairment:					
At 1 January 2016	1,415,903	–	707	8,242	1,424,852
Charge for the year	376,207	–	344	1,397	377,948
Disposals	(219,848)	–	(19)	(1,005)	(220,872)
Impairment of aircraft	4,800	–	–	–	4,800
Transfer to assets held for sale	(188,676)	–	–	–	(188,676)
At 31 December 2016 and 1 January 2017	1,388,386	–	1,032	8,634	1,398,052
Charge for the year	458,939	–	154	1,403	460,496
Disposals	(102,528)	–	(126)	(23)	(102,677)
Impairment of aircraft	10,600	–	–	–	10,600
Transfer to assets held for sale	(141,788)	–	–	–	(141,788)
At 31 December 2017	**1,613,609**	–	**1,060**	**10,014**	**1,624,683**
Net book value:					
At 31 December 2016	10,437,064	2,166,578	229	729	12,604,600
At 31 December 2017	**13,427,974**	**2,004,277**	**543**	**1,369**	**15,434,163**

12. Plant and equipment (cont'd)

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2016	5,765,608	117,252	969	9,164	5,892,993
Additions	1,880,544	76,302	70	1,009	1,957,925
Disposals/reductions	(592,059)	(93,819)	(23)	(993)	(686,894)
Transfers	19,169	(19,169)	–	–	–
Transfer to subsidiary companies	–	(902)	–	–	(902)
Transfer to assets held for sale	(271,760)	–	–	–	(271,760)
Adjustments	3	–	–	–	3
At 31 December 2016 and 1 January 2017	6,801,505	79,664	1,016	9,180	6,891,365
Additions	3,590,861	131,476	256	1,987	3,724,580
Disposals/reductions	(299,056)	(42,449)	(126)	(23)	(341,654)
Transfer to subsidiary companies	–	(38,750)	–	–	(38,750)
Transfer to assets held for sale	(485,567)	–	–	–	(485,567)
Adjustments	12	–	–	–	12
At 31 December 2017	**9,607,755**	**129,941**	**1,146**	**11,144**	**9,749,986**

12. Plant and equipment (cont'd)

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Accumulated depreciation and impairment:					
At 1 January 2016	574,601	–	662	8,152	583,415
Charge for the year	210,428	–	283	1,310	212,021
Disposals	(65,956)	–	(19)	(993)	(66,968)
Impairment of aircraft	2,200	–	–	–	2,200
Transfer to assets held for sale	(17,911)	–	–	–	(17,911)
At 31 December 2016 and 1 January 2017	703,362	–	926	8,469	712,757
Charge for the year	282,212	–	82	1,360	283,654
Disposals	(52,667)	–	(126)	(23)	(52,816)
Impairment of aircraft	6,400	–	–	–	6,400
Transfer to assets held for sale	(99,934)	–	–	–	(99,934)
At 31 December 2017	**839,373**	–	**882**	**9,806**	**850,061**
Net book value:					
At 31 December 2016	6,098,143	79,664	90	711	6,178,608
At 31 December 2017	**8,768,382**	**129,941**	**264**	**1,338**	**8,899,925**

12. Plant and equipment (cont'd)

(a) Impairment of assets

As at 31 December 2017, the accumulated impairment loss on the Group's and the Company's plant and equipment was US$4.7 million (2016: US$4.8 million) and US$4.7 million (2016: US$2.2 million) respectively.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value in use.

Movement of accumulated impairment loss provision:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Balance at beginning of year	**4,800**	80,505	**2,200**	7,200
Impairment loss	**10,600**	4,800	**6,400**	2,200
Utilised	**(10,700)**	(80,505)	**(3,900)**	(7,200)
Balance at end of year	**4,700**	4,800	**4,700**	2,200

(b) Assets held under finance leases

The net book value of aircraft owned by the Group and Company held under finance lease arrangements amounted to US$93.1 million (2016: US$97.0 million) and US$1,431.2 million (2016: US$1,588.6 million) respectively.

These assets are pledged as security for the related finance lease liabilities.

(c) Reconciliation of capital expenditure in plant and equipment to net cash flows used in investing activities

Extract from Consolidated Statement of Cash Flows

	Group 2017 US$'000
Cash flows from investing activities	
Purchase of plant and equipment	(4,433,480)
Proceeds from sale of plant and equipment	1,239,171
Net cash flows used in investing activities	**(3,194,309)**

12. Plant and equipment (cont'd)

(c) Reconciliation of capital expenditure in plant and equipment to net cash flows used in investing activities (cont'd)

Cash flows from investing activities	**Group 2017 US$'000**
Additions of aircraft	(3,054,048)
Additions of aircraft pre-delivery payments	(1,391,638)
Additions of other plant and equipment	(2,511)
Proceeds from sale of aircraft	1,196,722
Reductions of aircraft pre-delivery payments upon delivery of aircraft to airlines	42,449
Adjustments for capitalised borrowing costs	14,717
Net cash flows used in investing activities	**(3,194,309)**

(d) Assets pledged as security

The net book value of aircraft and aircraft held for sale (Note 18) owned by the Group and the Company, including aircraft held under finance lease arrangements in Note 12(b), that have been charged for loan facilities granted (Note 21 and Note 22) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft (Note 33) amounted to US$3,968.4 million (2016: US$4,599.0 million) and US$2,307.2 million (2016: US$2,688.0 million) respectively.

(e) Capitalisation of borrowing costs

The borrowing costs capitalised as cost of aircraft amounted to US$14.7 million (2016: US$11.0 million). The rate used to determine the amount of borrowing costs for capitalisation ranged from 2.6% to 2.7% (2016: 2.5%) per annum.

13. Derivative financial instruments

	Group and Company					
	2017			2016		
	Outstanding notional amounts	**Assets**	**Liabilities**	Outstanding notional amounts	Assets	Liabilities
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Current:						
Cross-currency interest rate swaps	**492,225**	**–**	**(38,003)**	–	–	–
Non-current:						
Cross-currency interest rate swaps	**875,019**	**5,008**	**(59,506)**	1,112,612	–	(205,321)
Interest rate swaps	**1,300,000**	**17,015**	**(3,077)**	1,300,000	16,649	(1,936)
		22,023	**(62,583)**		16,649	(207,257)

The fair values of interest rate swaps and cross-currency interest rate swaps as shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

Hedge accounting has been applied for interest rate swaps and cross-currency interest rate swaps that are assessed by the Group to be highly effective hedges.

(a) Interest rate swaps

As at 31 December 2017, the Group had interest rate swaps with a total notional amount of US$500 million (2016: US$500 million) to hedge against changes in fair value of fixed rate loans and borrowings. Under the interest rate swaps, the Group receives fixed interest and pays floating interest pegged to US Dollar LIBOR on the notional amount. The fair value of these derivative financial assets and derivative financial liabilities as at 31 December 2017 was US$Nil (2016: US$0.1 million) and US$3.1 million (2016: US$1.9 million) respectively. These hedges are classified as fair value hedges and the fair value changes of these interest rate swaps are recognised in profit or loss.

In addition, the Group borrows at floating interest rates pegged to US Dollar LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest on borrowings at floating rates. As at 31 December 2017, the Group had interest rate swaps with a notional aggregate amount of US$800 million (2016: US$800 million) to hedge against the exposure to variability in these cash flows. Under these interest rate swaps, the Group receives floating interest pegged to US Dollar LIBOR and pays fixed interest on the notional amount. The fair value of these derivative financial asset as at 31 December 2017 was US$17.0 million (2016: US$16.5 million). These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognised in hedging reserve. The net fair value gain of US$0.5 million (2016: US$16.5 million) on these financial instruments was recognised in hedging reserve.

13. Derivative financial instruments (cont'd)

(a) Interest rate swaps (cont'd)

The terms of the interest rate swaps have been negotiated to match the terms of the loans and borrowings and accordingly, the hedges are assessed to be highly effective.

(b) Cross-currency interest rate swaps

The Group uses cross-currency interest rate swaps to hedge the exposure to changes in the fair values of the Group's fixed rate loans and borrowings which are liabilities designated as hedged items in fair value hedge (Note 21). Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest and pays USD principal and floating interest pegged to US Dollar LIBOR.

As at 31 December 2017, the nominal amount of the above cross-currency interest rate swaps amounted to US$1,115.9 million (2016: US$963.7 million). The fair value of these derivative financial assets and derivative financial liabilities as at 31 December 2017 was US$0.8 million (2016: US$Nil) and US$94.4 million (2016: US$188.3 million) respectively. These hedges are classified as fair value hedges and the fair value changes of these cross-currency interest rate swaps are recognised in profit or loss.

In addition, the Group uses cross-currency interest rate swaps to hedge against (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal with fixed interest, and pays USD principal and fixed interest. The cross-currency interest rate swaps are bifurcated into two portions. The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve.

As at 31 December 2017, the nominal amount of the above cross-currency interest rate swaps amounted to US$251.3 million (2016: US$148.9 million). The fair value of these derivative financial assets and derivative financial liabilities as at 31 December 2017 was US$4.2 million (2016: US$Nil) and US$3.1 million (2016: US$17.0 million) respectively. The net fair value gain of US$4.1 million (2016: US$Nil) on these financial instruments of the Group and the Company was recognised in hedging reserve while the balance amount was recognised in profit or loss.

The terms of the cross-currency interest rate swaps have been negotiated to match the terms of the notes and accordingly, the hedges are assessed to be highly effective.

14. Trade receivables

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (current)	**5,467**	–	**2,704**	–
Trade receivables (non-current)	**–**	2,772	**–**	–

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Included in the current portion of the Group's trade receivables was an amount of US$2.8 million (2016: non-current of US$2.8 million) which is contractually deferred by mutual agreement and interest bearing, and an amount of $1.4 million (2016: US$Nil) that were past due for less than 30 days but not impaired. These trade receivables are secured by cash security deposits or letters of credit.

15. Other receivables

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**608**	669	**579**	638
Sundry receivables	**12,473**	4,444	**5,876**	395
Accrued income	**1,098**	2,923	**3,460**	8,575
Amounts due from subsidiary companies	**–**	–	**11,557**	5,048
	14,179	8,036	**21,472**	14,656

Sundry receivables are non-interest bearing.

The amounts due from subsidiary companies are non-trade related, unsecured, interest free and are repayable on demand.

16. Fixed deposits

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	30	**162,235**	352,882	**134,235**	257,880

Short term fixed deposits are placed for varying periods between one day and three months depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term fixed deposits was 1.1% (2016: 0.7%) per annum.

As at 31 December 2017, there were no fixed deposits placed with intermediate holding company for the Group and the Company (2016: US$131.0 million and US$95.0 million respectively). As at 31 December 2017, fixed deposits placed with other related party amounted to US$146.0 million for the Group (2016: US$Nil) and US$118.0 million for the Company (2016: US$Nil).

17. Cash and bank balances

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		US$'000	US$'000	**US$'000**	US$'000
Encumbered		**63,446**	164,764	**33,636**	123,294
Unencumbered	30	**79,612**	40,837	**17,111**	12,888
		143,058	205,601	**50,747**	136,182

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations (Note 21) and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US$42.4 million (2016: US$14.4 million) and US$13.2 million (2016: US$7.7 million) respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2017, the Group's cash and bank balances included an amount of US$8.4 million (2016: US$8.9 million) placed with an intermediate holding company.

17. Cash and bank balances (cont'd)

Cash and bank balances were denominated in United States Dollar except for the following:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Australian Dollar	**166**	155	**–**	–
Chinese Yuan	**4,303**	1,383	**–**	–
Euro	**1,691**	2,166	**1,106**	1,644
Hong Kong Dollar	**308**	96	**308**	96
Japanese Yen	**1,718**	18	**–**	–
Malaysian Ringgit	**148**	84	**–**	–
Sterling Pound	**802**	557	**–**	–
Singapore Dollar	**773**	449	**773**	449
	9,909	4,908	**2,187**	2,189

18. Assets held for sale and liabilities associated with assets held for sale

As at 31 December 2017, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		US$'000	US$'000	**US$'000**	US$'000
Assets held for sale:					
Plant and equipment – aircraft					
At beginning of year		**250,573**	222,222	**92,969**	71,110
Additions		**582,065**	684,810	**385,633**	253,849
Disposals		**(594,103)**	(656,459)	**(249,052)**	(231,990)
At end of year		**238,535**	250,573	**229,550**	92,969
Liabilities associated with assets held for sale:					
Loans and borrowings	21	**–**	14,963	**–**	–
Finance lease payable to subsidiary companies	31	**–**	–	**–**	14,963
Maintenance reserve payables		**–**	3,894	**–**	3,408
		–	18,857	**–**	18,371

19. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**2,519**	3,040	**144**	194
Sundry payables	**9,751**	6,536	**2,256**	2,337
Accrued interest expenses	**58,863**	45,183	**50,118**	38,048
Maintenance reserve payables	**1,610**	16,937	**523**	7,901
Accrued technical expenses	**2,162**	6,020	**862**	6,020
Staff costs related accruals	**49,471**	34,878	**42,170**	30,189
Other accruals and liabilities	**12,482**	6,592	**2,111**	1,500
Amounts due to subsidiary companies	–	–	**2,697**	2,469
	136,858	119,186	**100,881**	88,658

Trade payables and sundry payables are substantially denominated in United States Dollar, non-interest bearing, current in nature and are normally settled on 30-day credit terms.

The table below summarises the aging of trade payables based on invoice due date:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Current	**2,464**	2,791	**144**	–
1 – 30 days	**–**	190	**–**	190
31 – 60 days	**–**	–	**–**	–
61 – 90 days	**–**	4	**–**	4
More than 90 days	**55**	55	**–**	–
	2,519	3,040	**144**	194

20. Deferred Income

Deferred income (current) relates to advance receipts for lease and other income for which services have not yet been rendered.

Deferred income (non-current) relates to the difference between the nominal value of the security deposits (Note 24) and its fair value. The deferred income is charged to profit or loss on a straight-line basis over the lease term.

21. Loans and borrowings

	Note	Group 2017 US$'000	Group 2016 US$'000	Company 2017 US$'000	Company 2016 US$'000
Current:					
Medium Term Notes		**492,225**	500,000	**492,225**	500,000
Loans		**975,074**	427,414	**401,728**	80,874
Medium Term Notes premium		**79**	–	**79**	–
Fair value and revaluation adjustments		**(38,003)**	–	**(38,003)**	–
Deferred debt issue costs		**(9,932)**	(10,206)	**(1,326)**	(1,317)
		1,419,443	917,208	**854,703**	579,557
Non-current:					
Medium Term Notes		**5,425,019**	3,962,612	**5,425,019**	3,962,612
Medium Term Notes discount (net of premium)		**(12,334)**	(9,572)	**(12,334)**	(9,572)
Fair value and revaluation adjustments		**(61,469)**	(207,123)	**(61,469)**	(207,123)
		5,351,216	3,745,917	**5,351,216**	3,745,917
Loans		**3,988,387**	3,878,322	**738,274**	1,060,376
Deferred debt issue costs		**(76,789)**	(82,250)	**(20,253)**	(17,178)
		9,262,814	7,541,989	**6,069,237**	4,789,115
Total loans and borrowings		**10,682,257**	8,459,197	**6,923,940**	5,368,672
Statement of financial position:					
Loans and borrowings (current)		**1,419,443**	902,245	**854,703**	579,557
Loans and borrowings (non-current)		**9,262,814**	7,541,989	**6,069,237**	4,789,115
Liabilities associated with assets held for sale	18	**–**	14,963	**–**	–
		10,682,257	8,459,197	**6,923,940**	5,368,672

21. Loans and borrowings (cont'd)

The deferred debt issue costs relating to the obtaining of the loans are analysed as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Cost:				
At beginning of year	**151,840**	142,823	**28,137**	26,977
Additions	**15,125**	20,817	**8,853**	6,439
Written off to profit or loss upon sale of aircraft	**–**	(840)	**–**	(274)
Fully amortised costs written off	**(8,357)**	(11,061)	**(4,454)**	(5,620)
Adjustments	**–**	101	**–**	38
Transfers	**–**	–	**–**	577
At end of year	**158,608**	151,840	**32,536**	28,137
Accumulated amortisation:				
At beginning of year	**59,384**	52,173	**9,642**	9,698
Charge for the year (Note 7)	**20,860**	18,688	**5,769**	5,567
Written off to profit or loss upon sale of aircraft	**–**	(416)	**–**	(167)
Fully amortised costs written off	**(8,357)**	(11,061)	**(4,454)**	(5,620)
Transfers	**–**	–	**–**	164
At end of year	**71,887**	59,384	**10,957**	9,642
Net book value:				
At end of year	**86,721**	92,456	**21,579**	18,495
Deferred debt issue costs, net	**86,721**	92,456	**21,579**	18,495
Less: Current portion	**(9,932)**	(10,206)	**(1,326)**	(1,317)
Non-current portion	**76,789**	82,250	**20,253**	17,178

21. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the gross loans and borrowings before adjustments for debt issue costs, fair value, revaluations and discounts/premiums to medium term notes at the end of each year for the Group and Company.

	Group				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2017					
Medium term notes	492,225	300,000	2,863,962	2,261,057	5,917,244
Loans	975,074	1,104,650	2,439,153	444,584	4,963,461
Total gross loans and borrowings	**1,467,299**	**1,404,650**	**5,303,115**	**2,705,641**	**10,880,705**
2016					
Medium term notes	500,000	492,225	1,963,493	1,506,894	4,462,612
Loans	427,414	824,875	2,119,705	933,742	4,305,736
Total gross loans and borrowings	927,414	1,317,100	4,083,198	2,440,636	8,768,348

	Company				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2017					
Medium term notes	492,225	300,000	2,863,962	2,261,057	5,917,244
Loans	401,728	142,239	396,387	199,648	1,140,002
Total gross loans and borrowings	**893,953**	**442,239**	**3,260,349**	**2,460,705**	**7,057,246**
2016					
Medium term notes	500,000	492,225	1,963,493	1,506,894	4,462,612
Loans	80,874	186,913	397,806	475,657	1,141,250
Total gross loans and borrowings	580,874	679,138	2,361,299	1,982,551	5,603,862

21. Loans and borrowings (cont'd)

As at 31 December 2017, secured loans amounted to US$2,273.5 million (2016: US$2,990.7 million) and US$665.0 million (2016: US$896.3 million) for the Group and the Company respectively. These amounts are secured by the related aircraft (Note 12), certain cash and bank balances and designated bank accounts (Note 17) and/or a pledge of the shares in certain subsidiary companies (Note 33) that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to all of these companies' assets and revenues (other than any encumbrance in existence at the time the negative pledge is entered into or created subsequently to secure finance to acquire or re-finance any aircraft).

(a) Medium Term Notes

In April 2017, the Company increased the limit of the Global Medium Term Note Program from US$5 billion to US$10 billion.

Outstanding notes denominated in various currencies issued were:

			Group and Company 2017		
			Outstanding amounts	Amounts swapped to US$ and floating rates	Amounts swapped to US$ and fixed rates
Currency	**Fixed Coupon Rate (p.a.)**	**Maturity (Year)**	**US$'000**	**US$'000**	**US$'000**
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.2% to 5.5%	2018 to 2024	782,404	742,404	40,000
Hong Kong Dollar	3.25%	2027	102,464	–	102,464
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2019 to 2027	4,550,000	500,000	–
			5,917,244	**1,615,897**	**251,347**

			Group and Company 2016		
			Outstanding amounts	Amounts swapped to US$ and floating rates	Amounts swapped to US$ and fixed rates
Currency	**Fixed Coupon Rate (p.a.)**	**Maturity (Year)**	**US$'000**	**US$'000**	**US$'000**
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.2% to 5.5%	2018 to 2024	630,236	590,236	40,000
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2017 to 2026	3,350,000	500,000	–
			4,462,612	1,463,729	148,883

21. Loans and borrowings (cont'd)

(a) Medium Term Notes (cont'd)

As at 31 December 2017, an amount of US$1,615.9 million (2016: US$1,463.7 million) of the Group and the Company has been swapped to floating rate liabilities and United States Dollar (for non-US Dollar denominated notes) via interest rate swap and cross-currency interest rate swap contracts. The carrying amount of these medium term notes was US$1,511.1 million (2016: US$ 1,305.3 million). These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy. The floating interest rate ranged from 2.0% to 4.0% (2016: 1.8% to 3.6%) per annum during the year.

As at 31 December 2017, an amount of US$251.3 million (2016: US$148.9 million) which was denominated in non-US Dollar notes at fixed rates have been swapped to US Dollar fixed rate liabilities via cross-currency interest rate swap contracts.

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 2.2% (2016: 1.8%) per annum. The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans are between 2018 and 2025 (2016: 2017 and 2026).

As at 31 December 2017, loans due to related parties by the Group and the Company were US$375.8 million (2016: US$311.5 million) and US$Nil (2016: US$111.5 million) respectively.

As at 31 December 2017, the Group and Company had unutilised unsecured committed revolving credit facilities of US$3,355 million (2016: US$4,150 million) and US$2,240 million (2016: US$2,470 million) respectively. These facilities include a US$2 billion committed revolving credit facility which is granted by the intermediate holding company and matures in 2022, and an amount of US$218.2 million undrawn in commitments (2016: US$334 million) which are provided by other related parties as part of committed syndicated revolving credit facilities which mature between 2019 and 2021. The Group and Company had committed long term credit facilities pending the provision of new replacement aircraft as collateral of US$37.1 million (2016: US$157.5 million) and US$16.1 million (2016: US$72.9 million) respectively.

During the year, the Group had an unsecured term loan facility of US$300 million (2016: US$Nil) provided by a related party. As at 31 December 2017, no amount had been drawn down under this facility.

22. Finance lease payables

	Group and Company	
	2017	2016
	US$'000	US$'000
Current:		
Finance lease payables	**33,526**	9,606
Deferred debt issue costs	**(48)**	(69)
Finance lease payables, net	**33,478**	9,537
Non-current:		
Finance lease payables	**24,771**	58,297
Deferred debt issue costs	**(131)**	(179)
Finance lease payables, net	**24,640**	58,118
Total finance lease payables, net	**58,118**	67,655

The finance lease payables are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 1.7% to 3.6% (2016: 1% to 3.2%) per annum.

22. Finance lease payables (cont'd)

The deferred debt issue costs relating to finance lease payables are analysed as follows:

	Note	Group and Company 2017 US$'000	2016 US$'000
Cost:			
At beginning of year and at end of year		**504**	504
Accumulated amortisation:			
At beginning of year		**256**	187
Charge for the year	7	**69**	69
At end of year		**325**	256
Net book value:			
At end of year		**179**	248
Deferred debt issue costs, net		**179**	248
Less: Current portion		**(48)**	(69)
Non-current portion		**131**	179

The table below summarises the maturity profile of the finance lease payables before adjustments for debt issue costs at the end of each year.

	Group and Company				
	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
2017	**33,526**	**2,285**	**22,486**	**–**	**58,297**
2016	9,606	33,526	7,137	17,634	67,903

23. Reconciliation of movement of financial liabilities to net cash flows from financing activities

Extract from Consolidated Statement of Cash Flows

Cash flows from financing activities	**Group 2017 US$'000**
Proceeds from loans and borrowings	2,626,229
Repayment of loans and borrowings	(1,318,478)
Increase in borrowings from revolving credit facilities, net	795,000
Finance expenses paid	(257,605)
Debt issue cost paid	(20,779)
	1,824,367
Cash flows used in other financing activities	(53,308)
Net cash flows from financing activities	**1,771,059**

23. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

		Group					
				Non-cash changes			
	Note	2016	Cash flows	Fair value and revaluation adjustments	Amortisation /accretion	Re-classification	2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and borrowings							
Medium term notes							
- current		500,000	(500,000)	(38,003)	–	492,225	454,222
- non-current		3,755,489	1,954,632	145,654	–	(492,225)	5,363,550
Medium term notes discount/premium (net)							
- current		–	–	–	–	79	79
- non-current		(9,572)	(5,654)	–	2,971	(79)	(12,334)
Loans							
- current		412,451	(412,451)	–	–	975,074	975,074
- non-current		3,878,322	1,085,139	–	–	(975,074)	3,988,387
Deferred debt issue costs							
- current		(10,206)	–	–	10,206	(9,932)	(9,932)
- non-current		(82,250)	(15,125)	–	10,654	9,932	(76,789)
Liabilities associated with assets held for sale							
- loans		14,963	(14,963)	–	–	–	–
	21	8,459,197	2,091,578	107,651	23,831	–	10,682,257
Finance lease payables							
Finance lease payables							
- current		9,606	(9,606)	–	–	33,526	33,526
- non-current		58,297	–	–	–	(33,526)	24,771
Deferred debt issue costs							
- current		(69)	–	–	69	(48)	(48)
- non-current		(179)	–	–	–	48	(131)
	22	67,655	(9,606)	–	69	–	58,118
Trade and other payables							
Accrued interest expenses		45,183	(257,605)	(175)	271,460	–	58,863
	19	45,183	(257,605)	(175)	271,460	–	58,863
Total		**8,572,035**	**1,824,367**	**107,476**	**295,360**	–	**10,799,238**

24. Security deposits

In addition to the cash security deposits recorded on the statement of financial position, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US$110.5 million (2016: US$97.5 million) and US$73.9 million (2016: US$60.2 million) respectively.

25. Maintenance reserves

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		US$'000	US$'000	**US$'000**	US$'000
At beginning of year		**470,020**	432,897	**180,271**	142,409
Contributions		**192,064**	186,028	**95,540**	93,913
Utilisation		**(11,282)**	(13,623)	**(1,206)**	(3,776)
Transfer to buyers		**(90,958)**	(126,904)	**(27,390)**	(52,262)
Release to profit or loss for excess written off		**(1,341)**	–	**(1,341)**	–
Release to profit or loss upon sale of aircraft	5	**–**	(8,378)	**–**	(13)
At end of year		**558,503**	470,020	**245,874**	180,271

Letters of credit received by the Group and the Company from certain lessees to cover all or a portion of their maintenance contribution payment obligations amounted to US$196.7 million (2016: US$144.8 million) and US$83.1 million (2016: US$30.5 million) respectively.

26. Deferred income tax assets and liabilities

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Deferred income tax liabilities, net	**296,339**	332,482	**72,430**	64,823
Deferred income tax assets, net	**(141)**	(208)	**–**	–
	296,198	332,274	**72,430**	64,823

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are disclosed separately in the statement of financial position.

Breakdown of deferred income tax assets and liabilities are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	**378,694**	489,980	**98,230**	114,062
Gross deferred tax assets	**(82,496)**	(157,706)	**(25,800)**	(49,239)
Net deferred tax liabilities	**296,198**	332,274	**72,430**	64,823

The unrecognised deferred tax liabilities are as disclosed in Note 3.1(f).

26. Deferred income tax assets and liabilities (cont'd)

Movements in the Group's and Company's deferred tax assets and liabilities during the year are as follows:

	Group			
	Differences in depreciation US$'000	**Unremitted overseas income US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax liabilities arising from:				
At 1 January 2016	458,662	11,443	714	470,819
Charged/(credited) to profit or loss	19,597	240	(676)	19,161
At 31 December 2016 and 1 January 2017	**478,259**	**11,683**	**38**	**489,980**
(Credited)/charged to profit or loss	**(104,729)**	**(7,392)**	**835**	**(111,286)**
At 31 December 2017	**373,530**	**4,291**	**873**	**378,694**

	Group			
	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax assets arising from:				
At 1 January 2016	(186,221)	(4,412)	(3,176)	(193,809)
Charged/(credited) to profit or loss	37,659	(1,506)	(50)	36,103
At 31 December 2016 and 1 January 2017	**(148,562)**	**(5,918)**	**(3,226)**	**(157,706)**
Charged/(credited) to profit or loss	**73,522**	**(433)**	**1,328**	**74,417**
Others	**793**	**-**	**-**	**793**
At 31 December 2017	**(74,247)**	**(6,351)**	**(1,898)**	**(82,496)**

26. Deferred income tax assets and liabilities (cont'd)

	Company			
	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Deferred tax liabilities arising from:				
At 1 January 2016	79,653	11,443	714	91,810
Charged/(credited) to profit or loss	22,688	240	(676)	22,252
At 31 December 2016 and 1 January 2017	**102,341**	**11,683**	**38**	**114,062**
(Credited)/charged to profit or loss	**(8,713)**	**(7,392)**	**273**	**(15,832)**
At 31 December 2017	**93,628**	**4,291**	**311**	**98,230**

	Company			
	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Deferred tax assets arising from:				
At 1 January 2016	(35,853)	(2,927)	(136)	(38,916)
Credited to profit or loss	(8,969)	(1,103)	(251)	(10,323)
At 31 December 2016 and 1 January 2017	**(44,822)**	**(4,030)**	**(387)**	**(49,239)**
Charged/(credited) to profit or loss	**23,385**	**(65)**	**119**	**23,439**
At 31 December 2017	**(21,437)**	**(4,095)**	**(268)**	**(25,800)**

27. Other non-current liabilities

Included in other non-current liabilities are non-current portion of bonuses and related employers' contributions payable and provided for under the staff cash incentive plans. These bonuses are payable over a 3-year period from the second year after the end of each year.

28. Share capital

	Group and Company			
	2017		2016	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning of year	**694,010**	**1,157,791**	589,909	607,601
Issuance of ordinary shares pursuant to the initial public offering	**–**	**–**	104,101	562,783
Initial public offering expenses	**–**	**–**	–	(12,593)
At end of year	**694,010**	**1,157,791**	694,010	1,157,791

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

The Company issued 104,101,500 shares at HK$42 per share (then equivalent to US$5.41 per share) as part of its listing on the Main Board of the Stock Exchange of Hong Kong Limited on 1 June 2016.

29. Hedging reserve

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**16,515**	–	**–**	–
Net change arising from:				
Interest rate swaps (Note 13(a))	**500**	16,515	**–**	–
Cross-currency interest rate swaps (Note 13(b))	**4,068**	–	**4,068**	–
	4,568	16,515	**4,068**	–
At end of year	**21,083**	16,515	**4,068**	–

30. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Note	Group	
		2017	2016
		US$'000	US$'000
Fixed deposits	16	**162,235**	352,882
Cash and bank balances	17	**79,612**	40,837
		241,847	393,719

31. Finance lease payable to subsidiary companies

	Note	Company 2017 US$'000	Company 2016 US$'000
Current:			
Finance lease payables		**112,881**	127,083
Deferred debt issue costs		**(4,986)**	(5,092)
Finance lease payables, net		**107,895**	121,991
Non-current:			
Finance lease payables		**580,034**	705,714
Deferred debt issue costs		**(24,123)**	(29,623)
Finance lease payables, net		**555,911**	676,091
Total finance lease payables, net		**663,806**	798,082
Statement of financial position:			
Finance lease payables (current)		107,895	107,028
Finance lease payables (non-current)		555,911	676,091
Liabilities associated with assets held for sale	18	–	14,963
		663,806	798,082

31. Finance lease payable to subsidiary companies (cont'd)

The finance lease payable to subsidiary companies are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 1.1% to 2.8% (2016: 0.6% to 2.2%) per annum.

The deferred debt issue costs relating to finance lease payable to subsidiary companies are analysed as follows:

	Company	
	2017	2016
	US$'000	US$'000
Cost:		
At beginning of year	**60,521**	57,714
Fully amortised cost written off	**(1,285)**	(1,084)
Transfers	**29**	3,891
At end of year	**59,265**	60,521
Accumulated amortisation:		
At beginning of year	**25,806**	19,391
Charge for the year	**5,611**	5,594
Fully amortised cost written off	**(1,285)**	(1,084)
Transfers	**24**	1,905
At end of year	**30,156**	25,806
Net book value:		
At end of year	**29,109**	34,715
Deferred debt issue costs, net	**29,109**	34,715
Less: Current portion	**(4,986)**	(5,092)
Non-current portion	**24,123**	29,623

31. Finance lease payable to subsidiary companies (cont'd)

The table below summarises the maturity profile of the finance lease payable to subsidiary companies before adjustments for debt issue costs at the end of each year.

	Company				
	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
2017	**112,881**	**116,140**	**331,083**	**132,811**	**692,915**
2016	127,083	115,371	366,841	223,502	832,797

32. Amounts due from subsidiary companies

The amounts due from subsidiary companies of US$758.3 million (2016: US$1,883.7 million) are interest bearing, non-trade related and unsecured. The interest ranged from 2.5% to 2.7% (2016: 2.3% to 2.6%) per annum. Accordingly, the fair value of the amounts due from subsidiary companies cannot be determined as the timing of the future cash flows cannot be estimated reliably.

33. Investments in subsidiary companies

	Company	
	2017	2016
	US$'000	US$'000
Equity investments at cost:		
At beginning of year	**733,928**	686,429
Additions	**25,000**	47,999
Dissolutions	**(11,500)**	(500)
At end of year	**747,428**	733,928

33. Investments in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2017	Percentage of equity held 2017 %	2016 %
[1]	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	US$75,000,000	**100**	100
[1]	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	US$250,000,000 +€5.08	**100**	100
[1]	BOC Aviation Leasing (Tianjin) Limited	People's Republic of China	Investment holding	US$1,800,000	**100**	100
[1]	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	US$186,400,000	**100**	100
[2]	BOC Aviation (Bermuda) Limited	Bermuda	Holding of funds	US$12,000	**100**	100
[2]	BOCA Leasing (Bermuda) Limited	Bermuda	Leasing of aircraft	US$100	**100**	100
[2,5]	Acme Leasing Two Limited	Cayman Islands	In dissolution process	–	**100**	100
[2,3]	Acme Leasing Three Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2,3]	Bluebell Leasing Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2]	BOC Aviation Capital Limited	Cayman Islands	Financing activities	US$10	**100**	100
[2]	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	US$100	**100**	100
[2,3]	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2017	Percentage of equity held	
					2017	2016
					%	%
2,3	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
2	Echo Leasing Three Limited	Cayman Islands	Dissolved	–	**–**	100
2	Echo Leasing Four Limited	Cayman Islands	Dissolved	–	**–**	100
2	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Emerald Three Limited	Cayman Islands	Dissolved	–	**–**	100
2	Emerald Four Limited	Cayman Islands	Dissolved	–	**–**	100
2	SALE Cayman (35073) Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
2	SALE Cayman (35075) Limited	Cayman Islands	Dissolved	–	**–**	100
2	SALE Cayman (35076) Limited	Cayman Islands	Dissolved	–	**–**	100
2	SALE Cayman (35077) Limited	Cayman Islands	Dissolved	–	**–**	100
2	SALE Cayman (VLE2) Limited	Cayman Islands	Dormant	US$1,000	**100**	100

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2017	Percentage of equity held	
					2017	2016
					%	%
2	Vanda Leasing Two Limited	Cayman Islands	Dissolved	–	**–**	100
2	Vanda Leasing Five Limited	Cayman Islands	Dissolved	–	**–**	100
2,5	Vanda Leasing Six Limited	Cayman Islands	In dissolution process	–	**100**	100
2,3	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2,3	Vanda Leasing Eight Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
1	BOC Aviation (Labuan) Pte. Ltd.	Malaysia	Leasing of aircraft	US$275,000	**100**	100

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2017	Percentage of equity held	
					2017	2016
					%	%
	Consolidated structured entities*					
2,4	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Gawain Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Green Knight Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
1,4	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
1,4	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
2,4	ACME Lease Holdings LLC	United States	Leasing of aircraft	US$100	**–**	–
2,4	Chilli Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
2,4	Laylya Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
2,4	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2017	Percentage of equity held	
					2017	2016
					%	%
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
2,4	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by Pacific Triangle Holdings Pte. Ltd.:					
2,4	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by BOC Aviation (Ireland) Limited:					
2	BOC Aviation (France) SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 2 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 4 SARL	France	Dormant	€1,000	**100**	100
2	BOC Aviation (France) 5 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 6 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 8 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 9 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 10 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 11 SARL	France	Leasing of aircraft	€1,000	**100**	100

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2017	Percentage of equity held 2017 %	2016 %
	Held by BOC Aviation Leasing (Tianjin) Limited:					
[2]	博加阿尔法航空租赁（天津）有限公司 (BOCA Alpha Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
[2]	博加布拉沃航空租赁（天津）有限公司 (BOCA Bravo Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
[2]	博加查理航空租赁（天津）有限公司 (BOCA Charlie Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	–	**100**	–
	Held by BOC Aviation (USA) Corporation:					
[2]	BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	US$100	**100**	100

All subsidiary companies, including all consolidated structured entities, are incorporated as limited liability entities.

[1] Audited by Ernst & Young LLP, Singapore or member firms of Ernst & Young.
[2] Not required to be audited by law in its country of incorporation.
[3] The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Note 21 and Note 22).
[4] The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.
[5] Subsequent to 31 December 2017, these companies have completed their dissolution processes.

34. Dividends

	Group and Company	
	2017 **US$'000**	2016 US$'000
Declared and paid during the year:		
Final dividend for 2016: US$0.119 per share	**82,587**	–
Interim dividend for 2017: US$0.1038 (2016: US$0.061) per share	**72,039**	42,335
	154,626	42,335
Proposed as at 31 December:		
Final dividend for 2017: US$0.192 (2016: US$0.119) per share	**133,250**	82,587

The Directors declared an interim dividend of US$0.1038 per ordinary share for the first half of 2017 amounting to approximately US$72.0 million.

On 14 March 2018, the Directors proposed to recommend in the Annual General Meeting on 30 May 2018 a final dividend of US$0.192 per ordinary share for the year ended 31 December 2017 amounting to approximately US$133.3 million, bringing the total dividend for 2017 to US$0.2958 per ordinary share. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

35. Related party transactions

The Group is majority owned by Bank of China Limited which is controlled by Central Huijin, a wholly owned subsidiary of CIC, which is a wholly state-owned company in the PRC. Central Huijin and CIC have equity interests in certain other entities in the PRC. Bank of China Limited is indirectly subject to the control of the State Council of the PRC Government through CIC and Central Huijin. The State Council directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities.

The Group enters into leasing, purchase and leaseback, borrowings and other transactions with certain state-owned entities mentioned above in the normal course of business and on commercial terms.

35. Related party transactions (cont'd)

The Group considers only those material transactions and parties known to us to be a subsidiary company, associate or joint venture of Central Huijin to be related parties.

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties in the normal course of business and on commercial terms:

	Group	
	2017	2016
	US$'000	US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**429**	1,691
Interest expense	**-**	(6,268)
(b) Other related parties:		
Interest income	**362**	623
Interest expense	**(7,124)**	(9,289)

	Group	
	2017	**2016**
	US$'000	US$'000
Directors' and key executives' remuneration paid during the year		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**9,170**	8,498
CPF and other defined contributions	**–**	14
	9,170	8,512
(b) Key executives (excluding executive directors)		
Salary, bonuses and other costs	**11,468**	10,367
CPF and other defined contributions	**318**	326
	11,786	10,693

As at 31 December 2017, US$19.5 million (2016: US$18.2 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

36. Commitments

(a) Operating lease commitments

(i) Operating lease commitments - As lessor

Aircraft

The Group and the Company lease its aircraft under operating lease agreements that are non-cancellable.

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year for existing aircraft are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**1,422,158**	1,133,445	**875,345**	614,516
After one year but not more than five years	**5,158,185**	4,016,568	**3,294,224**	2,265,379
After five years	**4,912,322**	3,010,787	**3,490,284**	1,857,404
	11,492,665	8,160,800	**7,659,853**	4,737,299

Future net minimum lease receivables committed for aircraft yet to be delivered are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**157,077**	194,480	**76,805**	148,853
After one year but not more than five years	**1,305,834**	1,427,675	**735,956**	882,544
After five years	**2,355,602**	2,551,981	**1,313,770**	1,512,052
	3,818,513	4,174,136	**2,126,531**	2,543,449

36. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

Offices and other leases

The Group and the Company lease office and facilities space and rental of copier under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Future minimum lease payments for the leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**2,329**	1,286	**1,992**	1,027
After one year but not more than five years	**7,544**	9	**6,696**	–
	9,873	1,295	**8,688**	1,027

(b) Capital expenditure commitments

As at 31 December 2017, the Group had committed to purchase various aircraft delivering between 2018 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery was US$7,901.3 million (2016: US$8,570.6 million).

36. Commitments (cont'd)

(c) Finance lease commitments

(i) Finance lease commitments - As lessee

The Group and Company lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Group and the Company upon the Group and Company discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Group and Company by entering into these leases.

		Group and Company			
	Note	**Minimum lease payments 2017**	**Present value of payments 2017**	Minimum lease payments 2016	Present value of payments 2016
		US$'000	**US$'000**	US$'000	US$'000
Finance lease with third parties:					
Within one year		**34,820**	**33,526**	11,237	9,606
After one year but not more than five years		**27,337**	**24,771**	43,750	40,663
After five years		**–**	**–**	17,897	17,634
Total minimum lease payments		**62,157**	**58,297**	72,884	67,903
Less: Amounts representing finance charges		**(3,860)**	**–**	(4,981)	–
	22	**58,297**	**58,297**	67,903	67,903

36. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(i) Finance lease commitments - As lessee (cont'd)

		Company			
	Note	**Minimum lease payments 2017 US$'000**	**Present value of payments 2017 US$'000**	Minimum lease payments 2016 US$'000	Present value of payments 2016 US$'000
Finance lease with its subsidiary companies:					
Within one year		**132,870**	**112,881**	149,866	127,083
After one year but not more than five years		**492,164**	**447,223**	539,707	482,212
After five years		**137,705**	**132,811**	233,995	223,502
Total minimum lease payments		**762,739**	**692,915**	923,568	832,797
Less: Amounts representing finance charges		**(69,824)**	**–**	(90,771)	–
	31	**692,915**	**692,915**	832,797	832,797

36. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(ii) Finance lease commitments - As lessor

	Group			
	Minimum lease payments 2017 US$'000	**Present value of payments 2017 US$'000**	Minimum lease payments 2016 US$'000	Present value of payments 2016 US$'000
Finance lease with third party:				
Within one year	**6,364**	**5,625**	–	–
After one year but not more than five years	**10,847**	**10,375**	–	–
Total minimum lease payments	**17,211**	**16,000**	–	–
Less: Amounts representing finance charges	**(1,211)**	**–**	–	–
	16,000	**16,000**	–	–

37. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2017, the corporate guarantees for loans to subsidiary companies amounted to approximately US$3,823.5 million (2016: US$3,164.5 million).

38. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities, as defined in IAS 39, are disclosed either in the statement of financial position or in the notes to the financial statements.

Loans and receivables comprise amounts due from subsidiary companies (Note 32), finance lease receivables (Note 36), trade receivables (Note 14), other receivables (Note 15), fixed deposits (Note 16) and cash and bank balances (Note 17).

As at 31 December 2017, the loans and receivables for the Group and Company were US$340.9 million (2016: US$569.3 million) and US$967.4 million (2016: US$2,292.4 million) respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 19), loans and borrowings (except as disclosed in Note 21), finance lease payable to subsidiary companies (Note 31), liabilities associated with assets held for sale (Note 18), finance lease payables (Note 22), security deposits (Note 24) and other non-current liabilities (Note 27).

As at 31 December 2017, the financial liabilities measured at amortised cost for the Group and Company were US$9,630.3 million (2016: US$7,648.8 million) and US$6,401.9 million (2016: US$5,217.4 million) respectively.

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 13).

The fair values of the derivative financial instruments are determined by reference to marked-to-market values provided by counterparties. The fair value measurement of all derivative financial instruments under the Group are classified under Level 2 of the fair value hierarchy, for which inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) are included as inputs for the determination of fair value.

(b) Financial instruments whose fair values cannot be reliably measured

Amounts due from subsidiary companies are included in this category. The amounts are repayable only when the cash flows of the subsidiary companies permit. Accordingly, the fair value of the amounts due from subsidiary companies cannot be determined as the timing of the future cash flows cannot be estimated reliably.

(c) Financial instruments whose carrying amounts approximate fair values

Management has determined that except for derivative financial instruments, the carrying amounts of its current financial assets and liabilities, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Non-current loans and borrowings reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of each year for the respective financial year.

38. Classification of financial instruments and their fair values (cont'd)

(d) Financial instruments carried at other than fair values

Set out below is a comparison of carrying amounts and fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than fair values.

	Group and Company	
	2017	2016
	US$'000	US$'000
Medium term notes :		
Carrying amounts	**4,274,312**	2,990,734
Fair values	**4,296,180**	2,968,774

39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's exposure to financial risks and the objectives, policies and processes for the management of these risks.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings, finance lease payable to third parties and lease rental income.

The Group obtains financing through loans and capital market bonds. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A significant portion of the Group's financial assets and liabilities are based on floating interest rates pegged to US Dollar LIBOR and are contractually repriced at intervals of less than 12 months (2016: less than 12 months) from the end of each year. Interest rate exposure arises when the Group collects fixed rate rentals but pays floating interest rate under the borrowings.

The Group's policy is to hedge at least 50% of its mismatched interest rate exposure through appropriate interest rate derivative financial instruments and borrowing fixed rate debts. At the end of the year, the Group had hedged approximately 70% (2016: 80%) of the Group's mismatched interest rate exposure.

39. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

A sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of the year:

(i) Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include deposits and floating rate loans.

(ii) Changes in interest rates affect the fair values of derivative financial instruments.

(iii) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of the year.

For a more meaningful analysis on the impact of a change in floating interest rates, the sensitivity analysis includes the effect of such a change on the lease rental income in order to determine the potential impact on the Group's net profit after tax.

Under these assumptions, an increase or decrease in USD floating interest rates of 25 basis points (2016: 25 basis points) with all other variables held constant will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

		Group	
	Basis points	**Increase/ (decrease) on profit net of tax**	**Increase/ (decrease) on hedging reserve in equity**
		US$'000	**US$'000**
2017			
Increase in interest rate	**+25**	**(2,615)**	**3,561**
Decrease in interest rate	**-25**	**2,615**	**(3,563)**
2016			
Increase in interest rate	+25	(101)	5,809
Decrease in interest rate	-25	101	(5,865)

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

The Group's primary sources of liquidity have principally comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. The Group's business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. The cash flows from operations, particularly revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

To ensure that the Group is able to meet its financial obligations, the Group's policy is to have its loan repayment spread over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2017, the Group had unutilised unsecured committed revolving credit facilities of US$3,355.0 million (2016: US$4,150.0 million) and committed long term credit facilities pending the provision of new replacement aircraft as collateral of US$37.1 million (2016: US$157.5 million).

As at 31 December 2017, approximately 14% (2016: 10%) of the Group's gross debt would have matured in less than one year.

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the year based on contractual undiscounted repayment obligations.

	Group			
	One year or less	**One to five years**	**Over five years**	**Total**
2017	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Financial liabilities:				
Trade and other payables	**136,858**	**–**	**–**	**136,858**
Loans and borrowings	**1,467,299**	**6,707,765**	**2,705,641**	**10,880,705**
Estimated interest and net swap payments	**305,016**	**812,818**	**280,925**	**1,398,759**
Finance lease payables	**33,526**	**24,771**	**–**	**58,297**
Security deposits	**29,022**	**36,172**	**208,561**	**273,755**
Other non-current liabilities	**–**	**47,081**	**–**	**47,081**
Total undiscounted financial liabilities	**1,971,721**	**7,628,607**	**3,195,127**	**12,795,455**

	Group			
	One year or less	**One to five years**	**Over five years**	**Total**
2016	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Financial liabilities:				
Trade and other payables	119,186	–	–	119,186
Loans and borrowings	912,451	5,400,298	2,440,636	8,753,385
Estimated interest and net swap payments	242,643	647,251	218,755	1,108,649
Finance lease payables	9,606	40,663	17,634	67,903
Security deposits	50,088	42,819	163,235	256,142
Liabilities associated with assets held for sale	18,857	–	–	18,857
Other non-current liabilities	–	56,642	–	56,642
Total undiscounted financial liabilities	1,352,831	6,187,673	2,840,260	10,380,764

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Company			
	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
2017				
Financial liabilities:				
Trade and other payables	**100,881**	**–**	**–**	**100,881**
Loans and borrowings	**893,953**	**3,702,588**	**2,460,705**	**7,057,246**
Estimated interest and net swap payments	**222,113**	**631,527**	**273,011**	**1,126,651**
Finance lease payable to subsidiary companies	**112,881**	**447,223**	**132,811**	**692,915**
Finance lease payables	**33,526**	**24,771**	**–**	**58,297**
Security deposits	**18,285**	**21,419**	**120,600**	**160,304**
Other non-current liabilities	**–**	**40,073**	**–**	**40,073**
Total undiscounted financial liabilities	**1,381,639**	**4,867,601**	**2,987,127**	**9,236,367**

	Company			
	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
2016				
Financial liabilities:				
Trade and other payables	88,658	–	–	88,658
Loans and borrowings	580,874	3,040,437	1,982,551	5,603,862
Estimated interest and net swap payments	187,021	513,187	201,839	902,047
Finance lease payable to subsidiary companies	112,120	482,212	223,502	817,834
Finance lease payables	9,606	40,663	17,634	67,903
Security deposits	12,175	24,268	106,907	143,350
Liabilities associated with assets held for sale	18,371	–	–	18,371
Other non-current liabilities	–	44,961	–	44,961
Total undiscounted financial liabilities	1,008,825	4,145,728	2,532,433	7,686,986

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, finance lease receivables, derivative financial instruments, fixed deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in certain cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long term procurement contracts are being contemplated.

The Group's policy is to undertake deposit and derivative transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of S&P Global Ratings "A-".

(i) Exposure to credit risk

At the end of the year, the Group's maximum exposure to credit risk was represented by:

- the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values; and

- corporate guarantees provided by the Group to the lenders on loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual lessee and regional exposure to its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables by debtor's geographic region based on the jurisdiction of each debtor under the relevant contracts:

	2017		2016	
	US$'000	**%**	US$'000	%
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**2,390**	**43.7**	–	–
Americas	**2,763**	**50.5**	2,772	100.0
Europe	**13**	**0.3**	–	–
Middle East & Africa	**301**	**5.5**	–	–
	5,467	**100.0**	2,772	100.0

(iii) Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired are creditworthy receivables with good payment records with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

(d) Foreign currency risk

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the functional currency of the Group.

All loans and borrowings which are denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar are swapped into United States Dollar. Foreign currency exposure arises when the Group collects United States Dollar rentals to repay the Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar borrowings. The Group primarily utilises cross-currency interest rate swap contracts to hedge its Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar denominated financial liabilities.

Accordingly, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Capital management

The primary objective of the Group's capital management is to ensure that it maximises shareholder value given an optimal debt to equity structure.

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividends payment to the shareholders or return capital to the shareholders.

The Group monitors its gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in the loan facilities and to meet the requirement of an investment grade rating as set by the rating agencies. Gross debts comprise the Group's loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Total equity refers to the equity attributable to owners of the Company.

There were no changes made in the objectives, policies and processes during the year ended 31 December 2017 and 31 December 2016.

During the year ended 31 December 2017, the Group raised US$2.9 billion in total debt. An amount of US$2 billion was raised through issuance of bonds and the remainder from unsecured term loans. The Group also utilised US$795 million under the Group's committed revolving credit facilities as at 31 December 2017. These debt raising activities contributed to an increase in the Group's total indebtedness that was proportionately greater than the increase in the Group's total equity, resulting in an increase in our gearing as set out in the table below.

	Group	
	2017	2016
	US$'000	US$'000
Gross debt	**10,939,002**	8,836,251
Total equity	**3,818,757**	3,382,168
Gearing (times)	**2.9**	2.6

41. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share.

	Group	
	2017	2016
	US$'000	US$'000
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**586,647**	418,080

	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation	**694,010**	650,777
Basic earnings per share (US$)	**0.85**	0.64
Diluted earnings per share (US$)	**0.85**	0.64

42. Segmental analysis

All revenues are derived from the Group's principal activities of leasing and management of aircraft leases and other related activities. There is no known seasonality of the Group's contracted revenues. The main revenue and assets are analysed by geographical region as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income by operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	2017		2016	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**350**	**27.3**	354	33.8
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**363**	**28.3**	220	21.0
Americas	**200**	**15.5**	179	17.1
Europe	**307**	**23.9**	231	22.0
Middle East & Africa	**64**	**5.0**	64	6.1
	1,284	**100.0**	1,048	100.0

Other than the lease rental income attributable to Chinese Mainland, Hong Kong SAR and Taiwan which accounted for 28.3% of the total lease rental income, there was no other country concentration in excess of 10% of the total lease rental income for the year ended 31 December 2017 (2016: 21.0%).

(b) Net book value of aircraft

The distribution of net book value of aircraft (including assets held for sale) by operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	2017		2016	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,192**	**23.3**	3,168	29.6
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**4,139**	**30.3**	3,044	28.5
Americas	**1,786**	**13.1**	1,689	15.8
Europe	**3,311**	**24.2**	2,200	20.6
Middle East, Africa and others	**1,239**	**9.1**	587	5.5
	13,667	**100.0**	10,688	100.0

42. Segmental analysis (cont'd)

(b) Net book value of aircraft (cont'd)

Represented by:	Group **2017** **US$'million**	2016 US$'million
Plant and equipment – Net book value (Note 12)	**13,428**	10,437
Plant and equipment – Assets held for sale (Note 18)	**239**	251
	13,667	10,688

Other than the net book value of aircraft leased to operators in Chinese Mainland, Hong Kong SAR and Taiwan which accounted for 30.3% of the total net book value as at 31 December 2017 (2016: 28.5%), there was no other country concentration in excess of 10% of total net book value.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors passed on 14 March 2018.

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