

## 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) INSTITUTIONAL ACCREDITED INVESTORS (AS DEFINED BELOW) OR (3) 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 us 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), (2) “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act (**Institutional Accredited Investors**) or (3) 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, (b) Institutional Accredited Investors or (c) 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 BOC Aviation Limited, BOC Aviation (USA) Corporation, 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)  
as Issuer and as Guarantor of Notes issued by BOC Aviation (USA) Corporation

### BOC AVIATION (USA) CORPORATION

(a private corporation incorporated in the state of Nevada, USA) as Issuer

**U.S.\$15,000,000,000**

#### Global Medium Term Note Program

Under this U.S.\$15,000,000,000 Global Medium Term Note Program (the **Program**), each of BOC Aviation Limited (the **Parent Issuer**) and BOC Aviation (USA) Corporation (the **U.S. Issuer** and together with Parent Issuer, the **Issuers**) may from time to time issue notes (the **Notes**) denominated in any currencies agreed between us and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes issued by the U.S. Issuer will be unconditionally and irrevocably guaranteed (the **Guarantee**) by BOC Aviation Limited (in such capacity, the **Guarantor**) pursuant to the terms of a deed of guarantee dated March 30, 2021 (the **Deed of Guarantee**). Notes issued by the Parent Issuer will not be guaranteed.

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.\$15,000,000,000 (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 the Issuers (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 the merits of the Issuers, the Guarantor, their subsidiary companies, their affiliated companies, the Program or the Notes. Unlisted Notes may be issued under the Program. The applicable Pricing Supplement 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 the relevant Issuer and the relevant Dealer. The relevant Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes and the Guarantee 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 (a) qualified institutional buyers (**QIBs**) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (**Rule 144A**) or (b) "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act (**Institutional Accredited Investors**) pursuant to Section 4(a)(2) of the Securities Act 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.

The relevant Issuer 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 28, 2024

## 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, references to the “Company” shall be to BOC Aviation Limited, and references to the “Issuer” or the “relevant Issuer” shall be to the Parent Issuer or the U.S. Issuer (as may be specified in the applicable Pricing Supplement as Issuer of the relevant Series of Notes).

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 and the Guarantee have not been and will not be registered under 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, 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 RELEVANT ISSUER, THE GUARANTOR (IF APPLICABLE) 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 the 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 Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance/target market** – The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR 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

the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) 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 UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**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; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, 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 (as amended, 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.

**IMPORTANT – UK RETAIL INVESTORS** – If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of sales to UK 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 United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**SINGAPORE SFA PRODUCT CLASSIFICATION** – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), 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 CMP Regulations 2018) 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).

**NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS  
PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT –  
IMPORTANT NOTICE TO PROSPECTIVE INVESTORS**

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Program (each such offering, a **CMI Offering**), including certain Dealers, may be



“capital market intermediaries” (**CMIs**) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the **SFC Code**). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (**OCs**) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of an Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (**Association**) with the relevant Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with an Issuer, the Guarantor, or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the relevant Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuers, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

## 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 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 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

**BOC Aviation Limited is a company organized under the laws of Singapore. All officers and directors of BOC Aviation Limited named herein reside outside the United States and a substantial portion of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Singapore upon BOC Aviation Limited 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 & Overy 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 to them 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 BOC Aviation Limited together with its subsidiaries, including BOC Aviation (USA) Corporation.

References to the **Relevant Period** shall mean the three years ended December 31, 2023.

References to **NBV** shall mean net book value.

The capital Greek letter **Π** (capital Pi) is used to represent the product operator. This is used to represent the operation of multiplying a sequence of expressions together.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.



## 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 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 leasing services;
- the economic condition of the aircraft leasing industry;
- changes in management;
- competitive pressures within the aircraft leasing industry;
- ability of Maintenance, Repair and Overhaul (**MROs**) to service aircraft on time;
- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes; and
- other factors affecting our business or the business of our lessees and aircraft manufacturers or their suppliers that are beyond our or their control, including natural disasters, pandemics and measures taken to contain their spread, economic and political conditions in countries where we or our lessees and aircraft manufacturers or their suppliers operate, and governmental actions.

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, each of the Issuers and the Guarantor has 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, the relevant Issuer or the Guarantor, as the case may be, is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), 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.

Copies of the documents listed in (a) and (b) above which are deemed to be incorporated by reference in this Offering Circular may be obtained at the Hong Kong Stock Exchange’s website at [www.hkex.com.hk/](http://www.hkex.com.hk/). The websites referenced in this Offering Circular are intended as guides as to where other public information relating to the Issuers and the Group may be obtained free of charge. Except as expressly stated otherwise, information appearing in such websites does not form part of this Offering Circular or any relevant Pricing Supplement and none of the Issuers, the Guarantor, the Arrangers, the Dealers, the Paying Agents, the Transfer Agents or the Registrars accepts any responsibility whatsoever that any such information is accurate and/or up-to-date. Any such information should not form the basis of any investment decision by an investor to purchase or deal in the Notes.

**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 leasing company based in Singapore. We are the largest aircraft leasing company headquartered in Asia, and one of the largest global aircraft leasing companies, in each case as measured by the value of owned aircraft as at December 31, 2023. 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 long term global trends in the aviation industry. Our business generally benefits from (i) growth in travel volume and an increasing propensity to fly, driving the demand for aircraft, and (ii) a 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 that leases 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 30 years of unbroken profitability, with U.S.\$6.3 billion in cumulative profits from inception to December 31, 2023.

Our core business model is focused on purchasing new, fuel-efficient, in-demand aircraft at competitive prices directly from aircraft manufacturers and airlines, 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, 2023, we have:

- purchased and committed to purchase more than 1,100 aircraft with an aggregate purchase price of more than U.S.\$63 billion;
- executed more than 1,300 leases with 190 airlines in more than 60 countries and regions;
- raised more than U.S.\$42 billion in debt financing;
- sold more than 430 owned and managed aircraft; and
- transitioned more than 130 aircraft at lease end, and repossessed 67 aircraft from airline customers based in 20 jurisdictions.



We maintain a fleet of young, fuel-efficient, in-demand aircraft types. As at December 31, 2023, our aircraft fleet comprised 460 aircraft, of which 426 were owned aircraft and 34 were managed on behalf of third party customers, and these aircraft are on lease to 91 airlines in 45 countries and regions. As at December 31, 2023, the average aircraft age of our owned aircraft fleet was 4.6 years weighted by net book value<sup>(1)</sup>, making our owned fleet one of the youngest in the aircraft leasing industry. The average remaining lease term of our owned aircraft leases as at December 31, 2023 was 8.1 years, which is one of the longest in the industry. We also have a significant order book of 224 aircraft as at December 31, 2023. Our order book comprises predominantly single-aisle latest technology aircraft.

We benefit from a low average cost of debt<sup>(2)</sup>, which was 4.1% in 2023, supported by our strong corporate credit ratings, which are A- from both S&P Global Ratings and Fitch Ratings 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 and its subsidiaries (the **Bank of China Group**) have provided us with committed unsecured revolving credit facilities amounting to a total of U.S.\$3.5 billion<sup>(3)</sup>. The facilities mature in December 2026. Notwithstanding that the Bank of China Group has 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. They are key to 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, our senior management team has 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.

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Notes:

- (1) Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).
- (2) 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 before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.
- (3) As at December 31, 2023, we had a committed unsecured revolving credit facility of U.S.\$3.5 billion from Bank of China, which matures in December 2026. After December 31, 2023, this facility has been restructured into three separate facilities of the same aggregate amount and same maturity.

## OUR AIRCRAFT FLEET

Our core fleet comprises aircraft types that have consistent appeal to a broad airline customer base, 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.

As at December 31, 2023, our fleet and order book comprised the following aircraft types:

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order	Total
Narrowbody Aircraft				
Airbus A220 family . . . . .	18	0	0	18
Airbus A320CEO family . . . . .	83	14	0	97
Airbus A320NEO family . . . . .	122	0	124	246
Boeing 737NG family . . . . .	61	13	0	74
Boeing 737-8/9 . . . . .	60	0	93	153
Narrowbody sub-total . . . . .	344	27	217	588
Widebody Aircraft				
Airbus A330CEO family . . . . .	8	1	0	9
Airbus A330NEO family . . . . .	6	0	0	6
Airbus A350 family . . . . .	9	0	0	9
Boeing 777-300ER . . . . .	27	4	0	31
Boeing 787 family . . . . .	27	1	7	35
Widebody sub-total . . . . .	77	6	7	90
Freighters . . . . .	5	1	0	6
<b>Total . . . . .</b>	<b>426</b>	<b>34</b>	<b>224</b>	<b>684</b>

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

As at December 31,										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of owned aircraft . . . . .	230	227	246	287	303	317	358	380	392	426
Number of managed aircraft . . . . .	20	43	38	31	25	40	40	37	35	34
<b>Total aircraft . . . . .</b>	<b>250</b>	<b>270</b>	<b>284</b>	<b>318</b>	<b>328</b>	<b>357</b>	<b>398</b>	<b>417</b>	<b>427</b>	<b>460</b>

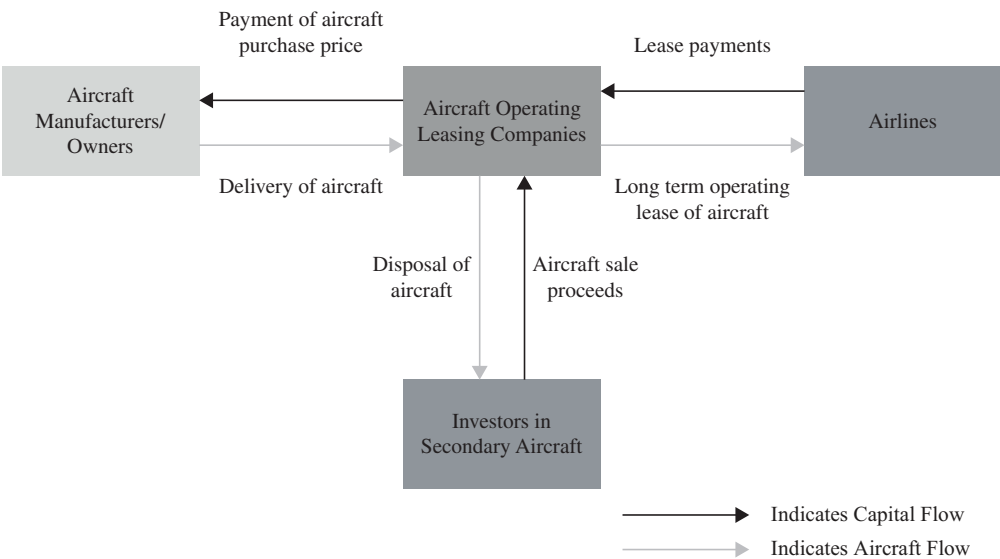
We principally enter into two types of aircraft purchase transactions: (i) aircraft purchases through our order book which involve us placing aircraft purchase orders with the aircraft original equipment manufacturers (or OEMs) and securing an operating lease with an airline customer from delivery, and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

As part of our future growth plans we had, as at December 31, 2023, commitments to acquire 224 aircraft, either through our order book with the OEMs or pursuant to purchase and leaseback transactions with airline customers, to be delivered as follows:

	Number of aircraft scheduled for delivery during year ending December 31,		
	2024	2025	2026 and beyond
Number of aircraft .....	48	27	149

### 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
- **maintaining low 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 average aircraft utilization rate (being the total number of on-lease days as a percentage of available lease days) was 99.5% between January 1, 2008 and December 31, 2023.

Our airline customers are geographically diverse. As at December 31, 2023, our fleet of 460 owned and managed aircraft were leased to 91 airlines in 45 countries and regions. The following table highlights the geographical diversification by net book value<sup>(1)</sup> of our owned aircraft portfolio as at December 31, 2023:

Region	As at December 31, 2023
Americas . . . . .	26.7%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) . . . . .	23.1%
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan. . . . .	22.8%
Europe . . . . .	16.8%
Middle East and Africa. . . . .	10.6%

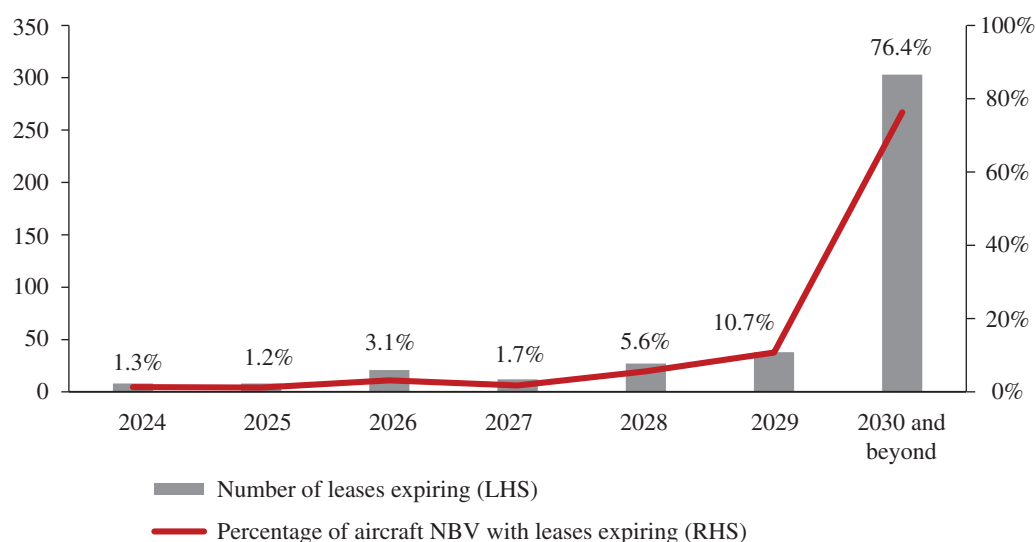
In addition, our lease expirations are well-dispersed, with relatively few near-term expiries. The following table sets out the breakdown between fixed and floating rate rental terms by net book value of our owned aircraft portfolio<sup>(2)</sup>.

Notes:

- (1) Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) and excludes aircraft off lease.
- (2) By net book value of aircraft including aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) and excluding aircraft off lease.

	Percentage by NBV as at December 31,		
	2021	2022	2023
Fixed rate rental terms . . . . .	94%	96%	95%
Floating rate rental terms . . . . .	6%	4%	5%

The chart below illustrates the number of leases and percentage of net book value as at December 31, 2023 for owned aircraft with leases expiring in future years<sup>(1)</sup>.



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 grew. 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, have historically produced a resilient net lease yield for operating leases (net lease yield for operating leases is calculated as operating lease rental income less finance expenses apportioned to operating lease rental income, divided by average of aircraft net book value (including aircraft held for sale)). Our net lease yield for operating leases increased in 2023 to 7.1% from 7.0% in 2022, which reflected a continued improvement in our operating lease rate factor to 10.0% from 9.2% which offset a higher cost of funds.

## FINANCING

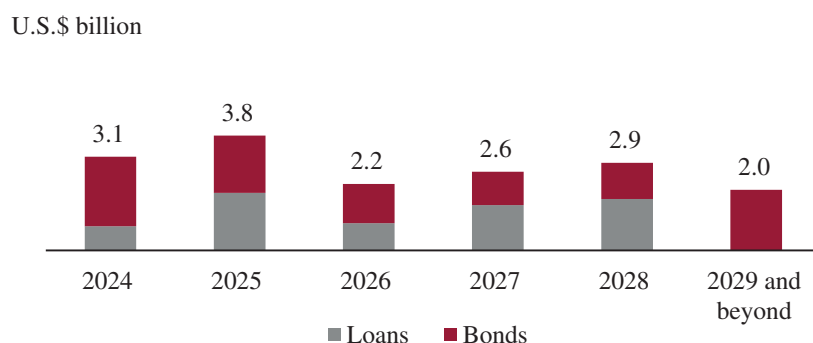
Financing cost is our second largest operating cost, after depreciation on our aircraft portfolio, and is our largest cash operating cost. We focus on maintaining a competitive debt funding cost, and we achieve this by adopting a proactive approach to debt financing and hedging and by maintaining a diverse range of financing sources. This enabled us to achieve an average cost of debt of 4.1% in 2023, which we believe was one of the lowest among aircraft operating leasing companies. Our diverse sources of financing include: (i) loan financing, consisting of unsecured term loans and committed revolving credit facilities, and (ii) debt capital markets, consisting of medium term notes issuances.

Note:

(1) Owned aircraft with lease expiring in each calendar year, weighted by net book value including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).



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 profile as at December 31, 2023.



As at December 31, 2023, we had undrawn committed lines of credit of U.S.\$5.2 billion. These facilities include a committed unsecured revolving credit facility of U.S.\$3.5 billion, which matures in December 2026, from Bank of China on terms commensurate with the terms of other revolving committed unsecured credit facilities provided by third parties.

### 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, we urge you to consider carefully the factors set forth under “Risk Factors” in this Offering Circular.

## **INFORMATION ABOUT THE ISSUERS AND THE GUARANTOR**

BOC Aviation Limited is a company incorporated in Singapore with limited liability. Its registered office is located at 79 Robinson Road, #15-01, Singapore 068897 (telephone number: +65 6323 5559). The Company’s website address is: [www.bocaviation.com](http://www.bocaviation.com). Information on or accessible through the website does not form part of this Offering Circular and should not be relied on.

BOC Aviation (USA) Corporation (company registration no. C28685-1999) is a wholly-owned subsidiary of BOC Aviation Limited. It is a private corporation established on November 16, 1999 and incorporated in the state of Nevada, USA. Its principal office is located at 7 Bryant Park, Fl 2, 1045 Avenue of the Americas, New York, NY 10018.

## **RECENT DEVELOPMENTS**

### **Significant Events after December 31, 2023**

On January 1, 2024, Mr. Robert Martin was re-designated as a Non-executive Director.

On January 1, 2024, Mr. Steven Townend was appointed as an Executive Director, the Chief Executive Officer and Managing Director, a member of the Strategy and Budget Committee and an Authorized Representative.

On February 12, 2024, a wholly-owned subsidiary of the Company entered into an agreement with InterGlobe Aviation Limited for the finance leases of four Airbus A320NEO aircraft.

On February 13, 2024, a wholly-owned subsidiary of the Company entered into an agreement with JetBlue Airways Corporation for the finance leases of three Airbus A321NEO and three Airbus A220-300 aircraft.

On March 24, 2024, the Company announced that it had recovered possession of two Boeing 747-8F aircraft previously detained in Russia. The Company is assessing the implications of the recovery on its financial results and insurance claims in respect of these aircraft.

On March 27, 2024, the Company announced that Mr. Liu Jin resigned as Chairman, a Non-executive Director and chairman of the Nomination Committee with effect from March 27, 2024, and that his successor would be announced in due course.

## 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. The relevant Issuer 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.

Issuers: BOC Aviation Limited.  
BOC Aviation (USA) Corporation.

Guarantor (in respect of Notes issued by BOC Aviation (USA) Corporation): BOC Aviation Limited.

Legal Entity Identifier (LEI): BOC Aviation Limited: 254900H06V5RMEB3KE72  
BOC Aviation (USA) Corporation: 254900QKLT6MF4Y3P65

Description: Global Medium Term Note Program.

Guarantee: The Guarantor has unconditionally and irrevocably guaranteed, in the Deed of Guarantee, to the holder of each Note the due and punctual payment of all sums from time to time payable by the U.S. Issuer in respect of such Note as and when the same become due and payable and accordingly has undertaken to pay to such Noteholder, in the manner and currency prescribed by the Conditions for payments by the U.S. Issuer in respect of such Notes, any and every sum or sums which the U.S. Issuer is at any time liable to pay in respect of such Note and which the U.S. Issuer has failed to pay. The Guarantor shall be liable under the Guarantee as if it were the principal obligor and not merely a surety and the Guarantor's obligations shall remain in full force and effect for so long as the Program remains in effect and thereafter until all sums due from the U.S. Issuer in respect of the Notes and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the U.S. Issuer thereunder or in respect thereof have been satisfied, in full.

For the avoidance of doubt, Notes issued by BOC Aviation Limited will not be guaranteed by BOC Aviation (USA) Corporation or any other entity.

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.\$15,000,000,000 (or its equivalent in other currencies calculated as described in the Program Agreement) outstanding at any time. The Issuers and the Guarantor 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 the relevant Issuer 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 the relevant Issuer 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 the relevant Issuer 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 the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(a) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(b) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
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 the relevant Issuer 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 the relevant Issuer 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 the relevant Issuer 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 the relevant Issuer 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 the option of the relevant Issuer and/or the option of the Noteholders upon giving notice to the Noteholders or the relevant Issuer, 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 the relevant Issuer 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 the relevant Issuer 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 the UK or offered to the public in a Member State of the European Economic Area or the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (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, the relevant Issuer 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 the relevant Issuer’s 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 the relevant Issuer’s other unsecured obligations (other than subordinated obligations, if any), from time to time outstanding.

Status of the Guarantee:	<p>The payment obligations of the Guarantor under the Guarantee will constitute the Guarantor's 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 the Guarantor's other unsecured obligations (other than subordinated obligations, if any), from time to time outstanding.</p>
Rating:	<p>The Program has been rated A- by Fitch Ratings (as at March 15, 2024) and A- by S&amp;P Global Ratings (as at March 19, 2024). 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.</p>
Listing and admission to trading:	<p>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 the relevant Issuer 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).</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer 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.</p> <p>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.</p>
Use of Proceeds:	<p>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.</p>
Governing Law of the Notes:	<p>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.</p>

Governing Law of the Guarantee:	The Deed of Guarantee and any non-contractual obligations arising out of or in connection with it 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, the United Kingdom, Canada, 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 <b>D Rules</b> ) 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 <b>C Rules</b> ) 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, CDP (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, ( <b>ERISA</b> )) that is subject to Title I of ERISA, a “plan” subject to Section 4975 of the Code, or any entity whose assets are treated for purposes of ERISA or the Code 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 section entitled “Certain ERISA Considerations.”

## **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 susceptible to downturns, disruptions or weaknesses in the aviation industry because 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 are unfavorable, 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 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 (including finance lease receivables) 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:

- global, regional or country-specific political instability, social unrest and civil war. See “– We are exposed to 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, trade and political policies, including trade friction involving major economies such as the United States, the EU and China, sanctions, export/import controls or similar actions and, in each case, any retaliatory measures enacted in response, such as additional or increased tariffs or measures to circumvent the application of sanctions such as export controls on, or the restraint, confiscation, expropriation or nationalization of, affected assets, 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;
- economic and business disruption arising from fragmentation of political or economic unions or entities;
- 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 for our customers 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 and other disease outbreaks or other natural or man-made calamities. See “– Aircraft accidents, acts of terrorism, wars, epidemics or disease outbreaks 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 and government directives, and delays to Airbus and Boeing programs;
- adverse changes in industry regulations or taxation, including environmental regulations, regulations which have the effect of restricting air travel, and the imposition of new cross-border or border adjustment taxes;
- any changes in consumer behavior which could result in long term changes in propensity to travel by air;

- restructuring or reorganization of an airline customer and/or its competitors under Chapter 11 of the United States bankruptcy code or similar laws in other jurisdictions;
- excessive competition among, or aircraft over-ordering by, airlines;
- regulatory and operating conditions or constraints at airports and related infrastructure;
- 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; and
- the restraint, detention, confiscation, expropriation or nationalization of aircraft assets by national governments or governmental authorities, either without compensation or with compensation that is below the book value of the relevant aircraft, resulting in a loss that is either uninsured or falls under an exclusion to, or exceeds a limit under, any applicable insurance policy, or which insurers otherwise decline to pay.

The airline industry is cyclical. Demand for passenger travel and 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 regulatory or 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, or regulatory restrictions on travel 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 bankruptcy protection or other 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;
- 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); and
- delays in transitioning aircraft due to labor, engines and parts supply issues at MROs.

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 and 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 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, regulations or their financial viability), experience delays and/or technical or other problems associated with the roll out, certification or entry into service of new technology, fail to maintain certification of existing products 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;
- lost or delayed revenues, lower revenue growth rates and strained airline customer relationships due to a failure to deliver or delayed delivery of aircraft we have ordered, resulting in our inability to fulfill our contractual obligations to our airline customers;
- a failure to obtain aircraft to lease and a change in the market perception for the delayed aircraft type due to significant delays in certifications or deliveries of new aircraft types, to which many new aircraft programs have been subject;
- delays to our receipt of revenues due to delays in import or other authorizations which may be required for our customers to take delivery of our aircraft;
- reduced demand, market lease rates and/or residual values for certain aircraft in our fleet due to poor manufacturer support for the aircraft and/or components from a particular manufacturer; 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.

Deliveries of new aircraft by both Airbus and Boeing have been affected by industrial constraints and supply chain limitations, and there can be no assurance that they can successfully maintain 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, both to the industry in general and to leasing companies in particular, which have resulted in lower lease rates and aircraft values. Should global financial turmoil, disease outbreak or other events result in a recession or otherwise reduce demand for aircraft 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 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 mainly 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 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, wars, disease outbreaks, high or volatile fuel costs 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 purchase 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 and without leases attached, in the latter 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, epidemics or other disease outbreak and the cyclical nature 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 or regulatory sanctions;
- 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, tariff, 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 outlook, 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, governments, and financiers, 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 terms to potential airline customers that we cannot, or do not wish to, match since they would hinder our ability to achieve our earnings or cashflow targets. 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 returns, 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 "Management's Discussion and Analysis of Financial Condition and Results of Operation – Significant Factors Affecting Our Results of Operations and Financial Condition – Taxation" and Note 3.1 to the audited consolidated financial statements for the financial year ended December 31, 2023 in this Offering Circular for further details. If our participation in the ALS is not renewed after the expiry date of the current concessionary period (June 30, 2027), our income in Singapore would be subject to tax at the higher prevailing corporate tax rate after that date.

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. Because the analysis of deferred tax liabilities is performed at the level of individual members of the Group, we may pay cash taxes in certain jurisdictions while we remain in a net tax deferral position as a Group.

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.

In response to the BEPS recommendations, certain jurisdictions have taken steps to change their tax legislation, tax treaties (via ratification of the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS), and guidelines on tax interpretation including the application of tax treaty benefits to payments made to foreign companies. The OECD also continues to develop further BEPS recommendations which are being released on an ongoing basis, including the global minimum corporate tax rules, known as Pillar Two rules, which are intended to subject specified income of large multinational enterprises to a minimum corporate tax rate of at least 15%. Certain countries in which we operate, specifically the United Kingdom and Ireland, have implemented the Pillar Two rules with effect from January 1, 2024, while Singapore has announced that it will implement the Pillar Two rules with effect from January 1, 2025. The OECD may also issue additional guidelines, amendments and clarifications in respect of the Pillar Two rules. As such, there are likely to be further significant changes in the tax legislation of the various OECD as well as non-OECD jurisdictions during the period of implementation of BEPS, and it is not clear precisely how such changes may ultimately impact us. It is possible that the implementation of BEPS in specific jurisdictions may have negative implications for us, including the proposed minimum corporate tax rules and related OECD guidelines, the proposed transfer pricing rules, changes to the permanent establishment definition in tax treaties which in turn may expose us to foreign taxes on lease rental payments from airline customers, and the potential for a reduction in the tax deductibility of debt interest.

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.

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

We are exposed to economic and political conditions that can influence the 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 Americas<sup>(1)</sup> accounted for 26.7% of our portfolio by net book value<sup>(2)</sup> as at December 31, 2023. In 2023, according to IATA, total traffic in North America and Latin America as measured by RPKs increased by 15.3% and 17.0% respectively, as compared to 2022. However, this increasing trend is not guaranteed to persist indefinitely into the future. 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. If the lower levels of economic growth persist, then economies in the Americas could be adversely impacted. Furthermore, there are various uncertainties relating to the U.S. administration's economic and geopolitical policies, including trade friction involving the U.S. and other major economies such as the EU and 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.

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Notes:

(1) Based on the jurisdiction of the primary obligor under the relevant operating leases.

(2) Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) and excludes aircraft off lease.

Airline customers based in the Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)<sup>(1)</sup> region accounted for 23.1% of our portfolio by net book value<sup>(2)</sup> as at December 31, 2023. In 2023, according to IATA, total traffic in the Asia Pacific region as measured by Revenue Passenger Kilometers (RPKs) increased by 96.3% as compared to 2022. However, this increasing trend is not guaranteed to persist indefinitely into the future. Incumbent carriers in this region have in recent years 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, or there are events that can materially reduce demand for air travel regionally or globally, then slower passenger growth rates, or market contraction 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<sup>(1)</sup> accounted for 22.8% of our portfolio by net book value<sup>(2)</sup> as at December 31, 2023. In 2023, according to IATA, domestic traffic in China as measured by RPKs increased by 138.8% as compared to 2022. Any event or pandemic that may lead to lower levels of economic growth in the region is likely to reduce demand for leased aircraft in the region, 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 been involved in disputes which may result in continued trade friction and retaliatory measures enacted in response. This may lead to additional or increased tariffs and increase the cost of carrying out economic activities involving China and the U.S.

Airline customers based in Europe<sup>(1)</sup> accounted for 16.8% of our portfolio by net book value<sup>(2)</sup> as at December 31, 2023. In 2023, according to IATA, total traffic in Europe as measured by RPKs increased by 20.2% as compared to 2022. However, this increasing trend is not guaranteed to persist indefinitely into the future. 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 such as the Russia-Ukraine military action and related sanctions, uncertain socioeconomic conditions, trade frictions with the U.S. or other major economies, potential adverse event or pandemic within Europe and globally, 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. Further, the exit of one or more countries from the European Monetary Union or the exit of additional countries from the EU could result in significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and it could lead to complex and lengthy disputes.

Airline customers based in the Middle East and Africa<sup>(1)</sup> accounted for 10.6% of our portfolio by net book value<sup>(2)</sup> as at December 31, 2023. In 2023, according to IATA, total traffic in the Middle East and Africa as measured by RPKs increased by 32.3% and 36.4% respectively, as compared to 2022. However, this increasing trend is not guaranteed to persist indefinitely into the future. Volatility in commodity prices, as well as continued unrest and instability in parts of North Africa and the Middle East and any adverse event or pandemic within the region 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.”

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Notes:

(1) Based on the jurisdiction of the primary obligor under the relevant operating leases.

(2) Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) and excludes aircraft off lease.

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. Trade friction could escalate in the future, and may result in substantial additional or increased tariffs on certain types of goods, such as aircraft and aircraft components, making it significantly more difficult and expensive to import such goods into certain jurisdictions. As a result of these tariffs, aircraft manufacturers may experience delays or increased costs in producing and delivering aircraft, which they may pass on to us or which we may have to pay directly, 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 the affected countries, or adversely impact the cost of and 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, airlines and lessors have ordered a significant number of aircraft from the manufacturers. This 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, in general due to age and technical obsolescence. 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 disease outbreaks, 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, aircraft manufacturers and suppliers, or the airline industry more generally, including IT systems used or operated by global distribution services providers, online reservation agents, credit card processors, 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, Covid-19 and further variants of contagious diseases that escalate 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. In general, these epidemic diseases and other pandemic diseases, or the fear of such events, could provoke responses, including government-imposed travel restrictions and strict health and safety measures, which could negatively affect passenger demand for air travel and the financial condition of certain participants in the aviation industry. The potential impact of any pandemic on our future results of operations and financial position is speculative, and would depend on numerous factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the duration of the pandemic; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; and many other variables. 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 (including those related to greenhouse gas emissions), epidemics and other disease outbreaks, 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 positions held by our airline customers, could materially and adversely affect their operating results and may have a negative cashflow impact on airlines required to collateralize or close out unfavorable fuel hedging positions. 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 or excessive hedging of 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 repossess and remarket 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 fuel-efficient new technology aircraft; and/or
- adversely affect our ability to lease or dispose of our fleet of more fuel-efficient new 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.



**Defaults by airline customers and other counterparties, 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.

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 lien 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.

Defaults and delayed payments due from other contractual counterparties, including manufacturers and insurers, could adversely affect our revenues.

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.

**Our aircraft require routine maintenance, and if they are not properly maintained, their value may decline and we may not be able to lease or remarket such aircraft at favorable rates, if at all, which would negatively affect our financial condition, cash flow and results of operations.**

We may be exposed to increased maintenance costs for our aircraft associated with a lessee's failure to properly maintain the aircraft, pay maintenance reserves or end of lease maintenance compensation. If an aircraft is not properly maintained, its market value may decline, which might result in lower revenues from its lease or sale. Under our leases, the lessee is primarily responsible for, among other things, maintaining the aircraft and complying with all regulatory requirements applicable to the aircraft, including operational, maintenance, regulatory oversight, registration requirements and airworthiness directives issued by aviation authorities. We also require some of our lessees to pay us maintenance reserves. Failure of a lessee to perform required maintenance, or comply with any applicable airworthiness directives during the term of a lease, could result in a decrease in value of an aircraft, adversely affect our ability to remarket an aircraft at favorable rates, if at all. Maintenance failures by a lessee could also require us to incur maintenance costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft to an acceptable condition prior to remarketing or sale. Even if we are entitled to receive maintenance reserves, these funds may not cover the type or the entire cost of actual maintenance required. If an aircraft is not subject to a lease, we may be required to bear the entire cost of maintaining that aircraft and performing any required airworthiness directives. Failure by our lessees to meet their obligations to perform significant required scheduled maintenance, pay maintenance reserves or end of lease maintenance compensation would negatively affect our financial condition, cash flow and results of operations.



**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.

Moreover, delays due to restrictions on pilots, technical teams and other relevant personnel may further delay repossession and movement of aircraft.

In addition, in the normal course of business, liens 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 liens may secure substantial sums that may, in certain jurisdictions or for limited types of 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 liens or separate liens 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 liens in order to repossess the aircraft. Until they are discharged, such liens could impair our ability to repossess, re-lease or sell the aircraft and the cost of discharging these liens could be substantial. The failure to pay some of these costs may result in liens 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. Aviation 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. See "– The market value and/or market lease rates for aircraft could decline" and "– 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".

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. 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, and other environmental concerns 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 of January 1, 2012, aviation was included in the EU's Emissions Trading System (**EU ETS**), pursuant to which aircraft operators must purchase and surrender a number of emissions certificates equal to the metric tons of carbon dioxide equivalent emissions caused by flights operated by them every year. The requirements generally apply to all flights taking off or landing in the European Economic Area (**EEA**), 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 from EU ETS until December 31, 2023 in order to allow time for a global solution to be reached by the International Civil Aviation Organization (**ICAO**).

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 EU ETS to emissions from flights within the European Economic Area. Since then, the decision to apply the EU ETS only to the "reduced geographical scope" has been extended at least until the year 2023. It applies to all airlines, including airlines based outside of the EU. A return to the full scope of application (i.e. the inclusion of flights leaving or entering the EEA) from 2024 is the current state of the law; however, further extensions of the currently applicable rules may be decided in the future.

In October 2016 and June 2020, 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<sup>2</sup> emissions at 2019 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 United States has agreed to participate in the voluntary phases and is subject to the mandatory phase.

In June 2020, the UK government announced its proposed framework for a UK Emissions Trading System (**UK-ETS**), which replaced the EU ETS in the UK on January 1, 2021. The first phase of the UK-ETS will run from 2021 to 2030, with an initial review period scheduled for 2023. Further, in July 2021, the ICAO announced that 18 small island and lesser developed states had notified the ICAO of their decisions to voluntarily participate in CORSIA, thereby bringing the total number of participating states to 106.

The inclusion of aviation within the EU ETS, the UK-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 will likely continue to 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 lien affecting a leased aircraft could require the lessor to settle unpaid charges in order to recover possession of the leased aircraft following an airline default. Regarding the EU ETS, the lessor may also be the directly responsible party for the requirements of the EU ETS as an owner of the aircraft, in cases the operator may not be identifiable.

The risks associated with the participation in the various emissions trading schemes can be expected to further increase over the short- and medium term. For example, the EU has already announced plans to introduce stricter rules for the EU ETS, including for the aviation sector. In its proposal from July 2021, the EU Commission proposed to elevate the target of emissions reductions (61% by 2030 compared to 2005 levels, an 18 percentage point increase compared to the -43% target under the existing regulation), which shall be achieved by a sharp reduction of available free allowances and a steeper mandatory annual reduction of 4.2% (instead of 2.2% per year under the current system). These changes will likely lead to a further increase of costs for emissions certificates over the short- to medium term, prices for which have already multiplied in a disproportionate manner since the end of the year 2020.

In March 2017, the ICAO Council adopted a new aircraft CO<sup>2</sup> 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<sup>2</sup> emissions for any industry sector. The new standard, effective from July 2017, applies to (i) the designs of new aircraft from 2020 onwards, (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 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. In 2016, the U.S. Environmental Protection Agency (**EPA**) formally concluded that current and projected concentrations of greenhouse gases emitted by various aircraft threaten public health and welfare. This finding was a precursor to EPA regulation of commercial aircraft emissions in the United States. On January 11, 2021, EPA issued a final regulation which effectively applies the existing 2017 ICAO CO<sup>2</sup> standards to new type design aircraft approved by the Federal Aviation Administration after the effective date of the rule, and to in-production planes currently in use on or after January 1, 2028. These rules, when effective, apply to subsonic jet airplanes with a maximum take-off mass (**MTOM**) of greater than 5,700 kilograms and subsonic propeller driven airplanes with a MTOM greater than 8,618 kilograms. In May 2021, the European Union Aviation Safety Agency announced that they have completed their first CO<sup>2</sup> emissions certification for Airbus A330-900, following a voluntary application by Airbus for a CO<sup>2</sup> certification of their A330-900.

In March 2020, the ICAO Council adopted the non-volatile particulate matter mass and number engine emission standard, which is contained in volume II, Annex 16 of the Chicago Convention. This standard is applicable to engine designs of rated thrust greater than 26.7 kN, and will govern both new and in-production engines from 2023 onwards. 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.

In addition, the airline industry has come under increased scrutiny by the press, the public and investors regarding the environmental impact of air travel. If such scrutiny results in reduced air travel, it may negatively affect demand for our aircraft, lessees' ability to make lease payments and reduce the value we receive for our aircraft upon any disposition. Further, increased focus on the environmental impact of air travel has led to the emergence of numerous sustainability initiatives, including the development of sustainable aviation fuel (**SAF**), and electric and hydrogen powered aircraft. While these sustainability initiatives are in the early stages of development, if alternative aircraft technology develops to the point of commercial viability and become widely accepted, we may not be able to adjust our orderbook in a timely manner and could be required to incur increased costs and significant capital investments to transition to such technology.

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.

There may be situations where all or a substantial part of an airline customer's aircraft insurance cover is withdrawn or canceled, resulting in the airline having to ground its fleet of aircraft pending reinstatement of cover, which could have an adverse effect on the airline's financial condition and its ability to perform its obligations to us. In particular, airlines' war risks insurance can typically be canceled on 7 days' notice, or on shorter notice in the event of a hostile detonation of a nuclear weapon or war between any two of the five permanent members of the United Nations Security Council.

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 and any regulations relating thereto. 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 new technology to lower direct operating costs and by a completely new aircraft type. Such new technology and new aircraft types can 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, supply of, or 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 and/or the temporary suspension of, or delays in, deliveries of new aircraft by the manufacturers. See “– The operation of aircraft is subject to various laws and regulations, which may in turn adversely affect our business”. In these circumstances, 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. Our leases contain cancellation provisions related to aircraft delivery delays, typically for delays greater than one year. If an aircraft for which we have a future lease commitment is delayed, the lessee could elect to terminate the lease of the delayed aircraft. Any such termination could negatively affect our cash flow and results of operations.

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 cyclicity 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, we may experience:

- difficulty in satisfying or being unable to satisfy our aircraft acquisition commitments. This could in turn result in:
  - o lost revenue;
  - o 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;
  - o defaulting on lease commitments, which could result in monetary damages and damage to our reputation and relationships with manufacturers and airline customers; and
  - o failing to capitalize on growth opportunities that would not be pursued;
- 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 service obligations leading to 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, 2023, our total drawn indebtedness<sup>(1)</sup> was U.S.\$16.6 billion and we also had U.S.\$5.2 billion available for drawing under our committed 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;
- 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 are unfavorable 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.\$2,570 million, U.S.\$1,874 million and U.S.\$1,533 million as at December 31, 2023, 2022 and 2021, 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 U.S.\$3.5 billion committed unsecured revolving credit facilities with Bank of China Group. 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

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Note:

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

gap, our business, financial condition and results of operations may be materially and adversely affected. See page 126 and pages 158 to 160 for further details on liquidity and operating cash flow.

**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 majority shareholder, Bank of China.

The Group has corporate credit ratings of A- from both S&P Global Ratings and Fitch Ratings. 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 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). On January 5, 2023, the NDRC published the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企业中长期外债审核登记管理办法》) (the **Order 56**), which came into effect on February 10, 2023 and repealed the NDRC Notice on the same date. Before borrowing any foreign debt, the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises (企业借用外债审核登记证明) (the **Examination and Registration Certificate**) shall be obtained from the NDRC, and such certificate shall be valid for one year from the date of issuance and be automatically invalidated upon expiry. Apart from the foregoing pre-issuance requirement, Order 56 also stipulates post-issuance filing requirements as follows: (1) filing the information of foreign debts within 10 business days after borrowing each foreign debt; (2) filing the information on the borrowing of foreign debts within 10 business days upon the expiration of the Examination and Registration Certificate; and (3) filing the information on the use of proceeds raised from foreign debts, the repayment of principal with the payment of interest, plans and arrangements, and major business indicators, etc., within five business days prior to the end of January and the end of July each year. In addition, in case of any major event that may affect the normal performance of debt obligations, enterprises shall promptly report relevant information and take risk control measures to prevent the spill-over of onshore default risks and cross default risks. Order 56, 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.

According to Order 56 and the NDRC's FAQs on the audit and registration of enterprises' borrowing of medium- and long-term foreign debts and related regulations, before a domestic enterprise and its controlled foreign enterprises or branches borrow foreign debt, the headquarters (head office, head bank, etc.) of the domestically controlled enterprise is required to submit an application for foreign debt to the NDRC. As a subsidiary of Bank of China, the Company is permitted to utilize the offshore debt quota of Bank of China for the issuance of Notes. Accordingly, provided that Bank of China has sufficient offshore debt quota remaining, the Notes will not be subject to any pre-issue registration as otherwise required under the NDRC Notice. Within the valid period of the offshore debt quota obtained by Bank of China and if Bank of China allows the Company to utilize the quota, the Notes shall not be subject to pre-issue registration as otherwise required under Order 56, but shall still be subject to the post-issue reporting and to compliance with the continuing obligations within the relevant time periods prescribed by Order 56 and any implementation rules as issued by the NDRC from time to time.

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 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 substantial 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.

**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 changes to liabilities and/or the priority thereof imposed under resolution plans or ‘bail-in’ regulations or due to other 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 China 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, the United Kingdom, 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 block persons or property (including property that we own or seek to acquire), may require export licenses, and may seek to impose modifications to or restrictions on business practices, including cessation of business activities in sanctioned countries or with or by sanctioned persons or entities, which may materially disrupt our business or require modifications to compliance programs or increase compliance costs, and may subject us to fines, penalties and other sanctions or require us or our counterparties to obtain licenses to conduct business. In addition, volatility in the political and economic environments associated with international markets could adversely affect our operations. Changes in international regulations, laws, taxes, export controls, tariffs, embargoes, sanctions or other restrictions on trade or travel, could adversely affect our operations, the profitability of our lessees' businesses, the operations of aircraft manufacturers and/or the results of our operations. Additionally, the international distribution of our assets exposes us to risks associated with limitations on the repatriation of our assets or the expropriation of our international assets. These laws or regulations and restrictions that may be placed on our ability to conduct business in or relating to certain jurisdictions 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 systems, the IT systems of our third-party providers and of our trading partners 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 analysis. Our IT and related computer systems and the IT and related computer systems of our third-party providers and our trading partners 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.

**Material damage to, or interruptions in, our IT systems or the IT systems of our third-party providers as a result of external factors, staffing shortages and difficulties in updating our existing software or developing or implementing new software could have an adverse effect on our business or results of operations.**

We depend upon our IT systems and the IT systems of our third-party providers in the conduct of all aspects of our operations. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, fire and natural disasters. Damage or interruption to our IT systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim. Potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our information systems may have an adverse effect on our business or results of operations.

**Risks associated with data privacy issues, including evolving laws and regulations and associated compliance efforts, may adversely impact our business.**

The laws and regulations relating to personal data frequently evolve, as governments and related entities at state, national and supra-national level continue to adopt new measures addressing data privacy and processing (including collection, storage, transfer, disposal, disclosure, security and use) of personal data. Moreover, the interpretation and application of many existing or recently enacted privacy and data protection laws and regulations in the U.S., Europe (including, but not limited, to the EU's General Data Protection Regulation and the California Consumer Privacy Act) and elsewhere are uncertain and fluid, and it is possible that such laws and regulations may be interpreted or applied in a manner that is inconsistent with our existing data management practices. Evolving compliance and operational requirements under the privacy laws of the jurisdictions in which we operate have become increasingly

burdensome and complex, and are likely to continue to be so for the foreseeable future. Privacy-related claims or lawsuits initiated by governmental bodies, customers or other third parties, whether meritorious or not, could be time consuming, result in costly regulatory proceedings, litigation, penalties and fines, or require us to change our business practices, sometimes in expensive ways, or other potential liabilities. Additionally, any actual or perceived breach of such laws or regulations may subject us to claims and may lead to administrative, civil, or criminal liability, as well as reputational harm to us and our employees.

## **RISKS RELATED TO THE NOTES AND THE GUARANTEE**

### **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 and the Guarantee are not secured by any pledged collateral or guaranteed by any of our subsidiaries**

The Notes and the Guarantee 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.

Notes issued by the U.S. Issuer will be guaranteed by the Guarantor. Notes issued by the Parent Issuer will not be guaranteed. In both cases, 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, 2023, our subsidiaries had U.S.\$5.2 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”**

The Program allows for the issuance of Notes that reference certain interest rates or other types of rates or indices which are deemed to be “benchmarks”. These benchmarks are the subject of 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 be discontinued, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

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.

The publication of regulatory or industry recommendations on benchmark fallback trigger events and fallback rates may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading 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, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

In the case where “Benchmark Replacement (General)” or “Benchmark Replacement (ARRC)” is stated to be applicable in the relevant Pricing Supplement, the Terms and Conditions of Notes provide for certain fallback arrangements in the event that the relevant Reference Rate and/or any page on which the relevant Reference Rate may be published (or any other successor service) becomes unavailable or a Benchmark Event or, as the case may be, Benchmark Transition Event (as defined in the Terms and Conditions of the Notes) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions of the Notes), with or without the application of an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser or, failing which, the Issuer, in each case acting in good faith. An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant

Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing the relevant Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event or, as the case may be, Benchmark Transition Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser, and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

#### **The market continues to develop in relation to risk free rates (including overnight rates) as reference rates for Floating Rate Notes**

Where the applicable Pricing Supplement for a Series of Floating Rate Notes identifies that the Rate of Interest for such Notes will be determined by reference to the Secured Overnight Financing Rate (SOFR), the Rate of Interest will be determined on the basis of the relevant reference rate (as further described in the Terms and Conditions of the Notes). All such rates are based on ‘overnight rates’. Overnight rates differ from interbank offered rates, in a number of material respects, including (without limitation) that such rates are backwards-looking, risk-free overnight rates. As such, investors should be aware that overnight rates may behave materially differently as interest reference rates for Notes issued under the Program compared to interbank offered rates. The use of overnight rates as reference rates for Eurobonds is subject to continued change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such overnight rates.

Accordingly, prospective investors in any Notes referencing any overnight rates should be aware that the market continues to develop in relation to such rates in the capital markets and their adoption as an alternative to interbank offered rates. Market participants, industry groups and/or central bank-led working groups have explored compounded and weighted average rates and observation methodologies for such rates (including so-called ‘shift’, ‘lookback’, and ‘lock-out’ methodologies) and forward-looking ‘term’ reference rates derived from these overnight rates have also been, or are being, developed.

The market or a significant part thereof may adopt overnight rates in a way that differs significantly from those set out in the Terms and Conditions of the Notes issued under the Program. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Notes may be calculated could change during the life of any Notes. Furthermore, we may in the future issue Notes referencing SOFR that differ materially in terms of interest determination when compared with any previous SOFR-referenced Notes issued by us under the Program. The continued development of overnight rates as interest reference rates for the Eurobond markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise adversely affect the market price of any such Notes issued under the Program from time to time.

Furthermore, the Rate of Interest on Notes which reference overnight rates is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference overnight rates to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Further, if Notes referencing an overnight rate become due and payable as a result of an Event of Default under Condition 11, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable.

In addition, the manner of adoption or application of overnight rates in the Eurobond markets may differ materially when compared with the application and adoption of the same overnight rates for the same currencies in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of overnight rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing overnight rates.

Investors should carefully consider these matters when making their investment decision with respect to any such Notes.

**The composition and characteristics of SOFR are not the same as those of U.S. dollar LIBOR, and SOFR is not expected to be a comparable replacement for U.S. dollar LIBOR**

In June 2017, the Federal Reserve Bank of New York's Alternative Reference Rates Committee (the **ARRC**) announced SOFR as its recommended alternative to U.S. dollar LIBOR. The composition and characteristics of SOFR are not the same as those of U.S. dollar LIBOR. SOFR is a broad Treasury repurchase financing rate that represents overnight risk-free funding transactions and is not the economic equivalent of U.S. dollar LIBOR. While SOFR is considered to be a risk-free rate, U.S. dollar LIBOR includes a bank counterparty credit charge. And, while SOFR is only an overnight rate, U.S. dollar LIBOR is a forward-looking rate that represents interbank funding for a specified term. As a result, there can be no assurance that SOFR will perform in the same way as U.S. dollar LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events.

The publication of SOFR by the Federal Reserve Bank of New York began in April 2018, and, therefore, it has a limited history. In addition, the future performance of SOFR cannot be predicted based on the limited historical performance. Levels of SOFR may bear little or no relation to the historical actual or historical indicative data. Prior observed patterns, if any, in the behavior of market variables and their relation to SOFR, such as correlations, may change in the future. While some pre-publication historical data have been released by the Federal Reserve Bank of New York, such analysis inherently involves assumptions, estimates and approximations. The future performance of SOFR is impossible to predict and therefore no future performance of SOFR may be inferred from any of the historical actual or historical indicative data. Hypothetical or historical performance data are not indicative of, and have no bearing on, the potential performance of SOFR.

SOFR is a relatively new rate. The Federal Reserve Bank of New York (or a successor), as administrator of SOFR and the publisher of SOFR, may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. Moreover, SOFR is published by the Federal Reserve Bank of New York based on data received by it from sources. There can be no guarantee, particularly given their relatively recent introduction, that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the SOFR Notes. If the manner in which SOFR is calculated is changed, that change may result in a reduction in the amount of interest payable on the SOFR Notes and the trading prices of such Notes. In addition, the Federal Reserve Bank of New York may withdraw, modify, amend, suspend or discontinue the calculation

or dissemination of SOFR in its sole discretion and without notice and has no obligation to consider the interests of holders of the Notes in calculating, withdrawing, modifying, amending, suspending or discontinuing SOFR.

Investors should carefully consider these matters when making their investment decision with respect to any such SOFR Notes.

### **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 euro interbank offered rate (**EURIBOR**). 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 (and, if applicable, under the Guarantee) 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 (and, if applicable, the Guarantee), 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 and the Guarantee 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. Prospective investors should refer to the section “Taxation – U.S. Federal Income Tax Considerations.”

### **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 (whether as Issuer of the relevant Notes or, if applicable, as Guarantor of the relevant 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.

## **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 and (in the case of judicial management) the judicial manager's consent 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, there are cram-down provisions that may apply to 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.

The Insolvency, Restructuring and Dissolution Act 2018 (the **IRD Act**) was passed in Parliament on October 1, 2018 and came into force on July 30, 2020. 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 (and before the conclusion of such proceedings), by reason only that the proceedings are commenced or that the company is insolvent. This prohibition is not expected to apply to any contract or agreement that is, or that is directly connected with, the Notes. However it may apply to other related contracts that are not found to be directly connected to the Notes.

In addition, where we encounter, or are likely to encounter, financial difficulties that are affecting, or will or may affect, our ability to carry on business as a going concern, we may propose a restructuring plan (a **Plan**) with our creditors under Part 26A of the Companies Act 2006 (introduced by the Corporate Insolvency and Governance Act 2020) to eliminate, reduce, prevent or mitigate the effect of any of those financial difficulties. Should this happen, creditors whose rights are affected are organized into creditor classes and can vote on any such Plan (subject to being excluded from the vote by the English courts for having no genuine economic interest in us and certain exclusions where the Plan is proposed within the 12 week period following the end of a moratorium). Provided that one class of creditors (who would receive a payment, or have a genuine economic interest in us) has approved the Plan, and in the view of the English courts any dissenting class(es) who did not approve the Plan are no worse off under the Plan than they would be in the event of the "relevant alternative" (such as, broadly, liquidation or administration), then the English court can sanction the Plan where it would be a proper exercise of its discretion. A sanctioned Plan is binding on all creditors and members, regardless of whether they approved it. Any such sanctioned Plan in relation to us may, therefore, adversely affect the rights of Noteholders and the price or value of their investment in the Notes, as it may have the effect of modifying or disapplying

certain terms of the Notes (by, for example, writing down the principal amount of the Notes, modifying the interest payable on the Notes, the maturity date or dates on which any payments are due or substituting us as issuer).

## **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, 2028 are intended to be “qualifying debt securities” for the purposes of the Income Tax Act 1947 of Singapore, as amended or modified from time to time (the **ITA**), subject to the fulfillment of certain conditions more particularly described in the section entitled “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 (**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. For the avoidance of doubt, the U.S. Issuer will not issue any Notes 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 depository (the **Common Depository**) 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 Depository 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**). 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 Depository 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 (where the relevant Issuer is the Parent Issuer) the Deed of Covenant dated September 20, 2012, as supplemented by a supplemental deed of covenant dated March 30, 2021 executed by the Parent Issuer or (where the relevant Issuer is the U.S. Issuer) the Deed of Covenant dated March 30, 2021 executed by the U.S. Issuer (each, as amended and/or supplemented and/or restated from time to time, a **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 relevant 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) deeds of covenant (each a **Deed of Covenant**) each dated March 30, 2021 and executed by BOC Aviation Limited and BOC Aviation (USA) Corporation, or (in the case of Notes cleared through CDP) the CDP Deeds 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.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, BOC Aviation (USA) Corporation shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.



## 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]]**

**[UK MiFIR product governance/target market – [appropriate target market legend to be included]]**

**[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**); (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 (as amended from time to time). 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.]

**[PROHIBITION OF SALES TO UK 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 United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the **UK Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK 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  
Legal Entity Identifier: 254900H06V5RMEB3KE72]/  
[BOC AVIATION (USA) CORPORATION  
Legal Entity Identifier: 254900QKLT6MF4Y3P65]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$15,000,000,000  
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 28, 2024 [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[, the Guarantor] 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 *[original date]*. This document must be read in conjunction with the Offering Circular dated *[current date]* [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated *[original date]* and are attached hereto.]

*[The following language applies if any tranche of the Notes is issued by [BOC Aviation Limited/BOC Aviation (USA) Corporation] and is intended to be “qualifying debt securities” (as defined in the Income Tax Act 1947 of Singapore):*

Where interest, discount income, early redemption fee or redemption premium 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 1947 of Singapore, as amended or modified from time to time (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, early redemption fee or redemption premium 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. | (a) | Issuer:                           | [BOC Aviation Limited]/[BOC Aviation (USA) Corporation]   |
|    | (b) | Guarantor:                        | [BOC Aviation Limited]/[Not Applicable]   |
| 2. | (a) | Series Number:                    | [●]   |
|    | (b) | Tranche Number:                   | [●]   |
|    |     |                                   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)</i> |
| 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 <i>[insert date]</i> (if applicable)]                      |
|    | (b) | [Net Proceeds]:                   | [●] <i>(include for listed issues if required by the relevant stock exchange on which the Notes are listed.)</i>            |
| 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) Trade Date: [●]
- (c) 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]  
[EURIBOR/SOFR +/-  
[●]% 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]
15. Method of distribution: [Syndicated/Non-syndicated]

#### 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): [●] per Calculation Amount  
*(Applicable to Notes in definitive form.)*
- (d) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]  
*(Applicable to Notes in definitive form.)*
- (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]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(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/specify other]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
(f)	Screen Rate Determination:	
	• Reference Rate:	[●]
		<i>(Either EURIBOR, SOFR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)</i>
	• Interest Determination Date(s):	[●]
		<i>(The U.S. Government Securities Business Day [immediately following/falling [●] after] the end of [each Observation Period/the Rate Cut-off Date] if SOFR. Note that Interest Determination Date should fall at least 5 business days prior to the Interest Payment Date unless otherwise agreed with the Calculation Agent)</i>
		<i>(The second day on which the T2 is open prior to the start of each Interest Period if EURIBOR)</i>
	• 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)*

- Observation Method: [Observation Shift/Lookback/Lockout]
- “p”: [●]

*(Where “p” should be no less than 6 unless otherwise agreed with the Agent)*

(g) Margin(s): [+/–] [●]% per annum

(h) Minimum Rate of Interest: [●]% per annum

(i) Maximum Rate of Interest: [●]% per annum

(j) 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)

(k) 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: [Benchmark Replacement (General) (Condition 6.2(c)(i))/Benchmark Replacement (ARRC) (Condition 6.2(c)(ii))/Not Applicable/Specify others 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] (the **Calculation Agent**)
  - (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) Maximum 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: | <i>[need to include a description of market disruption or settlement disruption events and adjustment provisions]</i> |
| (d) | Person at whose option Specified Currency(ies) is/are payable:  | [●]   |

## PROVISIONS RELATING TO REDEMPTION

- |     |  |   |
|-----|--|---|
| 21. | Issuer Call:   | [Applicable/Not Applicable]   |
|     |  | <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>  |
| (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):                      | [●]   |
|     |  | <i>(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)</i> |
| 22. | Investor Put:  | [Applicable/Not Applicable]   |
|     |  | <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>  |
| (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/at any time at the request of the Issuer]

[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 name]
35. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
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]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
38. Prohibition of sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
39. Singapore Sales to Institutional Investors and Accredited Investors only: [Applicable]/[Not Applicable]
40. Additional selling restrictions: [Not Applicable/give details]



## HONG KONG SFC CODE OF CONDUCT

41. (a) Rebates [A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
- (b) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: [Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide]/[Not Applicable]
- (c) Marketing and Investor Targeting Strategy: [If different from the OC]

## 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.\$15,000,000,000 Global Medium Term Note Program of BOC Aviation Limited and BOC Aviation (USA) Corporation.

## 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 S.A./N.V., 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 [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

**Signed on behalf of**  
**[BOC AVIATION LIMITED]/[BOC AVIATION (USA) CORPORATION]**

By: \_\_\_\_\_  
Duly authorized

**[Signed on behalf of**  
**BOC AVIATION LIMITED**

By: \_\_\_\_\_  
Duly authorized]\*

\* *Include this signature block for Notes issued by BOC Aviation (USA) Corporation*

## 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 relevant Issuer, the Guarantor (in the case of Notes issued by BOC Aviation (USA) Corporation) 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 (the **Parent Issuer**) or BOC Aviation (USA) Corporation (the **U.S. Issuer**, and together with the Parent Issuer, the **Issuers**, and each, an **Issuer**) (as specified in the applicable Pricing Supplement), 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 each 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**) (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 28, 2024 and made between the Issuers, BOC Aviation Limited as guarantor (the **Guarantor**), 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:

- (a) (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:
  - (i) 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;
  - (ii) 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
  - (iii) 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
- (b) to the **Issuer** shall be to the relevant Issuer of the Notes as specified in the applicable Pricing Supplement,

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 Conditions 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.

The payment of all amounts due in respect of Notes issued by the U.S. Issuer will be guaranteed by the Guarantor pursuant to a deed of guarantee (the **Deed of Guarantee**) dated March 30, 2021 and executed by the Guarantor.

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 clearing system (other than CDP), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant dated March 30, 2021 executed by (where the relevant Issuer is the Parent Issuer) the Parent Issuer (as amended and/or supplemented and/or restated from time to time, the **Parent Issuer Deed of Covenant**) or (where the relevant Issuer is the U.S. Issuer) the U.S. Issuer (as amended and/or supplemented and/or restated from time to time, the **U.S. Issuer Deed of Covenant**), and together with the Parent Issuer Deed of Covenant, the **Deeds of Covenant**), as the case may be, in relation to the Notes. The originals of the Deeds of Covenant are held by the common depository for Euroclear and Clearstream, Luxembourg.

In the case of Notes cleared through CDP, the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of (where the relevant Issuer is the Parent Issuer) the Deed of Covenant dated September 20, 2012, as supplemented by a supplemental deed of covenant dated March 30, 2021 executed by the Parent Issuer (as amended and/or supplemented and/or restated from time to time, the **Parent Issuer CDP Deed of Covenant**) or (where the relevant Issuer is the U.S. Issuer) the Deed of Covenant dated March 30, 2021 executed by the U.S. Issuer (as amended and/or supplemented and/or restated from time to time, the **U.S. Issuer CDP Deed of Covenant**), and together with the Parent Issuer CDP Deed of Covenant, the **CDP Deeds of Covenant**), as the case may be, in relation to the Notes. The originals of the CDP Deeds of Covenant are 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 dated March 30, 2021 executed by the Parent Issuer, the U.S. Issuer and the Guarantor in relation to the Notes (as amended and/or supplemented and/or restated from time to time, the **Deed Poll**). The original of the Deed Poll are held by the Agent.

Copies of the Agency Agreement, the Deed of Guarantee, the Deeds of Covenant, the CDP Deeds 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 relevant Issuer, the Guarantor (in the case of Notes issued by the U.S. 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 Guarantee (if applicable), the Deeds of Covenant (if applicable), the CDP Deeds of Covenant (if applicable), the Deed Poll (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 issued 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, the Guarantor, 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 Guarantor, the Paying Agents and all other agents of the Issuer and the Guarantor 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, the Guarantor 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 and the Guarantor (if applicable) 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**

**3.1 Status of the Notes**

The Notes and any related 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.

**3.2 Status of the Guarantee**

The payment of principal and interest in respect of the Notes and all other moneys payable by the U.S. Issuer under or pursuant to the Notes has been unconditionally and irrevocably guaranteed by the Guarantor in the Deed of Guarantee (the **Guarantee**). The obligations of the Guarantor under the Guarantee are contained in the Deed of Guarantee.

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and rank pari passu and without any preference 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 Guarantor, 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 and the Guarantor will not, and the Issuer or the Guarantor, as the case may be, will procure that none of the 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, the Guarantor and/or any of the Principal Subsidiaries to secure any Relevant Indebtedness (as defined below), unless the Issuer or the Guarantor, as the case may be, 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:

**Group** means the Guarantor and its Subsidiaries.

**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 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 (in the case of Notes issued by the Parent Issuer) and any subsidiary of the Parent Issuer or (in the case of Notes issued by the U.S. Issuer) the Guarantor 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 Parent Issuer or (in the case of Notes issued by the U.S. Issuer) the Guarantor (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 Parent Issuer or the Guarantor, as the case may be) 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 Parent Issuer or the Guarantor, as the case may be) 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 1967 (2020 Revised Edition) 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, the Guarantor 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 System or any successor or replacement for that system (the **T2**) 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) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR

For each Floating Rate Note where the Reference Rate is specified as being SOFR (a **SOFR Note**) the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SOFR plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any).

- (I) For the purposes of this Condition 6.2(b)(i):

**Compounded Daily SOFR** means, with respect to an Interest Period, the rate of return of a daily compound interest investment in U.S. dollars (with the daily Secured Overnight Financing Rate as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{\text{SOFR}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

**Applicable Period** means, in relation to an Interest Period:

- (a) (where “Observation Shift” is specified as the Observation Method in the applicable Pricing Supplement) the Observation Period relating to such Interest Period; and

- (b) (where “Lookback” or “Lockout” is specified as the Observation Method in the applicable Pricing Supplement) such Interest Period;

**d** means the number of calendar days in the relevant Applicable Period;

**d<sub>o</sub>** means, for the relevant Applicable Period, the number of U.S. Government Securities Business Days in such Applicable Period;

**i** means, for the relevant Applicable Period, a series of whole numbers from one to d<sub>o</sub>, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the Applicable Period;

**Interest Determination Date** means, with respect to a Rate of Interest and Interest Period:

- (a) (where “Lockout” is specified as the Observation Method in the applicable Pricing Supplement) the U.S. Government Securities Business Day immediately following the Rate Cut-off Date; and
- (b) (where “Lookback” or “Observation Shift” is specified as the Observation Method in the applicable Pricing Supplement) the U.S. Government Securities Business Day immediately following the end of each Observation Period,

unless otherwise specified in the applicable Pricing Supplement;

**n<sub>i</sub>** means, for any U.S. Government Securities Business Day “i”, the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day;

**Non-Reset Date** means, each U.S. Government Securities Business Day “i” in an Applicable Period which falls on or after the Rate Cut-Off Date (if any);

**Observation Period** means, for the relevant Interest Period, the period from (and including) the date falling “p” U.S. Government Securities Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to (but excluding) the date falling “p” U.S. Government Securities Business Days prior to the Interest Payment Date at the end of such Interest Period (or the date falling “p” U.S. Government Securities Business Days prior to such earlier date, if any, on which the SOFR Notes become due and payable);

**p** means the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement;

**Rate Cut-Off Date** means:

- (a) (where “Lockout” is specified as the Observation Method in the applicable Pricing Supplement) in relation to any Interest Period, the date falling “p” U.S. Government Securities Business Days prior to the Interest Payment Date in respect of the relevant Interest Period (or the date falling “p” U.S. Government Securities Business Days prior to such earlier date, if any, on which the SOFR Notes become due and payable); and
- (b) in any other circumstances, no Rate Cut-Off Date shall apply;



**SOFR<sub>i</sub>** means, in respect of any U.S. Government Securities Business Day “i” in the Applicable Period, the SOFR Reference Rate for the SOFR Determination Date in relation to such U.S. Government Securities Business Day “i”, provided that where “Lockout” is specified as the Observation Method, SOFR<sub>i</sub> in respect of each Non-Reset Date (if any) in an Applicable Period shall be SOFR<sub>i</sub> as determined in relation to the Rate Cut-Off Date;

**SOFR Determination Date** means, in respect of any U.S. Government Securities Business Day “i”:

- (a) where “Lookback” is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling “p” U.S. Government Securities Business Days prior to such U.S. Government Securities Business Day “i”; and
- (b) otherwise, such U.S. Government Securities Business Day “i”;

**SOFR Reference Rate** means, in respect of any U.S. Government Securities Business Day, a reference rate equal to the daily Secured Overnight Financing Rate (**SOFR**) as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) published at or around 3:00 p.m. (New York City time) on the New York Federal Reserve’s Website on the next succeeding U.S. Government Securities Business Day for trades made on such U.S. Government Securities Business Day;

**U.S. Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (**SIFMA**) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (II) Subject to Condition 6.2(c), if, in respect of the determination of SOFR<sub>i</sub> for any U.S. Government Securities Business Day in the relevant Applicable Period, the Calculation Agent determines that the relevant SOFR Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SOFR Reference Rate shall be SOFR published on the New York Federal Reserve’s Website on the first preceding U.S. Government Securities Business Day for which SOFR was published on the New York Federal Reserve’s Website;
- (III) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent, subject to Condition 6.2(c), the Rate of Interest shall be:
  - (a) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period); or
  - (b) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such SOFR Notes for the first Applicable Period had the SOFR Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date.

- (IV) If the SOFR Notes become due and payable in accordance with Condition 11, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such SOFR Notes became due and payable (with corresponding adjustments being deemed to be made to the relevant SOFR formula) and the Rate of Interest on such SOFR Notes shall, for so long as any such SOFR Note remains outstanding, be that determined on such date.
- (ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SOFR.

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate is not specified as being SOFR, 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. (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 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) Benchmark Replacement**

In addition, notwithstanding the provisions above in this Condition 6:

- (i) where “Benchmark Replacement (General)” is specified as being applicable in the applicable Pricing Supplement, if the Issuer determines that a Benchmark Event (as defined below) has occurred in relation to the relevant Reference Rate specified in the Applicable Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:
  - (A) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine (acting in good faith), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-off Date**), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
  - (B) if the Issuer (acting in good faith) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
  - (C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 6.2(c)(i); provided, however, that if sub-paragraph (B) applies and the Issuer (acting in good faith) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin (as defined below), Maximum Rate of Interest or Minimum Rate Interest that applied to such preceding Interest Period for the Margin, Maximum Rate of Interest or Minimum Rate Interest that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6.2(c)(i);
  - (D) if the Independent Adviser or the Issuer (acting in good faith) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as defined below) (as applicable);

- (E) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in good faith) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in good faith) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Agent shall, at the direction and expense of the Issuer, without any requirement for the consent or approval of the Noteholders or Couponholders, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6.2(c)(i) and the Agent shall not be liable to any party for any consequences thereof, provided that the Agent shall not be obliged to effect any such amendments if, in the opinion of the Agent, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in the Agency Agreement and/or these Conditions and/or any document to which it is a party (including, for the avoidance of doubt, any supplemental agency agreement) in any way. Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Agent (if required); and
- (F) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Agent and the Noteholders and Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions (including the amount of the Adjustment Spread, if any), provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

For the purposes of this Condition 6.2(c)(i):

**Adjustment Spread** means (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in good faith) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

- (iii) if no such determination as provided in (b) above is made, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith) to be appropriate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable).

**Alternative Reference Rate** means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of notes denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith) is most comparable to the relevant Reference Rate.

**Benchmark Event** means, in respect of a Reference Rate:

- (a) such Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;
- (b) the making of a public statement by the administrator of such Reference Rate that it has ceased or will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);
- (c) the making of a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued;
- (d) the making of a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate will be prohibited from being used either generally or in respect of the Notes or that its use will be subject to restrictions;
- (e) the making of a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (f) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate,

provided that the Benchmark Event shall be deemed to occur (i) in the case of sub-paragraphs (b) and (c) above, on the date of the cessation of publication of the Reference Rate or the discontinuation of the Reference Rate, as the case may be, (ii) in the case of sub-paragraph (d) above, on the date of the prohibition or restriction of use of the Reference Rate and (iii) in the case of sub-paragraph (e) above, on the date with effect from which the Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

**Independent Adviser** means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense.

**Relevant Nominating Body** means, in respect of a reference rate:

- (a) the central bank for the currency to which the relevant Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the relevant Reference Rate; or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the relevant Reference Rate relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the relevant Reference Rate, (iii) a group of the aforementioned central banks or other supervisory authorities, or (iv) the Financial Stability Board or any part thereof.

**Successor Rate** means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

- (ii) Where “Benchmark Replacement (ARRC)” is specified as being applicable in the applicable Pricing Supplement, if the Issuer or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, then the following provisions shall apply:
  - (A) the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of such determination on such date and all determinations on all subsequent dates, and the Issuer shall promptly give notice thereof to the Calculation Agent, the Agent and the Noteholders, which shall specify the effective date(s) for such Benchmark Replacement and any Benchmark Replacement Conforming Changes;
  - (B) in connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time without the consent of or approval of the Noteholders or Coupon holders;
  - (C) at the request of the Issuer, the Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders or Couponholders, effect such Benchmark Replacement Conforming Changes (including, inter alia, by the execution of a supplemental agency agreement) as may be required in order to give effect to this Condition 6.2(c)(ii) and the Agent shall not be liable to any party for any consequences thereof, provided that the Agent shall not be obliged to effect any such amendments if, in the opinion of the Agent, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental agency agreement) in any way;
  - (D) any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 6.2(c)(ii), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Issuer or its designee’s sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from any other party.



For the purposes of this Condition 6.2(c)(ii):

**Benchmark** means, initially, SOFR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark (or the daily published component used in the calculation thereof), then **Benchmark** means the applicable Benchmark Replacement;

**Benchmark Replacement** means the Interpolated Benchmark; provided that if the Issuer or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then **Benchmark Replacement** means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (a) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;
- (b) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; and
- (c) the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

**Benchmark Replacement Adjustment** means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment; and
- (c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

**Benchmark Replacement Conforming Changes** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of Interest Period, timing and frequency of determining rates and making payments of interest, changes to the definition of Corresponding Tenor solely when such tenor is longer than the Interest Period, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);



**Benchmark Replacement Date** means the earliest to occur of the following events with respect to the then-current Benchmark:

- (a) in the case of paragraphs (a) or (b) of the definition of Benchmark Transition Event, the later of: (i) the date of the public statement or publication of information referenced therein, and (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (b) in the case of paragraph (c) of the definition of Benchmark Transition Event, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

**Benchmark Transition Event** means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (a) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark (or such component), which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

**Corresponding Tenor** with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark;

**designee** means a designee as selected and separately appointed by the Issuer in writing, which may include a subsidiary or affiliate of the Issuer or an Independent Adviser;

**Federal Reserve Bank of New York's Website** means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source;

**Interpolated Benchmark** with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between:

- (a) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor; and
- (b) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor;

**ISDA Definitions** means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

**ISDA Fallback Adjustment** means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor;

**ISDA Fallback Rate** means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**Reference Time** with respect to any determination of the Benchmark means:

- (a) if the Benchmark is SOFR, 3:00 p.m. (New York time) on the relevant U.S. Government Securities Business Day; and
- (b) if the Benchmark is not SOFR, the time determined by the Issuer or its designee in accordance with the Benchmark Replacement Conforming Changes;

**Relevant Governmental Body** means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

**Unadjusted Benchmark Replacement** means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

**(d) 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.

**(e) 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, 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>2</sub> 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” 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<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>2</sub> will be 30.

**(f) Notification of Rate of Interest and Interest Amounts**

The Agent 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, the Guarantor (if applicable), 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.

**(g) 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 Guarantor, 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 Guarantor, 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, the Guarantor 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 Guarantor (if applicable), 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 and the Guarantor (if applicable), adverse tax consequences to the Issuer or the Guarantor (if applicable).

## **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 T2 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 or (if the Guarantee was called) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer, and in making payment itself would be required to pay such additional amounts, in each case 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, shall deliver to the Agent a certificate signed by two Directors of the Issuer or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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, the Guarantor or any of their respective Subsidiaries 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, the Guarantor or any of their respective Subsidiaries 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 or on behalf of the Issuer or the Guarantor 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 or the Guarantor, as the case may be, 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; or
- (e) in the case of a deduction or withholding relating to taxes, duties, assessment or other governmental charges imposed, levied or required by or on behalf of the United States or any political subdivision or taxing authority thereof or therein:
  - (i) where such withholding or deduction would not have been imposed but for a failure of a beneficial owner or any intermediary to provide a valid IRS Form W-8 or W-9 (or successor form) with any applicable attachments that it is legally entitled to provide upon reasonable request;
  - (ii) in respect of any tax, assessment or other governmental charge imposed as a result of a person's actual or constructive holding of 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote; as the result of the receipt of interest by a bank on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; or where such holder is a controlled foreign corporation related, directly or indirectly, to the Issuer through stock ownership; or
  - (iii) in such other circumstances as may be specified in the applicable Pricing Supplement.

As used herein:

- (A) **Tax Jurisdiction** means the jurisdiction of incorporation of the Issuer or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer) or Singapore or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Guarantor) or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer or the Guarantor, as the case may be, of principal and interest on the Notes become generally subject; and
- (B) 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) default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven Business Days;
- (b) either the Issuer or the Guarantor does not perform or comply with any one or more of its obligations (other than the payment obligations referred to in paragraph (a) above) under the Conditions, the Guarantee 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 or the Guarantor, as the case may be;
- (c) any other present or future indebtedness of the Issuer, the Guarantor or any of the 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 such Indebtedness for Borrowed Money falling within this paragraph in respect of the Issuer, the Guarantor or the relevant Principal Subsidiary, as the case may be (individually), equals or exceeds U.S.\$100,000,000 or its equivalent in other currencies;
- (d) the Issuer, the Guarantor or any of the 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, the Guarantor or any of the 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, the Guarantor or any of the 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, the Guarantor or any of the 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, the Guarantor or any of the Principal Subsidiaries or a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer, the Guarantor or any of the Principal Subsidiaries or over the whole or any substantial part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries is appointed, provided this Condition 11(g) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 21 Business Days of commencement;

- (h) the Issuer, the Guarantor or any of the 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, the Guarantor or to a subsidiary of the Issuer or the Guarantor;
- (i) all or a material part of the assets of the Issuer, the Guarantor or any of the 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, the Guarantor 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 and the Guarantor lawfully to enter into, exercise its rights and perform and comply with their respective 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 and the Guarantee 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 or the Guarantor, as the case may be;
- (k) it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective material obligations under the Notes or the Guarantee;
- (l) any of the Notes or the Guarantee ceases for any reason (or is claimed by the Issuer or the Guarantor not) to be the legal and valid obligations of the Issuer or the Guarantor, as the case may be, 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) (in the case of the U.S. Issuer) so long as the Notes are listed on the SGX-ST, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the U.S. Issuer obtains an exemption from the SGX-ST;
- (d) 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
- (e) 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 the Guarantor 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, the Deed of Guarantee or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5% 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) or the Deed of Guarantee, 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 and the Guarantor 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, the Deed of Guarantee 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, the Deed of Guarantee 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 Deeds of Covenant, the Deed Poll, the Notes, the Receipts, the Coupons, the Deed of Guarantee and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deeds of Covenant, the Deed Poll, the Notes, the Receipts, the Coupons and the Deed of Guarantee are governed by, and shall be construed in accordance with, English law. The CDP Deeds of Covenant are governed by, and shall be construed in accordance with, Singapore law.

### **19.2 Submission to jurisdiction**

- (a) Each of the Issuer and the Guarantor 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) Each of the Issuer and the Guarantor 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 or the Guarantor, as the case may be, in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.
- (c) For the purposes of process in England, each of the Issuer and the Guarantor 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 each of the Issuer and the Guarantor agrees that, in the event such agent no longer serves or is capable of serving as agent of the Issuer or the Guarantor 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 Deeds of Covenant submitted to the exclusive jurisdiction of the English courts. The Guarantor has in the Agency Agreement and the Deed of Guarantee 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, 2023, 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, 2023 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, 2023, we had a share capital of U.S.\$1,158 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.

	<b>As at December 31, 2023</b>
	<b>(in U.S.\$ million)</b>
<b>Indebtedness</b>	
Unsecured medium term notes .....	9,759
Unsecured loans .....	6,765
Secured loans .....	65
<b>Total indebtedness<sup>(1)</sup> .....</b>	<b>16,589</b>
<b>Equity attributable to owners of the Company</b>	
Share capital .....	1,158
Retained earnings .....	4,582
Statutory and share-based compensation reserves .....	9
Hedging reserves .....	(1)
<b>Total equity .....</b>	<b>5,748</b>
<b>Total capitalization and indebtedness .....</b>	<b>22,337</b>

Note:

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

As at the date of this Offering Circular, we have utilized U.S.\$132 million under unsecured revolving credit facilities and U.S.\$765 million term loans that were committed but unutilized as at December 31, 2023. As at the date of this Offering Circular, we have outstanding bonds under the GMTN Program of U.S.\$9.7 billion. Between December 31, 2023 and the date of this Offering Circular, we have also signed an aggregate of U.S.\$600 million additional committed revolving credit facilities and term loans. Aside from these, there have been no material changes in our capitalization, indebtedness or contingent liabilities since December 31, 2023.



## 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, 2023, 2022 and 2021 are derived from our audited consolidated financial statements contained elsewhere in this Offering Circular.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended December 31,		
	2023	2022	2021
	(U.S.\$'000)		
<b>Revenues and other income</b>			
Lease rental income . . . . .	1,911,033	1,784,461	1,865,151
Interest income from finance leases . . . . .	68,951	40,697	42,006
Other interest and fee income . . . . .	86,182	96,123	135,046
	2,066,166	1,921,281	2,042,203
<i>Other sources of income:</i>			
Net gain on sale of aircraft . . . . .	77,848	63,867	43,772
Income arising from termination of leases . . . . .	–	222,876	73,855
Other income . . . . .	317,256	99,028	23,405
	2,461,270	2,307,052	2,183,235
<b>Costs and expenses</b>			
Depreciation of property, plant and equipment . . . . .	(795,389)	(786,084)	(765,561)
Impairment of aircraft . . . . .	(8,800)	(855,991)	(145,800)
Finance expenses . . . . .	(636,361)	(483,661)	(465,287)
Staff costs . . . . .	(67,741)	(49,122)	(68,703)
Write-back of/(Impairment) losses on financial assets . .	2,879	(1,235)	7,921
Other operating costs and expenses <sup>(1)</sup> . . . . .	(95,301)	(101,463)	(107,137)
	(1,600,713)	(2,277,556)	(1,544,567)
<b>Profit before income tax</b> . . . . .	860,557	29,496	638,668
Income tax expense . . . . .	(96,655)	(9,436)	(77,350)
<b>Profit for the year attributable to owners of the Company</b> . . . . .	<u>763,902</u>	<u>20,060</u>	<u>561,318</u>

Note:

- (1) Other operating costs and expenses comprise amortization of deferred debt issue costs, marketing and traveling expenses and other operating expenses.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31,		
	2023	2022	2021
	(U.S.\$'000)		
Current assets .....	831,267	845,208	672,674
Current liabilities .....	(3,401,694)	(2,719,076)	(2,205,549)
<b>Net current liabilities</b> .....	(2,570,427)	(1,873,868)	(1,532,875)
Non-current assets .....	23,338,344	21,226,167	23,206,690
Non-current liabilities .....	(15,019,455)	(14,150,200)	(16,407,901)
<b>Net assets</b> .....	5,748,462	5,202,099	5,265,914
<b>Total equity</b> .....	5,748,462	5,202,099	5,265,914

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,		
	2023	2022	2021
	(U.S.\$'000)		
Net cash flows from operating activities .....	2,283,201	2,008,552	1,804,369
Net cash flows (used in)/from investing activities ....	(2,802,014)	193,036	(1,055,360)
Net cash flows from/(used in) financing activities ....	518,721	(2,294,560)	(671,680)
Net (decrease)/increase in cash and cash equivalents ..	(92)	(92,972)	77,329
Cash and cash equivalents at beginning of year .....	391,913	484,885	407,556
<b>Cash and cash equivalents at end of year</b> .....	391,821	391,913	484,885
<b>Net cash flows from operating activities less finance expenses paid</b> .....	1,643,407	1,516,533	1,326,688

## 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 leasing company based in Singapore. We are the largest aircraft leasing company headquartered in Asia and one of the largest global aircraft leasing companies, in each case as measured by the value of owned aircraft as at December 31, 2023. 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 30 years of unbroken profitability, with U.S.\$6.3 billion in cumulative profits from inception to December 31, 2023.

Our primary source of revenues and other income is lease rental income received from aircraft operating leases with airlines, representing 77.6%<sup>(1)</sup>, 85.6%<sup>(2)</sup> and 85.4% of our total revenues and other income in 2023, 2022 and 2021, respectively. Consistent with our leasing strategy and our customer concentration guidelines, our lease rental income is well-diversified both across customers and geographical regions. During 2023, 2022 and 2021, Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was the largest region of our revenue from operating lease rentals, representing 25.5%, 26.5% and 27.4% of our total lease rental income in 2023, 2022 and 2021, respectively.

We benefit from a low average cost of debt, which was 4.1% in 2023, supported by our strong investment-grade corporate credit ratings, which are A- from both S&P Global Ratings and Fitch Ratings and by our access to diverse debt funding sources. As at December 31, 2023, we had more than 50 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 Group has provided us with U.S.\$3.5 billion committed unsecured revolving credit facilities, which mature in December 2026.

### BUSINESS ENVIRONMENT

This section outlines our business strategy, the risks that we face in implementing that strategy and how we mitigate those risks.

Our revenues are derived largely from the leasing of aircraft, supplemented by interest and fee income and gains on sale of aircraft. Our principal costs are interest on borrowings and depreciation of aircraft.

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Notes:

(1) Includes the recovery in respect of aircraft in Russia.

(2) Excludes income arising from termination of leases with airlines in Russia.

The primary drivers of lease rental income are the performance of our portfolio of leased aircraft, which depends on the timely payment of lease rentals by our airline customers, our ability to maximize the utilization of our aircraft by minimising time off-lease, and our ability to grow the portfolio, thereby increasing lease revenue.

Revenue growth is driven by our ability to secure attractive lease terms for the new aircraft that we have on order, which is in turn driven by airline demand for leased aircraft and the availability of competing aircraft from other leasing companies. It also reflects our ability to acquire additional aircraft assets under purchase and leaseback transactions with airlines, which depends on airline demand for funding and competition from other leasing companies and other funding sources.

We build our balance sheet and grow our lease rental income through direct orders from the manufacturers as well as purchase and leaseback transactions with airlines. The availability of near-term delivery positions from both Airbus and Boeing for single-aisle passenger aircraft, our core asset type, is very limited. In 2023, the Company secured significant investments in finance lease transactions with strong credit airlines as they emerged from the pandemic era while some of their traditional sources of financing remained constrained. The aircraft operating leasing industry remains highly competitive. Both mature and new-entrant aircraft operating leasing companies compete for purchase and leaseback transactions where barriers to entry are low, especially in a market environment in which debt financing for leased aircraft remains readily available.

Some consolidation is taking place within our industry, but strong competition may make it more difficult to grow our balance sheet and our revenue base by winning purchase and leaseback transactions and, for those transactions that we do win, we may find that our margins and returns will come under pressure. The Company replenished its orderbooks with both Airbus and Boeing in 2022 and added to those commitments with opportunistic acquisitions from Airbus and Boeing of 11 aircraft in 2023. All new aircraft scheduled for delivery in 2024 have been placed.

This competitive environment contributes to good opportunities for selling aircraft. Investor demand for purchasing leased aircraft is a primary driver of our ability to generate gains on sale of aircraft. The availability and cost of financing is, in turn, one of the key drivers of investor demand for leased aircraft, along with an assessment of the future residual value of aircraft. Increased U.S. dollar interest rates may reduce the gains we can generate by selling aircraft with fixed rate leases attached, as now only a small proportion (5%) of our aircraft operating leases feature floating rate rentals, however some of this will be offset by the effect of inflation on aircraft values.

Airline demand and our ability to grow are affected by manufacturer production rates and the ability of manufacturers to deliver aircraft on time, which are themselves dependent on the performance of their supply chains. New aircraft programmes continued to be affected by delivery delays in 2023, which delayed our investment in, and consequent lease revenue from, the affected aircraft.

In general, 2023 saw a return to growth across the industry with traffic recovery to near 2019 levels. The combination of the rapid recovery and the constrained supply of aircraft has led to rising demand for leased aircraft and in particular for the lease extension or purchase of used aircraft from existing airline customers as they managed increased demand against a backdrop of new aircraft delivery delays.

We have been able to mitigate these risks by maintaining a young portfolio of in-demand aircraft and an orderbook that focuses primarily on the most popular single-aisle aircraft, by applying stringent risk management principles in our customer selection process and by placing aircraft on well-structured, long-term leases. We also mitigate risk by maintaining a diverse portfolio with a global customer base, enabling us to redeploy assets as and when necessary to areas of greater demand. Our aircraft sales plan is an integral part of our risk management strategy and enables us to reduce our exposure to asset types and airline credits that do not align with our long-term investment strategy.

On the cost side of the business, we seek to control aircraft depreciation costs by securing attractive prices from aircraft manufacturers by placing regular bulk orders, and by maintaining price discipline in the purchase and leaseback market to avoid overpaying for assets.

We also seek to control our cost of funding, the other major component of our cost base, by maintaining our investment grade credit ratings of A- from both Fitch and S&P Global Ratings and by regular engagement with our broad and diverse investor and lending groups. Rising U.S. dollar interest rates increase our overall funding cost and thus affect the margins that we can achieve to the extent that we cannot pass this on to lessees in our leasing business. However, 70% of our existing debt is fixed rate, which will mitigate this effect.

The Russia-Ukraine conflict resulted in the write-down to zero of 17 aircraft in 2022. We concluded insurance settlements on 11 of these aircraft in 2023 and we continue to pursue insurance claims on aircraft that remain or were formerly detained in Russia and to seek recovery from other sources.

## **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)**). All applicable IFRS and SFRS(I) provisions together with the relevant transitional provisions effective for the accounting period commencing from the beginning of each Relevant Period, 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 91 airlines in 45 countries and regions as at December 31, 2023.

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, our ability to collect lease rentals 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 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, epidemic and disease outbreaks, 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 operating lease is the primary driver for lease rental income and for depreciation. As at December 31, 2023, 2022 and 2021, we had 379<sup>(1)</sup>, 386 and 374 aircraft on operating lease, respectively, generating lease rental income of U.S.\$1,911 million, U.S.\$1,784 million and U.S.\$1,865 million in 2023, 2022 and 2021, respectively. In the same years, we had depreciation expenses of aircraft of U.S.\$791 million, U.S.\$783 million and U.S.\$762 million, respectively. The increases in lease rental income and depreciation expenses were generally in line with the expansion of our owned fleet. In 2023, we added 24 aircraft on operating leases and sold 20 aircraft. The decrease in lease rental income in 2022 compared with 2021 was mainly due to the termination of leases of 18 owned aircraft with Russian airlines and aircraft that were off lease.

The size of our owned fleet of aircraft held for operating and finance lease impacts interest expenses through the increase in our financing requirements. As at December 31, 2023, 2022 and 2021, we had 460, 427 and 417 aircraft, respectively, in our owned fleet. In the same years, we had finance expenses of U.S.\$636 million, U.S.\$484 million and U.S.\$465 million, respectively.

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 portion of our fleet comprises managed aircraft, for which we receive lease management fee income from aircraft owners to whom we provide aircraft lease management services.

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Note:

(1) Adjusted for disposition of 11 owned aircraft under insurance settlements.

The table below sets forth our fleet and our order book as at December 31, 2023:

<b>Aircraft type</b>	<b>Owned aircraft</b>	<b>Managed aircraft</b>	<b>Aircraft on order</b>	<b>Total</b>
<b>Narrowbody Aircraft</b>				
Airbus A220 family .....	18	0	0	18
Airbus A320CEO family.....	83	14	0	97
Airbus A320NEO family .....	122	0	124	246
Boeing 737NG family.....	61	13	0	74
Boeing 737-8/9 .....	60	0	93	153
Narrowbody sub-total .....	344	27	217	588
<b>Widebody Aircraft</b>				
Airbus A330CEO family.....	8	1	0	9
Airbus A330NEO family .....	6	0	0	6
Airbus A350 family.....	9	0	0	9
Boeing 777-300ER .....	27	4	0	31
Boeing 787 family.....	27	1	7	35
Widebody sub-total .....	77	6	7	90
Freighters .....	5	1	0	6
<b>Total</b> .....	426	34	224	684

#### **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 99.5% between January 1, 2008 and December 31, 2023.

Our lease expirations are well-dispersed, with relatively few near-term expiries. As at December 31, 2023, 2022 and 2021, the average remaining lease term of our owned aircraft, weighted by net book value of owned fleet, was 8.1 years, 8.1 years and 8.3 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 99.1% between January 1, 2008 and December 31, 2023<sup>(1)</sup>.

## **Access to Financing, Financing Costs and Related Market Conditions**

The aircraft operating lease industry is capital intensive, requiring acquisition of 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.

A certain amount of our leases and debt financing is subject to floating interest rates pegged to SOFR, 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.

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Note:

(1) Historical performance is not an indication of future performance.

The table below sets forth, for the years indicated, the historical movements of the one-month term SOFR:

1M Term SOFR	Year ended December 31,		
	2023	2022	2021
High .....	5.366	4.358	0.077
Low .....	4.360	0.048	0.012
Average.....	5.074	1.858	0.042

As at December 31, 2023, 30% of our debt was on a floating rate basis (including fixed rate debt which had been swapped to floating rate liabilities) and 70% 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 40 to the audited consolidated financial statements for the year ended December 31, 2023, 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 SOFR, while collecting fixed rate rentals in U.S. dollars in certain leases. To manage this exposure in our business, we have entered into interest rate swap contracts for hedging the interest rate exposure. We also entered into hedging arrangements 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 a diversified pool of 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.

See “Business – Hedging Arrangements and Policies” and “– Qualitative and Quantitative Disclosures on Financial Risk” for further details.

### **Sale of Aircraft**

We actively manage our portfolio of owned aircraft as part of our business model. 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 in terms of model, specification and age, and remaining lease term. For example, in 2023, 2022 and 2021, we sold 20, 17 and 23 aircraft, respectively, recording aggregate net gains on sale of aircraft of U.S.\$78 million, U.S.\$64 million and U.S.\$44 million in the respective years.

## 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, 2023. The statutory corporate tax rates in 2023 in Singapore, Ireland, the United States, the Cayman Islands and the United Kingdom were 17%, 12.5%, 21%, 0% and 25%, 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:

### Breakdown of income tax expense by jurisdiction

	Year ended December 31,				2021
	2023 (with Russia impact)	2023 <sup>(1)</sup> (excluding Russia impact)	2022 (with Russia impact)	2022 <sup>(2)</sup> (excluding Russia impact)	
Tax jurisdiction	Tax expense	Tax expense	Tax expense	Tax expense	Tax expense
Singapore . . . . .	21.5%	32.1%	169.8%	34.7%	12.0%
Ireland . . . . .	39.8%	10.9%	-460.0%	13.0%	23.3%
United States . . . . .	29.4%	43.4%	285.9%	38.3%	37.0%
United Kingdom and others <sup>(3)</sup> . . . . .	9.3%	13.6%	104.3%	14.0%	27.7%
<b>Total</b> . . . . .	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

As a result of the range in applicable tax rates, including the concessionary rate 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<sup>(4)</sup>. 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 11.2%, 32.0% and 12.1% in 2023, 2022 and 2021, respectively. Excluding the net impact of insurance settlement proceeds in 2023 and write-down of aircraft in 2022 in respect of aircraft in Russia, the effective tax rate was 10.7% in 2023 and 11.8% for 2022.

#### Notes:

- (1) Excludes the tax impact of the insurance recovery in respect of aircraft in Russia.
- (2) Excludes the tax impact of the write-down of the aircraft in Russia.
- (3) Others represents income tax expense in tax jurisdictions in which the Group did not own aircraft during the Relevant Period, including China and France. The corporate tax rate was 25% in China. In France, the corporate tax rate was 26.5% in 2021, 25% in 2022 and 25% in 2023.
- (4) Defined as income tax expense divided by profit before income tax, multiplied by 100%.

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 and subject to certain terms and conditions, 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. Withholding tax exemptions are extended to interest on loans provided to ALS-approved companies from non-Singapore resident lenders to finance the purchase of aircraft or aircraft engines, subject to certain qualifying conditions. The Company was granted the ALS for an additional five-year period from July 1, 2022.

During the Relevant Period, we have generated tax deductions from capital allowances (tax depreciation) 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 liabilities on our statement of financial position mainly attributable to the excess of the capital allowances 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 to 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 paid cash corporate income tax of U.S.\$7 million and U.S.\$9 million in 2023 and 2022, respectively and received cash corporate tax refunds of U.S.\$82 million in 2021.

## **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 and SFRS(I) for the years ended December 31, 2021, December 31, 2022 and December 31, 2023. 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 material/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 for the Relevant Period, unless otherwise stated, are described below.

## Changes in Accounting Policies

We adopted Amendments to IAS 12/SFRS(I) 1-12: International Tax Reform – Pillar Two Model Rules on January 1, 2023, and Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39, IFRS 7/SFRS(I) 7, IFRS 4/SFRS(I) 4 and IFRS 16/SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2 (**Phase 2 Amendments**) on January 1, 2021. The nature of the changes in these financial reporting standard are described below:

### **Amendments to IAS 12/SFRS(I) 1-12: International Tax Reform – Pillar Two Model Rules**

We adopted the Amendments to IAS 12/SFRS(I) 1-12: International Tax Reform – Pillar Two Model Rules which include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation.

Pillar Two legislation was enacted in the United Kingdom on July 11, 2023 and in Ireland on December 18, 2023, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for financial years beginning on or after December 31, 2023. Since the Pillar Two legislation was not effective at December 31, 2023, we have no related current tax exposure. We have applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

We are in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating the Global Anti-Base Erosion income, the quantitative impact of the enacted legislation is not yet reasonably estimated. We are currently engaged with tax specialists to assist them in applying the legislation.

### **Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39, IFRS 7/SFRS(I) 7, IFRS 4/SFRS(I) 4 and IFRS 16/SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2**

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (**IBORs**) with alternative nearly risk-free rates. U.S. dollar LIBOR was discontinued on June 30, 2023 and has lost its representativeness. On April 3, 2023, the Financial Conduct Authority announced its decision to require ICE Benchmark Administration Limited (the administrator of U.S. dollar LIBOR) to continue the publication of 1-month, 3-month and 6-month U.S. dollar LIBOR settings using a 'synthetic' methodology (**Synthetic U.S. dollar LIBOR**) for a period expiring on September 30, 2024 (subject to any extension of such period).

As at December 31, 2023, we have completed the transition of our U.S. dollar LIBOR-based financial instruments and off-balance sheet items to SOFR, except for certain balances for which we have exposure to Synthetic U.S. dollar LIBOR. We have applied Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39, IFRS 7/SFRS(I) 7, IFRS 4/SFRS(I) 4 and IFRS 16/SFRS(I)16: Interest Rate Benchmark Reform – Phase 2 for amortized cost measurement and hedge accounting in respect of modifications triggered by the transition. The transition from U.S. dollar LIBOR to SOFR has no material effect on the amounts reported for the current and prior financial year.

On modification of financial assets and financial liabilities measured at amortized cost, the amendments enable entities to account for a change in the contractual cash flows that are required by the reform as a direct consequence and made on an economically equivalent basis by updating the effective interest rate.

On hedge accounting, the amendments enable entities to amend the formal designation and documentation of a hedging relationship to reflect changes required by the reform without discontinuing the hedging relationship or designating a new hedging relationship. Permitted changes include designating an alternative benchmark rate as a hedged risk, amending the description of the hedged item (including the description of the designated portion of the cash flows or fair value being hedged), or amending the description of the hedging instrument to refer to an alternative benchmark rate, and amending the description of how the entity will assess hedge effectiveness.

We have exposure to Synthetic U.S. dollar LIBOR on our financial instruments and off-balance sheet items as at December 31, 2023 as set out in Note 40(a) to the audited consolidated financial statements for the year ended December 31, 2023 in this Offering Circular. For our financial instruments that have not yet transitioned to an alternative benchmark rate, we continue to apply Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39 and IFRS 7/SFRS(I) 7: Interest Rate Benchmark Reform (**Phase 1 Amendments**) which provide relief to allow entities to assume that the uncertainty arising from the reform does not affect hedge relationships to the extent that they must be discontinued.

## **Leases**

We assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### **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.

Finance leases, which effectively transfer to the lessee substantially all the risks and rewards of ownership of the 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 recognized directly in profit or loss.

### **Where we are the lessee**

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **(i) Right-of-use assets**

At the commencement date of the lease, we recognize right-of-use assets representing the right to use the underlying asset during the lease term. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subject to impairment.

#### **(ii) Lease liabilities**

At the commencement date of a lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, we use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, or a change in the lease payment.

## **Property, plant and equipment**

### **Aircraft**

Aircraft on operating lease to airline customers and aircraft off-lease at year end are included under property, 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 capitalized. The cost of aircraft is stated net of applicable 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 when incurred.

The carrying values of aircraft are reviewed for impairment at the end of each reporting period or when events or changes in circumstances indicate that the carrying values may not be recoverable.

Where we are the lessee, we account for aircraft and office and facilities spaces as right-of-use assets. See "Right-of-use assets" above.

### **Aircraft pre-delivery payments**

Pre-delivery payments are recognized at cost under property, plant and equipment when payments are made for aircraft under construction and are not depreciated.

### **Depreciation**

Aircraft are depreciated on a straight-line basis from the date of manufacture 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 on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of such property, plant and equipment are as follows:

Office renovations	–	8 to 10 years
Furniture, fittings and office equipment	–	1 to 3 years
Right-of-use asset – Office and facilities spaces	–	1 to 10 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 property, plant and equipment.



## **Disposal**

An item of property, 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, 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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, we estimate the asset's recoverable amount. A previously recognized 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 recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such reversal is recognized in profit or loss.

## **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. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

## **Revenue and other income 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 stepped or adjusted rentals are recognized on a straight-line basis over the term of the remaining lease. For operating leases where rentals are based on floating interest rates, increases or decreases in lease payments that result from subsequent changes in the floating interest rate are recorded as increases or decreases in lease revenue in the period of the interest rate change. Variable rents are recognized as revenue in the period in which they are earned.

**Fee income from aircraft pre-delivery payments**

Fee income from aircraft pre-delivery payments is recognized as revenue over time following the timing of satisfaction of the performance obligation.

**Interest income**

Interest income from financial assets at amortized cost is recognized using the effective interest method.

**Maintenance reserves**

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are generally 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 or surplus that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee 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 is 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 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 commitment or advances of pre-delivery payments on which we earn income. Capitalization of interest is suspended during extended periods in which active development of a qualifying asset is suspended and 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. Our financial assets are categorized as either financial assets at fair value through profit or loss or financial assets measured at amortized cost at initial recognition. The classification depends on our business model for managing financial assets as well as the contractual terms of the cash flows of the financial asset.

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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) 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. Our financial liabilities are categorized as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost 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 and foreign exchange forward contracts to hedge our risks associated with foreign currency and interest rate fluctuations. Our policy requires that derivatives are used solely for managing risks and not for speculative purposes.

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. The full fair values of hedging derivatives are classified as current if the hedge relationships are for less than 12 months, and as non-current if those relationships are for more than 12 months.

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 and foreign exchange forward contracts are determined with reference to marked-to-market values based on valuation techniques that use data from observable markets.

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 value 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 at hedge inception and on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

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 recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the effective interest method. If the hedged item is derecognized, the unamortized fair value is recognized immediately 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 recognized in hedging reserve, while the ineffective portion is recognized in profit or loss.

Amounts recognized 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 recognized or when a forecast sale or purchase occurs.

If the hedged future cash flows are no longer expected to occur, amounts previously recognized 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 recognized in hedging reserve remain in other comprehensive income until the future cash flows occur.

### **Impairment of financial assets**

We recognize 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 we expect 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.

Our loss allowances 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

We apply 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.

For the purpose of recognition of an allowance for ECL, we consider a financial asset to be in default when the lessee does not pay the amounts due under its lease and/or deferral agreements to us in excess of any security deposit or the value of any collateral related to the lease.

(b) General approach

We apply a general three stage 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, we assess 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. According to the changes of credit risk of financial instruments since initial recognition, we calculate ECL by three stages:

- Stage 1: Financial instruments without significant increases in credit risk since initial recognition are included under Stage 1 to calculate their loss allowance at an amount equivalent to 12-month ECLs;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included under Stage 2, with their loss allowance measured at an amount equivalent to lifetime ECLs; or
- Stage 3: Financial instruments that have had a significant increase in credit risk since initial recognition and objective impairment evidence are included under Stage 3, with their loss allowance measured at an amount equivalent to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, we consider 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 our historical experience and informed credit assessment and includes forward-looking information.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recovery received subsequent to write-off will be recognized in profit or loss.

## **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.



## STATEMENT OF PROFIT OR LOSS ANALYSIS

Year Ended December 31, 2023 compared to Year Ended December 31, 2022

Our net profit after tax for the year ended December 31, 2023 was U.S.\$764 million compared with U.S.\$20 million for the year ended December 31, 2022. The increase in net profit after tax was mainly due to lower impairment of aircraft, higher lease rental and other income, partially offset by absence of income arising from termination of leases and higher finance expenses.

Year Ended December 31, 2022 compared to Year Ended December 31, 2021

Our net profit after tax for the year ended December 31, 2022 was U.S.\$20 million, representing a decrease of 96.4% compared with U.S.\$561 million for the year ended December 31, 2021. The decrease in net profit after tax was mainly due to a write-down of 17 aircraft in Russia of U.S.\$791 million. This write-down was partially offset by cash collateral held by us in respect of those aircraft of U.S.\$223 million and U.S.\$61 million of tax credit, resulting in an after-tax impact of U.S.\$507 million. Total revenues and other income rose by 5.7% to U.S.\$2.3 billion. Total costs and expenses increased by 47.5% to U.S.\$2.3 billion mainly due to the asset write-down.

### Description of Major Line Items in our Consolidated Statement of Profit or Loss

#### Revenues and Other Income

Our revenues and other income consists of (i) lease rental income, (ii) interest income from finance leases (iii) other interest and fee income, (iv) net gain on sale of aircraft, (v) income arising from termination of leases and (vi) other income.

#### Lease rental income

Our primary source of revenues and other income is lease rental income received from aircraft operating leases with airlines, representing 77.6%<sup>(1)</sup>, 85.6%<sup>(2)</sup> and 85.4% of our total revenues and other income in 2023, 2022 and 2021, 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 2023, 2022 and 2021, Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was the largest region of our revenue from lease rentals, representing 25.5%, 26.5% and 27.4% of our total lease rental income in 2023, 2022 and 2021, respectively. Our lease rental income from the Asia Pacific (including Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan), which together accounted for 48.7%, 50.1% and 47.2% of our total lease rental income in 2023, 2022 and 2021, 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 Synthetic U.S. dollar LIBOR or SOFR 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.

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Notes:

(1) Includes the recovery in respect of aircraft in Russia.

(2) Excludes income arising from termination of leases with airlines in Russia.

### Interest income from finance leases

Our interest income from finance leases was U.S.\$69 million, U.S.\$41 million and U.S.\$42 million in 2023, 2022 and 2021, respectively, and is derived from our aircraft on leases that were classified as finance leases in accordance with IFRS 16 (Leases).

### Other interest and fee income

Our other interest and fee income was U.S.\$86 million, U.S.\$96 million and U.S.\$135 million in 2023, 2022 and 2021, 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 dialog with our airline customers and the OEMs. 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 audited consolidated financial statements for the year ended December 31, 2023 in this Offering Circular for further details.

### Net gain on sale of aircraft

Net gain on sale of aircraft is derived from sale proceeds, maintenance reserves and security deposits 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 2023, 2022 and 2021, we sold 20, 17 and 23 aircraft, respectively. The table below sets forth a breakdown of our net gain on sale of aircraft:

	Year ended December 31,		
	2023	2022	2021
	U.S.\$'000		
Proceeds from sale of aircraft.....	808,066	1,309,190	825,257
Maintenance reserves released .....	5,030	—	—
Less: net book value of aircraft .....	(733,640)	(1,244,395)	(780,481)
Less: expenses.....	(1,608)	(928)	(1,004)
Net gain on sale of aircraft.....	77,848	63,867	43,772

## Income arising from termination of leases

Our income arising from termination of leases was nil, U.S.\$223 million, U.S.\$74 million in 2023, 2022 and 2021, respectively. Income arising from termination of leases for 2022 was in respect of termination of leases of 17 aircraft with Russian airlines. Income arising from termination of leases for 2021 was in respect of termination of leases of six aircraft arising from a separate unrelated event.

## Other income

Our other income was U.S.\$317 million, U.S.\$99 million and U.S.\$23 million in 2023, 2022 and 2021, respectively. In 2023, we recognized as other income the insurance settlement proceeds from a Russian insurance company in respect of 11 aircraft formerly leased to Russian airlines which were detained in Russia. The remaining other income was mainly related to income arising from the release of unutilized maintenance reserves to profit or loss and tax rebates. In 2022, other income was mainly related to income arising from the release of unutilized maintenance reserves and security deposits collected in a prior lease to profit or loss and amounts paid by manufacturers based on mutual agreements. The remaining other income was related to tax rebates. In 2021, other income was mainly related to tax rebates and amounts paid by manufacturers based on mutual agreements.

## Costs and Expenses

Costs and expenses mainly comprise (i) depreciation of property, plant and equipment, (ii) impairment of aircraft, (iii) finance expenses, (iv) staff costs, (v) impairment/(write-back of) losses on financial assets, and (vi) other operating costs and expenses.

## Depreciation of property, plant and equipment

Depreciation of property, plant and equipment constituted the largest component of our costs and expenses during the Relevant Period. In 2023, 2022 and 2021, depreciation of property, plant and equipment amounted to U.S.\$795 million, U.S.\$786 million and U.S.\$766 million, representing 49.7%, 52.9%<sup>(1)</sup> and 49.6% 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,		
	2023	2022	2021
	U.S.\$'000		
Aircraft .....	791,407	782,777	761,986
Other plant and equipment .....	1,433	759	1,462
Right-of-use assets .....	2,549	2,548	2,113
<b>Total depreciation .....</b>	<b>795,389</b>	<b>786,084</b>	<b>765,561</b>

## Impairment of aircraft

Impairment of aircraft, where the estimated recoverable value of certain aircraft was lower than the relevant aircraft's net book value, was U.S.\$9 million, U.S.\$856 million and U.S.\$146 million in 2023, 2022 and 2021, respectively.

Note:

(1) Excludes the impairment of the aircraft in Russia in 2022.

## Finance expenses

Finance expenses relate primarily to interest expense and other charges on our loans and borrowings and lease liabilities, which are not capitalized as part of property, plant and equipment. The table below sets forth, for the periods indicated, a breakdown of our finance expenses:

	Year ended December 31,		
	2023	2022	2021
	U.S.\$'000		
Interest expense and other charges on:			
Loans and borrowings . . . . .	635,932	483,324	465,058
Lease liabilities . . . . .	429	337	229
<b>Total finance expenses . . . . .</b>	<b>636,361</b>	<b>483,661</b>	<b>465,287</b>

## Staff costs

Staff costs comprise mainly salaries, bonuses, employers' defined contributions and amortization of share-based compensation. The table below sets forth, for the periods indicated, a breakdown of our staff costs:

	Year ended December 31,		
	2023	2022	2021
	U.S.\$'000		
Salaries, bonuses and other staff costs . . . . .	57,842	37,894	57,475
Employers' defined contributions . . . . .	2,518	2,479	2,680
Amortization of share-based compensation . . . . .	7,381	8,749	8,548
<b>Total staff costs . . . . .</b>	<b>67,741</b>	<b>49,122</b>	<b>68,703</b>

The first Restricted Share Unit Long Term Incentive Plan (**RSU Plan**) was adopted on December 18, 2017 governing the awards made by the Company in respect of the five financial years from 2017 to 2021 (inclusive) and will terminate in December 2024 when the final awards have vested. The second RSU Plan was adopted on February 28, 2023 governing the awards made by the Company in respect of the four financial years from 2022 to 2025 (inclusive) and will terminate in either April 2029 or (depending on the satisfaction of certain conditions) April 2030 when the final awards have vested. The purpose of the RSU Plan is to attract skilled and experienced management and professional employees, 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 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 subsidiary companies. An independent trustee purchases shares of the Company from the market and holds 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.

Subject to the terms and conditions of the RSU Plan and the fulfillment of all conditions to the vesting of the awards, the shares underlying each award will vest in December of the third year after the end of the financial year for which the award was granted (under the first RSU Plan) or in April of either the fourth or fifth year (depending on the satisfaction of certain conditions) after the end of the financial year for which the award was granted (under the second RSU Plan).

## **Impairment/(Write-back of) losses on financial assets**

We assess when a financial asset is impaired and recognize an allowance for expected credit losses for all financial assets not held at fair value through profit or loss. We consider a receivable to be in default for the purpose of assessing expected credit loss provision when the lessee does not pay the amounts due under its lease and/or deferral agreements to us in excess of any security deposit or the value of any collateral related to the lease. If the total overdue receivables are in excess of the security deposits, provision for expected credit losses is made for the excess amounts.

Write-back of impairment losses on financial assets are recognized upon improvement in cash collections from certain lessees.

## **Other operating costs and expenses**

Other operating costs and expenses mainly comprise amortization of deferred debt issue costs, taxes (other than income tax expense), repossession and transition costs, marketing and traveling costs, general and administration costs, and professional fees.

## **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 capital allowances 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. During the Relevant Period, we have paid cash corporate income tax, comprising amounts which had been previously provided as deferred tax liabilities and received cash corporate income tax, comprising amounts which had been previously recognized as income tax receivables.

## **REVIEW OF HISTORICAL RESULTS OF OPERATIONS**

### **Year Ended December 31, 2023 compared to Year Ended December 31, 2022**

#### **Revenues and other income**

Our total revenues and other income increased by 6.7% to U.S.\$2.5 billion from U.S.\$2.3 billion in 2022, primarily due to an increase in lease rental income and other income, partially offset by a decrease in income arising from termination of leases as described below.

#### **Lease rental income**

Our lease rental income increased by 7.1% to U.S.\$1.9 billion in 2023 compared with U.S.\$1.8 billion in 2022. During the year, we added 24 aircraft on operating leases and sold 20 aircraft. The lease rental yield<sup>(1)</sup> for aircraft subject to operating leases was 10.0% for 2023 compared with 9.2% for 2022.

#### **Interest income from finance leases**

Our interest income from finance leases increased by 69.4% to U.S.\$69 million in 2023 compared with U.S.\$41 million in 2022. During the year, we added 41 aircraft and five engines on leases classified as finance leases.

The lease rental yield<sup>(2)</sup> for aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) was 6.6% in 2023 compared with 6.2% in 2022.

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Notes:

- (1) Lease rental yield for operating leases is defined as operating lease rental income divided by the average of aircraft net book value.
- (2) Lease rental yield for finance leases is defined as the average effective interest rate per annum on finance lease receivables as at December 31, 2023 and December 31, 2022 respectively.

#### Other interest and fee income

Our other interest and fee income, mainly in respect of fees from pre-delivery payment transactions, interest income, and lease management and remarketing fee income, was U.S.\$86 million in 2023 compared with U.S.\$96 million in 2022. The decrease was primarily due to lower fees from pre-delivery payment transactions.

#### Net gain on sale of aircraft

Net gain on sale of aircraft increased by 21.9% to U.S.\$78 million in 2023 compared with U.S.\$64 million in 2022 mainly due to 20 aircraft being sold in 2023 compared with 17 aircraft in 2022.

#### Income arising from termination of leases

Income arising from termination of leases was nil in 2023 compared with U.S.\$223 million in 2022, which arose from cash collateral held by us in respect of aircraft in Russia following the termination of leases with Russian airlines in 2022.

#### Other income

Other income increased by 220.4% to U.S.\$317 million in 2023 compared with U.S.\$99 million in 2022 mainly due to receipt of insurance settlement proceeds from a Russian insurance company in respect of 11 aircraft formerly leased to Russian airlines which were detained in Russia.

#### **Costs and expenses**

Costs and expenses increased by 7.7% to U.S.\$1,601 million in 2023 from U.S.\$1,486 million in 2022 (excluding the write-down of net book value of 17 aircraft in Russia of U.S.\$791 million in 2022), mainly due to higher finance expenses partially offset by lower aircraft impairment as described below.

#### Impairment of aircraft

Impairment of aircraft decreased to U.S.\$9 million in 2023 for ten aircraft compared with U.S.\$65 million in 2022 for 14 aircraft (excluding the write-down of 17 aircraft in Russia), where the recoverable value for each affected aircraft was assessed to be lower than its net book value.

#### Finance expenses

Finance expenses increased by 31.6% to U.S.\$636 million in 2023 from U.S.\$484 million in 2022 mainly due to a higher cost of debt of 4.1% per annum in 2023 compared with 3.1% per annum in 2022 and an increase in loans and borrowings to U.S.\$16.5 billion as at December 31, 2023 from U.S.\$15.1 billion as at December 31, 2022.

#### Staff costs

Staff costs increased by 37.9% to U.S.\$68 million in 2023 from U.S.\$49 million in 2022 mainly due to higher provisions for variable cash bonuses in 2023 compared with 2022 based on the Group's performance.

#### (Write-back of)/Impairment losses on financial assets

Write-back of impairment losses on financial assets of U.S.\$3 million was recognized in 2023 compared with impairment losses of U.S.\$1 million in 2022 mainly due to improvement in cash collections from certain lessees in 2023.

## Other operating costs and expenses

Other operating costs and expenses mainly comprise repossession and transition costs, amortization of deferred debt issue costs, general and administration costs, taxes (other than income tax expense) and professional fees. The decrease of 6.1% in these costs to U.S.\$95 million in 2023 from U.S.\$101 million in 2022 was mainly due to lower provision for costs in relation to the transition and repossession of aircraft.

## Profit before income tax

Profit before income tax increased to U.S.\$861 million in 2023 from U.S.\$29 million in 2022.

## Income tax expense

Income tax expense increased by 924.3% to U.S.\$97 million in 2023 from U.S.\$9 million in 2022, primarily due to income tax expense in 2023 arising from continuing operations and the insurance settlement proceeds in respect of 11 aircraft in Russia, compared to an income tax credit in 2022 as a result of the write-down of 17 aircraft in Russia. The effective tax rate was 11.2% and 32.0% in 2023 and 2022, respectively. Excluding the net impact of insurance settlement proceeds in 2023 and write-down of aircraft in 2022 in respect of aircraft in Russia, the effective tax rate was 10.7% in 2023 and 11.8% for 2022.

## Profit for the year

As a result of the foregoing, our profit after tax for the year increased to U.S.\$764 million in 2023 from U.S.\$20 million in 2022.

## Year Ended December 31, 2022 compared to Year Ended December 31, 2021

### Revenues and other income

Our total revenues and other income increased by 5.7% to U.S.\$2.3 billion from U.S.\$2.2 billion in 2021, primarily due to a rise in other income and income arising from termination of leases of 18 owned aircraft with Russian airlines as described below.

#### Lease rental income

Our lease rental income decreased by 4.3% to U.S.\$1.8 billion in 2022 compared with U.S.\$1.9 billion in 2021 mainly due to the termination of leases of 18 owned aircraft with Russian airlines and aircraft that were off lease. The lease rental yield<sup>(1)</sup> for aircraft subject to operating leases was 9.2% for 2022 compared with 9.7% for 2021.

#### Interest income from finance leases

Our interest income from finance leases decreased slightly by 3.1% to U.S.\$41 million in 2022. The lease rental yield<sup>(2)</sup> for aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) was 6.2% for 2022, similar to 2021.

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#### Notes:

- (1) Lease rental yield for operating leases is defined as operating lease rental income divided by the average of aircraft net book value.
- (2) Lease rental yield for finance leases is defined as the average effective interest rate per annum on finance lease receivables as at December 31, 2022 and December 31, 2021 respectively.



#### Other interest and fee income

Our other interest and fee income, mainly in respect of fees from pre-delivery payment transactions, interest income, and lease management and remarketing fee income, was U.S.\$96 million in 2022 compared with U.S.\$135 million in 2021.

#### Net gain on sale of aircraft

Net gain on sale of aircraft increased by 45.9% to U.S.\$64 million in 2022 compared with U.S.\$44 million in 2021 due to higher profit per aircraft from the sale of 17 aircraft in 2022 compared with 23 aircraft in 2021.

#### Income arising from termination of leases

Income arising from termination of leases increased by 201.8% to U.S.\$223 million in 2022 compared with U.S.\$74 million in 2021 mainly due to the termination of leases with Russian airlines in 2022.

#### Other income

Other income increased by 323.1% to U.S.\$99 million in 2022 compared with U.S.\$23 million in 2021 mainly due to income arising from the release of unutilized maintenance reserves and security deposits collected under a prior lease to profit or loss, amounts paid by manufacturers based on mutual agreements and tax rebates.

#### Costs and expenses

Excluding the loss arising from asset write-down, the decrease in costs and expenses to U.S.\$1,486 million in 2022 from U.S.\$1,545 million in 2021 was primarily due to lower impairment of aircraft which is described below.

#### Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by 2.7% to U.S.\$786 million in 2022 compared with U.S.\$766 million in 2021, mainly due to the growth of our fleet to 386 aircraft as at December 31, 2022 from 374 aircraft as at December 31, 2021.

#### Impairment of aircraft

Impairment of aircraft increased to U.S.\$856 million in 2022 from U.S.\$146 million in 2021 mainly due to the write-down of 17 aircraft in Russia of U.S.\$791 million in 2022. Excluding the write-down of aircraft in Russia, total impairment for the year was U.S.\$65 million.

#### Finance expenses

Finance expenses increased by 3.9% to U.S.\$484 million in 2022 from U.S.\$465 million in 2021 mainly due to a higher cost of debt of 3.1% per annum in 2022 compared with 2.9% per annum in 2021, partially offset by a 4.8% decrease in our average total indebtedness in 2022 compared with 2021.

#### Staff costs

Staff costs decreased by 28.5% to U.S.\$49 million in 2022 from U.S.\$69 million in 2021 mainly due to lower provisions for variable cash bonuses in 2022 compared with 2021 and changes to the Group's long-term incentive plan under which awards for 2022 and later years will be settled entirely by shares under the RSU Plan and will be, amortized over 3 years from the date of grant commencing in 2Q 2023.

#### Impairment/(Write-back of) losses on financial assets

Impairment losses on financial assets were of U.S.\$1 million in 2022 compared with a write-back of impairment losses of U.S.\$8 million in 2021.

#### Other operating costs and expenses

Other operating costs and expenses mainly comprise repossession and transition costs, amortization of deferred debt issue costs and taxes (other than income tax expense). The decrease of 5.3% in these costs to U.S.\$101 million in 2022 from U.S.\$107 million in 2021 was mainly due to lower provision for costs in relation to the transition and repossession of aircraft.

#### Profit before income tax

Profit before income tax decreased by 95.4% to U.S.\$29 million in 2022 from U.S.\$639 million in 2021.

#### Core profit before income tax

Core profit before income tax (which excludes the net impact of the Russia write-down) decreased by 6.3% to U.S.\$598 million in 2022 from U.S.\$639 million in 2021.

#### Income tax expense

Income tax expense decreased by 87.8% to U.S.\$9 million in 2022 from U.S.\$77 million in 2021, primarily due to an income tax credit in 2022 as a result of the write-down of 17 aircraft in Russia. Accordingly, the effective tax rate for 2022 was 32.0%. Excluding the impact of the asset write-down and income arising from the termination of leases with Russian airlines in 2022, the effective tax rate was 11.8% in 2022, compared with 12.1% for 2021.

#### Profit for the year

As a result of the foregoing, our profit after tax for the year decreased by 96.4% to U.S.\$20 million in 2022 from U.S.\$561 million in 2021.

#### Core net profit after tax

Core net profit after tax (which excludes the net impact of the Russia write-down) of U.S.\$527 million decreased by 6.0% compared with U.S.\$561 million in 2021 primarily due to the loss of rental income on the 17 aircraft that remain in Russia.

#### STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 9.5% to U.S.\$24.2 billion as at December 31, 2023 from U.S.\$22.1 billion as at December 31, 2022. Our total equity increased by 10.5% to U.S.\$5.7 billion as at December 31, 2023 compared with U.S.\$5.2 billion as at December 31, 2022.

Our total assets decreased by 7.6% to U.S.\$22.1 billion as at December 31, 2022 from U.S.\$23.9 billion as at December 31, 2021. Our total equity decreased by 1.2% to U.S.\$5.2 billion as at December 31, 2022 compared with U.S.\$5.3 billion as at December 31, 2021.

## Description of Major Line Items in our Consolidated Statements of Financial Position

### Property, plant and equipment

We had property, plant and equipment of U.S.\$20.8 billion, U.S.\$20.6 billion and U.S.\$22.4 billion as at December 31, 2023, 2022 and 2021, respectively.

Aircraft, which constituted the largest component was U.S.\$19.1 billion (91.8%), U.S.\$19.1 billion (92.6%) and U.S.\$19.6 billion (87.8%) as at December 31, 2023, 2022 and 2021, respectively.

### Finance lease receivables

Finance lease receivables was U.S.\$2.5 billion, U.S.\$643 million and U.S.\$665 million as at December 31, 2023, 2022 and 2021, respectively. The finance lease receivables were in respect of 47, 6 and 6 aircraft that were subject to leases classified as finance leases in accordance with IFRS 16 (Leases) as at December 31, 2023, 2022 and 2021, 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,		
	2023	2022	2021
		U.S.\$'000	
Trade receivables – gross carrying amount . . . . .	122,947	174,617	202,354
Less: Allowance for expected credit losses . . . . .	(5,583)	(11,350)	(20,137)
<b>Trade receivables – net of allowance for expected credit losses . . . . .</b>	<b>117,364</b>	<b>163,267</b>	<b>182,217</b>

As of December 31, 2023, trade receivables net of allowance for expected credit losses of U.S.\$6 million, was U.S.\$117 million. We had net trade receivables of U.S.\$107 million which were contractually deferred by mutual agreement, not overdue and generally interest bearing, and an amount of U.S.\$10 million was past due but covered by collateral held.

As of December 31, 2022, trade receivables net of allowance for expected credit losses of U.S.\$11 million, was U.S.\$163 million. We had net trade receivables of U.S.\$143 million which was contractually deferred by mutual agreement and not overdue, and is generally interest bearing, and U.S.\$14 million was past due but covered by collateral held.

As of December 31, 2021, trade receivables net of allowance for expected credit losses of U.S.\$20 million, was U.S.\$182 million. We had U.S.\$202 million of gross trade receivables as of December 31, 2021, of which U.S.\$176 million was contractually deferred by mutual agreement and not overdue, and which is generally interest bearing, and U.S.\$26 million which was past due.

### Cash and short-term deposits

Our cash and short-term deposits, which were mainly denominated in U.S. dollar, was U.S.\$392 million as at December 31, 2023 similar to U.S.\$397 million as at December 31, 2022.

Our cash and short-term deposits decreased to U.S.\$397 million as at December 31, 2022 from U.S.\$486 million as at December 31, 2021. The decrease in cash and short-term deposits was mainly due to the cash outflows from capital expenditure and financing activities having been greater than the total net cash inflows from operating activities and proceeds from sale of property, plant and equipment during 2022.

## 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, 2023, 2022 and 2021, respectively.

Under assets, our derivative financial instruments decreased to U.S.\$15 million as at December 31, 2023 from U.S.\$23 million as at December 31, 2022. Under liabilities, our derivative financial instruments increased to U.S.\$26 million as at December 31, 2023 from U.S.\$20 million as at December 31, 2022. The movements in derivative financial assets and liabilities were primarily due to changes in marked-to-market values of the derivative financial instruments as a result of net interest receipts under swaps, partially offset by higher U.S. dollar interest rates. Accordingly, the unrealized loss in the hedging reserve was U.S.\$0.5 million as at December 31, 2023 compared with an unrealized gain of U.S.\$15 million as at December 31, 2022.

Under assets, our derivative financial instruments increased to U.S.\$23 million as at December 31, 2022 from nil as at December 31, 2021. Under liabilities, our derivative financial instruments decreased to U.S.\$20 million as at December 31, 2022 from U.S.\$94 million as at December 31, 2021. The movements in derivative financial assets and liabilities were primarily due to changes in marked-to-market values of the derivative financial instruments as a result of higher U.S. dollar interest rates. Accordingly, the unrealized gain in the hedging reserve was U.S.\$15 million as at December 31, 2022 as compared with an unrealized loss of U.S.\$85 million as at December 31, 2021, mainly due to higher U.S. dollar interest rates and net change in fair value of cash flow hedges.

## Other assets

	Year ended December 31,		
	2023	2022	2021
	U.S.\$'000		
Other assets .....	375,858	216,278	182,481

Our other assets increased to U.S.\$376 million as at December 31, 2023 from U.S.\$216 million as at December 31, 2022 mainly due to an amount receivable from a manufacturer which was deferred by mutual agreement in return for a fee.

Our other assets increased to U.S.\$216 million as at December 31, 2022 from U.S.\$182 million as at December 31, 2021 mainly due to an amount receivable from a manufacturer which was deferred by mutual agreement in return for a fee.

## Maintenance reserves

	Year ended December 31,		
	2023	2022	2021
	U.S.\$'000		
Maintenance reserves .....	693,370	645,116	672,110

Our maintenance reserves increased to U.S.\$693 million as at December 31, 2023 from U.S.\$645 million as at December 21, 2022 primarily due to increased utilization of aircraft.

Our maintenance reserves decreased to U.S.\$645 million as at December 31, 2022 from U.S.\$672 million as at December 31, 2021 primarily due to the release of maintenance reserves to profit or loss upon termination of leases, payment of maintenance reserve reimbursements to our customers and sale of aircraft with maintenance reserves balances, partially offset by contributions from lessees for aircraft leased with cash maintenance reserves.

### Trade and other payables

Our other payables primarily consist of accrued interest expenses mainly in relation to our indebtedness, staff costs related accruals, accrued technical expenses, sundry payables, accrued maintenance reserve payables and other accruals and liabilities. The table below sets forth, as at the dates indicated, a breakdown of our trade and other payables:

	Year ended December 31,		
	2023	2022	2021
	U.S.\$'000		
Trade payables.....	253	27	2,436
Sundry payables .....	6,927	5,417	20,023
Accrued finance expenses .....	107,305	95,951	95,150
Accrued maintenance reserve payables .....	670	444	10,278
Accrued technical expenses.....	6,108	11,383	33,550
Staff costs related accruals .....	36,659	28,396	32,597
Other accruals and liabilities .....	8,700	4,780	6,056
<b>Total trade and other payables .....</b>	<b>166,622</b>	<b>146,398</b>	<b>200,090</b>

Our trade and other payables increased by 13.8% to U.S.\$167 million as at December 31, 2023 compared with U.S.\$146 million as at December 31, 2022 primarily due to higher accrued finance expenses and staff costs related accruals.

Our trade and other payables decreased by 26.8% to U.S.\$146 million as at December 31, 2022 compared with U.S.\$200 million as at December 31, 2021 primarily due to lower accrued technical expenses.

### Loans and borrowings

Our loans and borrowings increased by 9.2% to U.S.\$16.5 billion as at December 31, 2023 from U.S.\$15.1 billion as at December 31, 2022 mainly due to the issuance of U.S.\$1.7 billion of notes under our Global Medium Term Note Program, utilization of U.S.\$1.7 billion in term loans and increase in borrowings of U.S.\$0.5 billion from revolving credit facilities. This was partially offset by repayment and prepayment of U.S.\$2.4 billion in term loans and medium term notes in 2023.

Our loans and borrowings decreased by 9.5% to U.S.\$15.1 billion as at December 31, 2022 from U.S.\$16.7 billion as at December 31, 2021 mainly due to repayment and prepayment of U.S.\$3.3 billion in term loans, revolving credit facilities and medium term notes in 2022 which was partially offset by an increase in loans and borrowings from the issuance of U.S.\$300 million of notes under our Global Medium Term Note Program and the utilization of U.S.\$1.4 billion in term loans.

### Share capital

There were no movements in share capital from 2021 to 2023.

## **Total equity**

Total equity increased by 10.5% to U.S.\$5.7 billion as at December 31, 2023 compared with U.S.\$5.2 billion as at December 31, 2022. The increase in total equity was mainly attributable to profit for the year partially offset by payment of dividends amounting to U.S.\$201 million and unrealized losses recognized in hedging reserve as explained under “Derivative financial instruments”.

Total equity decreased by 1.2% to U.S.\$5.2 billion as at December 31, 2022 compared with U.S.\$5.3 billion as at December 31, 2021. The decrease in total equity was mainly attributable to payment of dividends amounting to U.S.\$182 million, partially offset by profit for the year and unrealized gains recognized in hedging reserve as explained under “Derivative financial instruments”.

## **DIVIDENDS AND DIVIDEND POLICY**

In 2023, 2022 and 2021, we paid dividends of U.S.\$201 million, U.S.\$182 million and U.S.\$158 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 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
- operating cash flow generated by our operations.

We had net current liabilities of U.S.\$2,570 million, U.S.\$1,874 million and U.S.\$1,533 million as at December 31, 2023, 2022 and 2021, 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. 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 provide stable 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,		
	2023	2022	2021
	U.S.\$'000		
Net cash flows from operating activities . . . . .	2,283,201	2,008,552	1,804,369
Net cash flows (used in)/from investing activities . . . .	(2,802,014)	193,036	(1,055,360)
Net cash flows from/(used in) financing activities . . . .	518,721	(2,294,560)	(671,680)
Net (decrease)/increase in cash and cash equivalents . .	(92)	(92,972)	77,329
Cash and cash equivalents at beginning of year . . . . .	391,913	484,885	407,556
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>391,821</b>	<b>391,913</b>	<b>484,885</b>
Finance expenses paid . . . . .	(639,794)	(492,019)	(477,681)
<b>Net cash flows from operating activities less</b>			
<b>finance expenses paid . . . . .</b>	<b>1,643,407</b>	<b>1,516,533</b>	<b>1,326,688</b>

## Net cash flows from operating activities

In 2023, our net cash flows from operating activities were U.S.\$2,283 million. We had operating profit before changes in working capital of U.S.\$2,052 million, primarily consisting of profit before income tax of U.S.\$861 million and adjustments for (i) depreciation of property, plant and equipment of U.S.\$795 million and (ii) finance expenses of U.S.\$636 million, partially offset by (i) other interest and fee income of U.S.\$86 million, (ii) net gain on sale of aircraft of U.S.\$78 million, (iii) interest income from finance leases of U.S.\$69 million, and (iv) other income of U.S.\$42 million. Changes in working capital and other changes resulted in cash inflow of U.S.\$231 million, primarily consisting of (i) interest and fee income received of U.S.\$180 million and (ii) increase in maintenance reserves of U.S.\$95 million, partially offset by (i) increase in receivables of U.S.\$33 million and (ii) decrease in payables of U.S.\$9 million.

In 2022, our net cash flows from operating activities were U.S.\$2,009 million. We had operating profit before changes in working capital of U.S.\$1,719 million, primarily consisting of profit before income tax of U.S.\$29 million and adjustments for (i) depreciation of property, plant and equipment of U.S.\$786 million, (ii) finance expenses of U.S.\$484 million, and (iii) impairment of aircraft of U.S.\$856 million partially offset by (i) income arising from termination of lease of U.S.\$223 million, (ii) other interest and fee income of U.S.\$96 million (iii) net gain on sale of aircraft of U.S.\$64 million, (iv) other income of U.S.\$50 million, and (v) interest income from finance leases of U.S.\$41 million. Changes in working capital and other changes resulted in cash inflow of U.S.\$290 million, primarily consisting of (i) interest and fee income received of U.S.\$137 million, (ii) increase in security deposits of U.S.\$79 million, (iii) increase in maintenance reserves of U.S.\$127 million, and (iv) increase in deferred income of U.S.\$28 million, partially offset by (i) decrease in payables of U.S.\$75 million, and (ii) income tax paid of U.S.\$9 million.



In 2021, our net cash flows from operating activities were U.S.\$1,804 million. We had operating profit before changes in working capital of U.S.\$1,766 million, primarily consisting of profit before income tax of U.S.\$639 million and adjustments for (i) depreciation of property, plant and equipment of U.S.\$766 million, (ii) finance expenses of U.S.\$465 million, and (iii) impairment of aircraft of U.S.\$146 million partially offset by (i) interest and fee income of U.S.\$177 million, (ii) other income of U.S.\$55 million, and (iii) net gain on sale of aircraft of U.S.\$44 million. Changes in working capital and other changes resulted in cash inflow of U.S.\$39 million, primarily consisting of (i) interest and fee income received of U.S.\$176 million, (ii) income tax received of U.S.\$82 million, and (iii) increase in payables of U.S.\$12 million partially offset by (i) increase in receivables of U.S.\$127 million, (ii) decrease in security deposits of U.S.\$55 million, (iii) decrease in maintenance reserves of U.S.\$26 million, and (iv) decrease in deferred income of U.S.\$23 million.

#### **Net cash flows from investing activities**

In 2023, our net cash flows used in investing activities were U.S.\$2,802 million, which was due to purchase of aircraft classified as finance lease of U.S.\$1,970 million mainly relating to the purchase of 41 aircraft and purchase of property, plant and equipment of U.S.\$1,670 million relating to the purchase of 24 aircraft and pre-delivery payments related to future aircraft deliveries. The cash outflows were partially offset by proceeds from sale of property, plant and equipment of U.S.\$808 million relating to the sale of 20 aircraft and refund of pre-delivery payments by airlines of U.S.\$30 million.

In 2022, our net cash flows from investing activities were U.S.\$193 million, which was due to proceeds from sale of property, plant and equipment of U.S.\$1,309 million relating to the sale of 17 aircraft and refund of pre-delivery payment by airlines of U.S.\$92 million, partially offset by purchases of property, plant and equipment of U.S.\$1,208 million, mainly relating to the purchase of 29 aircraft and pre-delivery payments related to future aircraft deliveries.

In 2021, our net cash flows used in investing activities were U.S.\$1,055 million, which was due to purchases of property, plant and equipment of U.S.\$2,124 million, mainly relating to the purchase of 45 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of property, plant and equipment of U.S.\$825 million relating to the sale of 23 aircraft and refund of pre-delivery payment by airlines of U.S.\$244 million.

#### **Net cash flows from financing activities**

In 2023, our net cash flows from financing activities were U.S.\$519 million, primarily due to net proceeds from loans and borrowings of U.S.\$1,390 million, finance expenses paid of U.S.\$640 million, dividends paid of U.S.\$201 million and debt issue costs paid of U.S.\$31 million.

In 2022, our net cash flows used in financing activities were U.S.\$2,295 million, primarily due to net repayment from loans and borrowings of U.S.\$1,608 million, finance expenses paid of U.S.\$492 million, dividends paid of U.S.\$182 million and debt issue costs paid of U.S.\$6 million.

In 2021, our net cash flows used in financing activities were U.S.\$672 million, primarily due to finance expenses paid of U.S.\$478 million, dividends paid of U.S.\$158 million and debt issue costs paid of U.S.\$29 million.

#### **Net cash flows from operating activities less finance expenses paid**

Our net cash flows from operating activities less finance expenses paid increased by 8% to U.S.\$1,643 million in 2023 from U.S.\$1,517 million in 2022 and increased in 2022 by 14% compared with U.S.\$1,327 million in 2021.

## INDEBTEDNESS

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

The table below sets forth a breakdown of our outstanding indebtedness as at the dates indicated:

	As at December 31,	
	2023	2022
	U.S.\$ in millions	
<b>Secured</b>		
Term loans.....	65	140
Export credit agency supported financing .....	–	83
<b>Total secured debt .....</b>	<b>65</b>	<b>223</b>
<b>Unsecured</b>		
Term loans.....	5,525	4,240
Revolving credit facilities.....	1,240	735
Medium term notes .....	9,759	9,999
<b>Total unsecured debt .....</b>	<b>16,524</b>	<b>14,974</b>
<b>Total indebtedness .....</b>	<b>16,589</b>	<b>15,197</b>
Less: deferred debt issue costs, fair values, revaluations and discounts/premiums on medium term notes.....	(79)	(75)
<b>Total debt .....</b>	<b>16,510</b>	<b>15,122</b>

As at December 31, 2023, one aircraft with a net book value of U.S.\$97 million was pledged as security for a loan facility compared with 14 aircraft with an aggregate net book value of U.S.\$688 million that were pledged as security for loan facilities as at December 31, 2022.

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. Secured debt as a proportion of total assets and of total indebtedness, was less than 1% as at December 31, 2023. As at December 31, 2022 and 2021, secured debt as a proportion of total assets was 1.0% and 2.6%, respectively and secured debt as a proportion of total indebtedness was 1.5% and 3.6%, respectively.

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to U.S.\$11.5 billion as at December 31, 2023 compared with U.S.\$10.2 billion as at December 31, 2022.

The table below sets forth a breakdown of our total indebtedness by original currency (in U.S.\$ equivalent) as at December 31, 2023:

	As at December 31, 2023
	U.S.\$ in millions
<b>Loan financing:</b>	
U.S. dollars . . . . .	6,830
<b>Medium term notes<sup>(1)</sup>:</b>	
U.S. dollars . . . . .	9,300
Chinese yuan . . . . .	50
Australian dollars . . . . .	140
Singapore dollars . . . . .	109
Hong Kong dollars . . . . .	160
<b>Total indebtedness . . . . .</b>	<b>16,589</b>

Note:

(1) 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, 2023:

	As at December 31, 2023
	U.S.\$ in billions
2024 . . . . .	3.1
2025 . . . . .	3.8
2026 . . . . .	2.2
2027 and beyond . . . . .	7.5
<b>Total . . . . .</b>	<b>16.6</b>

## Loan Financing

We have established strong relationships with many banks and other financial institutions in Asia, Europe, the Middle East, Africa and North America. As at December 31, 2023, we had more than 50 financial institutions lending to us.

Our source of secured debt comprises one secured commercial term loan. 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 monthly, quarterly or semi-annually and are subject to customary events of default and covenants.

## **Secured debt**

Our secured debt comprises one commercial term loan secured with a mortgage over aircraft.

## **Unsecured debt**

Our unsecured debt represents term loans and committed, unsecured revolving credit facilities. As at December 31, 2023, we had committed, unsecured revolving credit facility commitments of U.S.\$5.7 billion, of which U.S.\$4.5 billion were undrawn as at the same date. These facilities include a committed, unsecured revolving credit facility of U.S.\$3.5 billion, which matures in December 2026, from Bank of China on terms commensurate with the terms of other committed, unsecured revolving credit facilities provided by third parties. After December 31, 2023, this facility has been restructured into three separate facilities of the same aggregate amount and same maturity. The committed, unsecured revolving credit facilities from Bank of China represent a key tool in allowing us to execute our growth strategy and provide a source of committed backstop liquidity to fund attractive aircraft acquisition opportunities. 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 Program which we increased to U.S.\$5.0 billion in April 2014. In March 2015, we converted our EMTN Program into a U.S.\$5.0 billion GMTN Program and in April 2017, raised the GMTN Program limit to U.S.\$10.0 billion. In February 2020, we further increased the GMTN Program limit to U.S.\$15.0 billion. We had, as at December 31, 2023, U.S.\$9.8 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.

Other than the financial and operating covenants we agreed to under our loans, 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 and aircraft pre-delivery payments. The table below sets forth our capital expenditure for the periods indicated:

	Year ended December 31,		
	2023	2022	2021
		<b>U.S.\$'000</b>	
Aircraft on operating lease .....	942,566	1,618,750	1,751,714
Aircraft classified as finance lease .....	1,970,200	–	–
Additions/(Reductions) of aircraft pre-delivery payments.....	746,841	(398,340)	387,834
Other property, plant and equipment (excluding right-of-use asset) .....	2,599	3,639	526
	3,662,206	1,224,049	2,140,074
Less: capitalized interest on borrowings.....	(22,051)	(16,060)	(15,722)
<b>Total capital expenditure.....</b>	<b>3,640,155</b>	<b>1,207,989</b>	<b>2,124,352</b>

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

As at December 31, 2023, 2022 and 2021, our aircraft capital expenditure commitments, including assumed escalation to delivery were U.S.\$12.0 billion, U.S.\$11.1 billion and U.S.\$4.7 billion, respectively.

As at December 31, 2023, we had 224 aircraft committed for purchase. The table below is based on our estimated contractual capital expenditure commitments as at December 31, 2023. The capital expenditure figures for each year include anticipated escalation and are net of advance payments made before December 31, 2023.

	As at December 31,				
	2024	2025	2026	2027 and beyond	Total
	<b>U.S.\$ billions</b>				
Aircraft capital expenditure commitments .....	2.5	1.0	1.4	7.1	12.0

## **Indebtedness Commitments**

The terms of our indebtedness, 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 38 to the financial statements for the year ended December 31, 2023, the Company had no material contingent liabilities as at December 31, 2023.

## **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 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 Synthetic U.S. dollar LIBOR or SOFR and are contractually repriced at intervals of less than 12 months from the end of each year. Our interest rate exposure arises when we collect fixed rate rentals but pay floating interest rates under our borrowings. See “– Interest rate benchmark reform and associated risks”.

As at December 31, 2023, we have some leases pegged to U.S. dollar LIBOR which are currently being adjusted by reference to Synthetic U.S. dollar LIBOR. Prior to the expected discontinuation of Synthetic U.S. dollar LIBOR on or around September 30, 2024, we intend to revise these leases and replace Synthetic U.S. dollar LIBOR with a suitable alternative rate.

We adopt a policy of managing our interest rate exposure by maintaining a debt portfolio with both fixed and floating interest rates.

### **Sensitivity analysis for interest rate risk**

See “– Significant Factors Affecting Our Results of Operations and Financial Condition” and Note 40 to the audited consolidated financial statements for the year ended December 31, 2023 in this Offering Circular for further details.

### **Interest rate benchmark reform and associated risks**

See “– Critical Accounting Policies and Estimates” and Note 40 to the audited consolidated financial statements for the year ended December 31, 2023 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 aircraft capital expenditures and borrowings to fund these expenditures 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, our policy is to have loan repayments typically spread over substantial periods of up to 10 years, and also to have available committed credit facilities from banks.

As at December 31, 2023, we had unutilized unsecured committed revolving credit facilities of U.S.\$4.5 billion and unutilized unsecured committed term loan facility of U.S.\$765 million. See “– Capitalization and Indebtedness” for further details.

As at December 31, 2023, approximately 19% 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 at least annually. We also evaluate 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 throughout each reporting period.

We 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-”.

See “Risk Factors – Risks related to the aviation industry which affect the Group.”

### **Foreign Currency Risk**

Our revenues and principal assets are denominated in U.S. dollar, which is our functional currency. Foreign currency exposure arises from our borrowings that are denominated in a currency other than our functional currency.



All loans and borrowings that are denominated in Australian dollar, Chinese yuan, Hong Kong dollar and Singapore dollar are swapped to U.S. dollar. We utilize cross-currency interest rate swap contracts to hedge our financial liabilities denominated in Australian dollar, Chinese yuan, Hong Kong dollar and Singapore dollar. Such contracts are entered with counterparties that are rated at least A- by S&P Global Ratings. Under these agreements, we receive foreign currency amounts sufficient to meet the obligations in foreign currency borrowings and payment of U.S. dollar 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 with reference to marked-to-market values based on valuation techniques that use data from observable markets.

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 14 to the audited consolidated financial statements for the year ended December 31, 2023 in this Offering Circular for further details.

## BUSINESS

### OVERVIEW

We are a leading global aircraft leasing company based in Singapore. We are the largest aircraft leasing company headquartered in Asia, and one of the largest global aircraft leasing companies, in each case as measured by the value of owned aircraft as at December 31, 2023. 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 long term global trends in the aviation industry. Our business generally benefits from (i) growth in travel volume and an increasing propensity to fly, driving the demand for new aircraft, and (ii) a 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 30 years of unbroken profitability, with U.S.\$6.3 billion in cumulative profits from inception to December 31, 2023.

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, 2023, we have:

- purchased and committed to purchase more than 1,100 aircraft, with an aggregate purchase price of more than U.S.\$63 billion;
- executed more than 1,300 leases with 190 airlines in more than 60 countries and regions;
- raised more than U.S.\$42 billion in debt financing;
- sold more than 430 owned and managed aircraft; and
- transitioned more than 130 aircraft at lease end and repossessed 67 aircraft from airline customers based in 20 jurisdictions.

We maintain a fleet of young, fuel-efficient, in-demand aircraft types. As at December 31, 2023, our aircraft fleet comprised 460 aircraft, of which 426 were owned aircraft and 34 were managed on behalf of third party customers, and these aircraft are on lease to 91 airlines in 45 countries and regions. As at December 31, 2023, the average aircraft age of our owned aircraft fleet was 4.6 years weighted by net book value<sup>(1)</sup>, making our owned fleet one of the youngest in the aircraft leasing industry. The average remaining lease term of our owned aircraft leases as at December 31, 2023 was 8.1 years, which is one

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Note:

(1) Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).

of the longest in the industry. We also have a significant order book of 224 aircraft as at December 31, 2023. Our order book comprises predominantly single-aisle latest technology aircraft.

We benefit from a low average cost of debt<sup>(1)</sup>, which was 4.1% in 2023, supported by our strong corporate credit ratings, which are A- from both S&P Global Ratings and Fitch Ratings 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 Group has provided us with U.S.\$3.5 billion committed unsecured revolving credit facilities, which mature in December 2026. 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. They are key to 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, our senior management team has 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, 2023, the average aircraft age across our owned aircraft portfolio was 4.6 years weighted by net book value<sup>(2)</sup>, 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 consistently appeal to a broad customer base, 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, 2023. In addition, the majority of the widebody aircraft in our aircraft portfolio are the most popular new technology aircraft types.

We are well positioned for future growth, with a strong order book of 224 aircraft as at December 31, 2023, 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.

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#### Notes:

- (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 before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes.
- (2) Including net book value of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).

## **Scale and well-established long-standing relationships with aircraft manufacturers, airline customers and aircraft investors**

We are a leading global aircraft leasing company, benefiting from significant financial scale, with assets of U.S.\$24.2 billion as at December 31, 2023, 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 30-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 more than 430 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 91 airlines in 45 countries and regions as at December 31, 2023. Our regional<sup>(1)</sup> exposure is diversified.

Americas was our largest regional exposure, accounting for 26.7% of our portfolio by net book value<sup>(2)</sup> in 2023, with Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) accounting for 23.1%, Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounting for 22.8%, Europe and Middle East and Africa accounting for 16.8% and 10.6%, 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 average aircraft utilization rate (being the total number of on-lease days as a percentage of available lease days) was 99.5% between January 1, 2008 and December 31, 2023.

Our revenue is driven by the long-term 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 8.1 years as at December 31, 2023, weighted by net book value<sup>(3)</sup>, one of the longest in the aircraft operating lease industry.

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### Notes:

(1) Based on the jurisdiction of the primary obligor under the relevant operating leases.

(2) Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) and excludes aircraft off lease.

(3) Including aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).

### **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 30-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 banks and financial institutions in Asia, Australasia, Europe, the Middle East, Africa 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. In addition, we have strong backstop liquidity, with an aggregate of U.S.\$5.7 billion in committed unsecured revolving credit facilities as at December 31, 2023, including a U.S.\$3.5 billion facility provided by Bank of China that matures in December 2026, which was fully 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 with diverse professional backgrounds. Our Chief Executive Officer has been in leadership positions within the Company since 2001, providing industry-leading continuity.

We have had 30 years of unbroken profitability since our inception in 1993, with U.S.\$6.3 billion in cumulative profits through 2023. Together, the senior management team has overseen the expansion of our owned and managed aircraft fleet to 460 as at December 31, 2023.

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 99.1% from January 1, 2008 to December 31, 2023<sup>(1)</sup>. 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.

Exposure to risk is identified on a 360 degree basis. It is then evaluated, monitored and managed in all key areas of our business and new risks are updated using heat mapping. The management team has established separate lines of defence to mitigate risks the Company may be exposed to in its business operations. The first line of defence is that each Head of Department is directly accountable for risk management within their own department. The second line of defence is provided by the Risk Management Department which develops policies and procedures to monitor evaluate and strengthen performance of risk management. The third line of defence is provided by the Internal Audit department which independently audits, reviews and monitors the performance of the risk management duties of the first two lines of defence.

We use key risk indicators to assess the effectiveness of our risk management, and to regularly report to the Board. The Board Risk and Audit Committees regularly review existing and emerging risks in the Company, which are then discussed at the Board. Both the Board Risk and Audit Committees are chaired by independent, non-executive directors. Key risk indicators are incorporated in our targets to drive good 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 latest technology aircraft. 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.

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Note:

(1) Historical performance is not an indication of future performance.

### **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 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 30-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.

### **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, such as 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, 2023 our fleet and order book comprised the following aircraft types:

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order	Total
Narrowbody Aircraft				
Airbus A220 family .....	18	0	0	18
Airbus A320CEO family.....	83	14	0	97
Airbus A320NEO family .....	122	0	124	246
Boeing 737NG family.....	61	13	0	74
Boeing 737-8/9.....	60	0	93	153
Narrowbody sub-total .....	344	27	217	588
Widebody Aircraft				
Airbus A330CEO family.....	8	1	0	9
Airbus A330NEO family .....	6	0	0	6
Airbus A350 family.....	9	0	0	9
Boeing 777-300ER .....	27	4	0	31
Boeing 787 family.....	27	1	7	35
Widebody sub-total .....	77	6	7	90
Freighters .....	5	1	0	6
<b>Total</b> .....	<b>426</b>	<b>34</b>	<b>224</b>	<b>684</b>

As at December 31, 2023 our fleet comprised 426 owned aircraft and 34 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 224 aircraft as at December 31, 2023.

As at December 31, 2023, the average aircraft age across our owned aircraft portfolio was 4.6 years weighted by net book value<sup>(1)</sup>, making our owned aircraft fleet one of the youngest in the aircraft operating lease industry.

The popular Airbus A320 family and Boeing 737 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.

Note:

(1) Including aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).

Our fleet has grown significantly and the following table sets out the growth of our owned and managed fleet over the years.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of owned aircraft . . . . .	230	227	246	287	303	317	358	380	392	426
Number of managed aircraft . . . . .	20	43	38	31	25	40	40	37	35	34
Total aircraft. . . . .	250	270	284	318	328	357	398	417	427	460

## Aircraft Purchase Commitments

### Overview

As part of our future growth plans we had, as at December 31, 2023, commitments to acquire 224 aircraft, either through our order book with the OEMs or pursuant to PLB transactions with airline customers.

	Number of aircraft scheduled for delivery during year ended December 31,		
	2024	2025	2026 and beyond
Number of aircraft . . . . .	48	27	149

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 30-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.

### 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 99.5% between January 1, 2008 and December 31, 2023 (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 2024 will include pre-delivery payments associated with aircraft scheduled for delivery in the future.

The Group's aircraft purchase commitments as at December 31, 2023 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.

### **Key Terms of Aircraft Purchase Agreements with Manufacturers**

The key terms of an aircraft purchase agreement include the purchase price, the scheduled delivery timetable, the delivery conditions, specification of the aircraft and engine choices (and any ability to change such specifications), 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. 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, 2023, our 460 owned and managed aircraft were leased to 91 airlines in 45 countries and regions. The following table highlights the geographical diversification by net book value<sup>(1)</sup> of our owned aircraft portfolio as at December 31, 2023:

<b>Region</b>	<b>As at December 31, 2023</b>
Americas .....	26.7%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) .....	23.1%
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan.....	22.8%
Europe .....	16.8%
Middle East and Africa.....	10.6%

For the year ended December 31, 2023, the single largest customer group accounted for 9.2% by net book value<sup>(2)</sup> for our owned aircraft portfolio. Our five largest customers accounted for 31.7% by net book value<sup>(2)</sup> as at December 31, 2023:

<b>Customer</b>	<b>Percentage by NBV as at December 31, 2023<sup>(2)</sup></b>
American Airlines .....	9.2
Qatar Airways.....	7.8
JetBlue Airways.....	5.4
IndiGo .....	4.8
Turkish Airlines .....	4.5

Given new deliveries and related leases and based upon existing and future lease commitments for owned aircraft, our five largest customers will change in 2024 and future years.

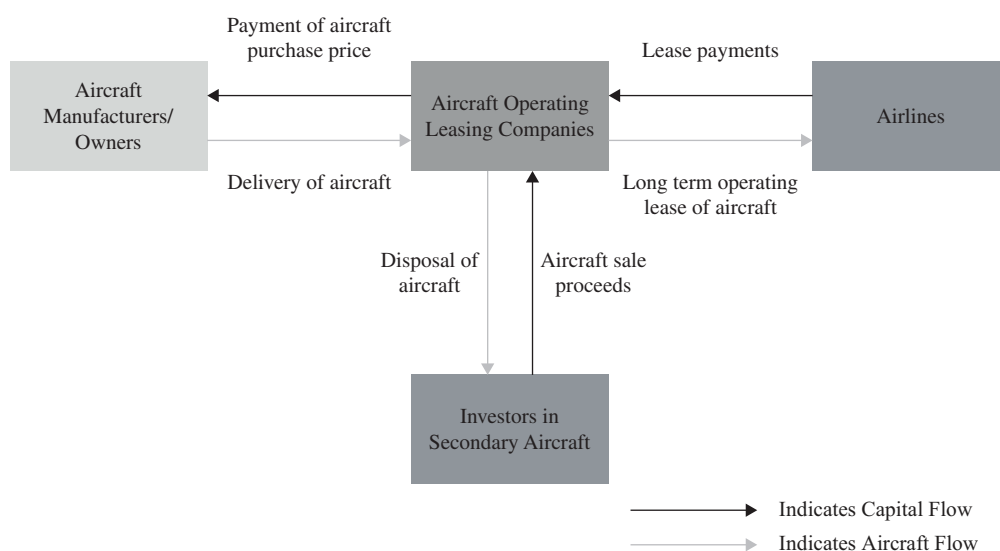
Notes:

- (1) Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) and excludes aircraft off lease.
- (2) Based on net book value (excluding off lease aircraft) and including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).

## 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 generates 77.6% of our revenues and other income during 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 30 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 grew. 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, have historically produced a resilient net lease yield for operating leases (net lease yield for operating leases is calculated as operating lease rental income less finance expenses apportioned to operating lease rental income, divided by average of aircraft net book value (including aircraft held for sale)). Our net lease yield increased in 2023 from 2022, which reflected a continued improvement in our operating lease rate factor to 10.0% from 9.2% which offset a higher cost of funds.

We operate from our offices in Singapore, Dublin (Ireland), London (UK), 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 737 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 an airline and in either case leasing the aircraft back to the airline.

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 dialog 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 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.

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 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 dialog 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 1,300 leases executed with 190 airlines in more than 60 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, Ireland, USA, the United Kingdom 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;
- aircraft repossession; 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 dialog 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 99.5% between January 1, 2008 and December 31, 2023.

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<sup>(1)</sup> by net book value of our owned aircraft portfolio.

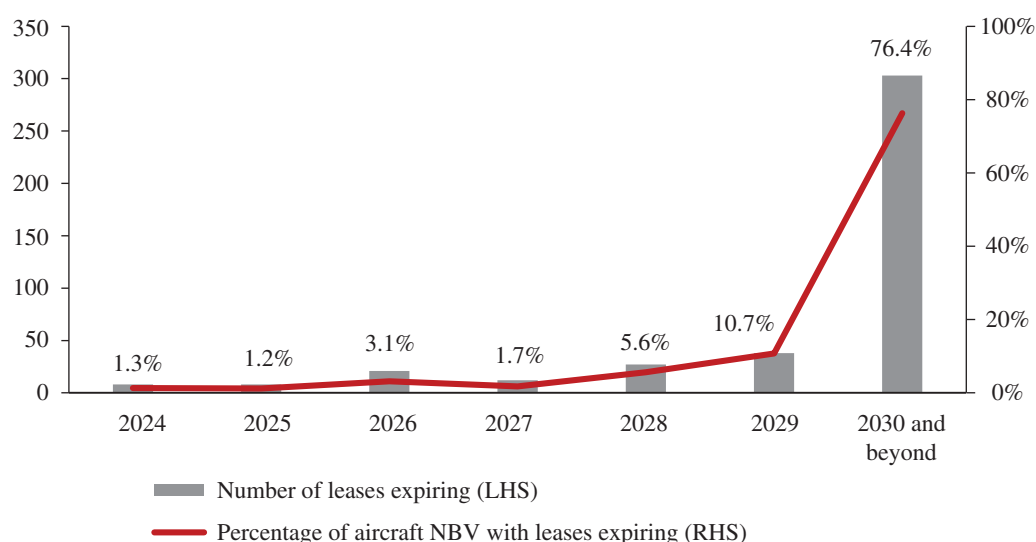
	Percentage by NBV as at December 31,		
	2021	2022	2023
Fixed rate rental terms . . . . .	94%	96%	95%
Floating rate rental terms . . . . .	6%	4%	5%

The chart below illustrates the number of leases and percentage of net book value as at December 31, 2023 for owned aircraft with leases expiring in future years<sup>(2)</sup>.

### Notes:

(1) For further explanation of “fixed rate rental terms” and “floating rate rental terms,” see “Business – Key Lease Terms.”

(2) Owned aircraft with lease expiring in each calendar year, weighted by net book value including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).



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 more than 430 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 dialog 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 dialog with our airline customers and the OEMs. 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.

#### **RECENT DEVELOPMENTS**

See the following risk factors in the section entitled "Risk Factors" – "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", "We may incur costs and suffer negative consequences resulting from repossession of, or attempts to repossess, aircraft", "Our business model is dependent to a large extent on our ability to lease and re-lease aircraft", "We are exposed to economic and political conditions that affect our airline customers", "Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs", "Our aircraft require routine maintenance, and if they are not properly maintained, their value may decline and we may not be able to lease or remarket such aircraft at favorable rates, if at all, which would negatively affect our financial condition, cash flow and results of operations", "The operation of aircraft is subject to various laws and regulations, which may in turn adversely affect our



business”, “Aircraft accidents, acts of terrorism, wars, epidemics or disease outbreaks, 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”, and “Increases in jet fuel costs may impact our airline customers, which could in turn negatively impact our business”.

### **Significant Events after December 31, 2023**

On January 1, 2024, Mr. Robert Martin was re-designated as a Non-executive Director.

On January 1, 2024, Mr. Steven Townend was appointed as an Executive Director, the Chief Executive Officer and Managing Director, a member of the Strategy and Budget Committee and an Authorized Representative.

On February 12, 2024, a wholly-owned subsidiary of the Company entered into an agreement with InterGlobe Aviation Limited for the finance leases of four Airbus A320NEO aircraft.

On February 13, 2024, a wholly-owned subsidiary of the Company entered into an agreement with JetBlue Airways Corporation for the finance leases of three Airbus A321NEO and three Airbus A220- 300 aircraft.

On March 24, 2024, the Company announced that it had recovered possession of two Boeing 747-8F aircraft previously detained in Russia. The Company is assessing the implications of the recovery on its financial results and insurance claims in respect of these aircraft.

On March 27, 2024, the Company announced that Mr. Liu Jin resigned as Chairman, a Non-executive Director and chairman of the Nomination Committee with effect from March 27, 2024, and that his successor would be announced in due course.

## **FINANCING**

### **Overview**

Financing cost is our second largest operating cost, 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 enabled us to achieve an average cost of debt of 4.1% in 2023.

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 more than U.S.\$42 billion in debt financing since inception.

### **Diverse Sources of Funding**

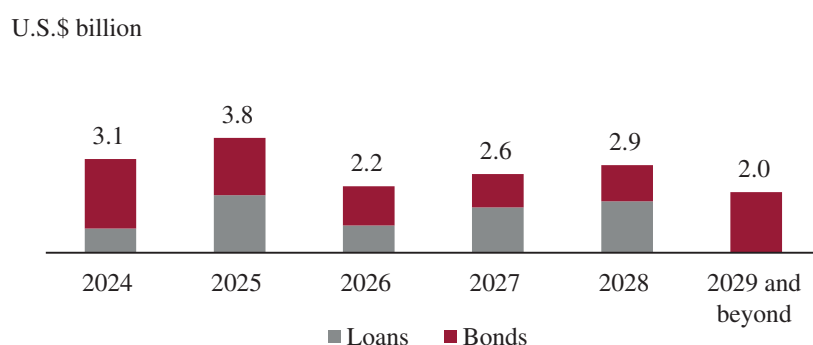
Our status as a major global aircraft leasing company by value of owned fleet positions us well to access various financing sources. Our diverse sources of funding include:

- **Loan Financing.**
  - **Term Loans.** We have been raising debt in the loan market since 1995 and have established strong relationships since then with many banks and other financial institutions in Asia Pacific, Europe, the Middle East, Africa 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 predominantly on an unsecured basis with full recourse to the Company and its subsidiaries.

- **Committed, Unsecured Revolving Credit Facilities.** As at December 31, 2023, we had a total of U.S.\$5.7 billion in committed, unsecured revolving credit facilities in place, of which U.S.\$4.5 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, 2023, a U.S.\$3.5 billion committed unsecured revolving credit facility in place with Bank of China, which matures in December 2026. In addition, we also had U.S.\$2.2 billion in committed unsecured revolving credit facilities with other financial institutions as of December 31, 2023. 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 Program (**EMTN Program**) which was increased to U.S.\$5.0 billion in April 2014. In March 2015, we converted the EMTN Program 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. In February 2020, we further increased the GMTN Program limit to U.S.\$15.0 billion. We had, as at December 31, 2023, U.S.\$9.8 billion outstanding under the converted GMTN Program. Investors in our notes include financial asset managers, insurance companies and private banks.

### 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 profile as at December 31, 2023.



### Floating Versus Fixed Interest Rate Funding Mix

As at December 31, 2023, 30% of our outstanding debt was on a floating rate basis (including fixed rate debt which had been swapped to floating rates) and 70% 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 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 operating leases have a stated, fixed lease term, with terms that generally align with scheduled major maintenance events. Typical lease terms are between 6 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 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 U.S. dollar treasury notes. For floating rate leases, rents are typically re-set every three or six months by reference to either three- or six-month Term SOFR.

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 and diversification 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 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 reported to Risk Management Committee and is reviewed regularly through the internal audit process.

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.

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

### Management structure

In addition to our various committees of the Board (see “Board and Management”), the Company also has a clear governance framework for managing the day-to-day business which includes the following management committees:

- The **Management Committee** has decision-making authority, delegated from the Board, to approve transactions that meet certain criteria, including leases and lease extensions, purchase and leasebacks, sales, loan and bond financings, hedging, aircraft specification changes and other procurement matters and general administrative matters. The committee is chaired by the Chief Executive Officer and Managing Director. The six members of the Senior Management team and the Chief Risk Officer are members of the committee.
- The **Risk Management Committee** provides an ongoing and forward-looking review of risk factors impacting the Company’s balance sheet, comprising asset/credit risk and liability risk matters. The committee also reviews changes in the external operating environment and the portfolio impact of implementing revenue plans. The committee is chaired by the Chief Executive Officer and Managing Director.
- The **Operations Committee** provides guidance in executing the Company’s aircraft acquisition, leasing and sales transactions and is involved in day-to-day management of the owned and managed aircraft portfolio, including the heads of the legal and transaction management, risk, technical, procurement, airline leasing and sales and aircraft sales departments. The committee is chaired by the Chief Operating Officer.
- The **Finance Committee** monitors and coordinates issues between the heads of the accounting and reporting, financial control, financial planning and analysis, tax, risk, aircraft sales, treasury, settlement and investor relations departments, including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Chief Financial Officer.
- The **Funding Committee** provides guidance on funding strategy for both debt maturities and capital expenditure as well as managing the overall costs of funding. The committee is chaired by the Chief Executive Officer and Managing Director.
- The **Revenue Committee** provides guidance and planning for new lease 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 proposals falling outside certain parameters. The committee is chaired by the Chief Executive Officer and Managing Director.
- The **Investment Committee** reviews overall investment and divestment strategy for the Company’s portfolio of aircraft and other assets. The committee is chaired by the Chief Executive Officer and Managing Director.
- The **Sales Committee** provides guidance on all matters related to the Company’s aircraft sales business including evaluating sales strategy and monitoring external market conditions for aircraft sales. The committee is chaired by the Chief Executive Officer and Managing Director.
- The **Procurement Committee** reviews all matters related to aircraft procurement strategy, capital expenditure pipeline and delivery of aircraft. The committee monitors the status of deliveries and any delays in placement of aircraft on order and its impact on the Company. The committee is chaired by the Chief Operating Officer.



- The **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 Company's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Company's business. The committee is chaired by the General Counsel.
- The **Disclosure Committee** monitors and approve all disclosures made on the 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 procedure. The committee is chaired by the Chief Executive Officer and Managing Director.
- The **Environmental, Social and Governance Committee** drives the Company's ESG initiatives, and reviews and monitors the Company's ESG commitments, targets and reporting obligations at management level. The committee is chaired by the Chief Operating Officer.

Further underpinning the Company's overall risk management approach are specific policies and procedures for each department within the Company, together with clear written delegations of authority to specified heads of department, each of which are reviewed, revised and re-approved, as appropriate, on a regular 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 on terms and for risks, and subject to policy limits and exclusions, that are customary in the air transportation industry, including comprehensive liability insurance, aircraft all-risk hull insurance and war-risk insurance. In line with customary industry practice, our airline customers are required to purchase such insurance either direct from the major international aviation insurance markets or, if required by local law or regulation, from local insurance companies which then reinsure the relevant risks in the major international aviation insurance markets. 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, in each case subject to applicable policy limits (if any). Our airline customers are required to pay all insurance premiums for these coverages and all deductibles applicable to claims. 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 fall within the limit (if any) under the applicable policy or be paid, that any particular claim will not fall within an exclusion under the applicable policy, 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. In addition, in line with customary industry practice, the insurance policies maintained by both us and our airline customers allow the insurers to cancel such policies, typically on 30 days' notice or (in the case of insurance for war risks) 7 days' notice, or on immediate notice in the event of hostile detonation of a nuclear weapon, and there can be no assurance that we or our airline customers would be able to purchase replacement cover from the relevant markets in the event of such cancellation, either at commercially reasonable rates or at all.

## **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 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 Aviation Capital Group, Dubai Aerospace Enterprise, ICBC Leasing CDB Leasing, Bocom Leasing, BBAM, Carlyle 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, periods of financial strength for our airline customers in the future 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, 2023, we had 198 employees who were engaged in the operation and management of the Group's business.

We provide to our employees certain benefits including retirement, health, 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 where we set targets to reduce our electricity use, reduce our direct carbon emissions and reduce waste produced directly in our business. We invest in the latest technology, most fuel efficient aircraft and we focus on actively reducing our direct carbon emissions and being carbon neutral for our direct carbon emissions by offset. 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 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 79 Robinson Road, #15-01, Singapore 068897, as well as our overseas office facilities in Dublin, London, New York and Tianjin.

## **INTELLECTUAL PROPERTY**

As at December 31, 2023, 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 currently comprises eleven members, five of whom are nominees of our controlling shareholder, four are Independent Non-executive Directors and the remaining members being the Chief Executive Officer and Managing Director and Mr. Robert Martin, who was re-designated as a Non-executive Director with effect from January 1, 2024. 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.

The table below sets out the chairman and members of each Board Committee as at the date of this Offering Circular. The positions of chairman and chairman of the Nomination Committee are currently vacant.

Director	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Strategy and Budget Committee
Mdm. Zhang Xiaolu . . . . .					M
Mr. Steven Matthew Townend . . . . .					M
Mdm. Chen Jing . . . . . M				M	
Mr. Jin Hongju . . . . . M					C
Mdm. Li Ke . . . . .		M	M		
Mr. Robert James Martin . .					M
Mr. Wang Xiao . . . . .				M	M
Mr. Dai Deming . . . . . C		M	M		
Mr. Fu Shula . . . . . M		C	M		
Mr. Antony Nigel Tyler . . . M					
Dr. Yeung Yin Bernard . . .			M		M

#### Explanatory Notes:

C means committee chairman

M means committee member

As at the date of this Offering Circular, the members of the Board are:

#### Mdm. ZHANG Xiaolu

Deputy Managing Director, Vice Chairman, Executive Director and a member of the Strategy and Budget Committee, aged 56.

Mdm. Zhang was appointed as Deputy Managing Director, Vice Chairman, Executive Director and a member of the Strategy and Budget Committee in January 2020. She currently oversees the Risk Management, Market Research, Corporate Affairs and Board Secretariat departments.

Mdm. Zhang joined Bank of China Limited (**BOC**) in July 1990. She held various positions, including serving as Deputy CEO and COO at Bank of China (Suisse) S.A. from November 2008 to September 2012.

From October 2012 to April 2014, she was an Executive Director and Special Advisor of Bank Julius Baer & Co. Ltd. in Zurich. Prior to joining the Company, Mdm. Zhang was the Deputy General Manager of BOC Luxembourg Branch and Bank of China (Luxembourg) S.A. from April 2014 to December 2019.

Mdm. Zhang graduated with a Bachelor's degree in International Leasing and Foreign Trade Accounting from Beijing Union University in 1990, a Bachelor's degree in English Language from Beijing Foreign Studies University in 2006 and a Master's degree in Business Administration from Southwestern University of Finance and Economics in 2000.

**Mr. Steven Matthew TOWNEND**

Chief Executive Officer, Managing Director, Executive Director and a member of the Strategy and Budget Committee, aged 54.

Mr. Townend was appointed as a Director and Chief Executive Officer and Managing Director on January 1, 2024. Mr. Townend joined the Company in January 2001 and was appointed as Chief Commercial Officer in July 2004. He was appointed to the additional role of Deputy Managing Director in 2006. Mr. Townend assumed the role of Chief Financial Officer in October 2020. Mr. Townend has 33 years of banking and leasing experience. He graduated from Loughborough University in the United Kingdom with a Bachelor of Science (Honours) degree in Banking and Finance.

**Mdm. CHEN Jing**

Non-executive Director, a member of the Audit Committee and the Risk Committee, aged 48. Mdm. Chen was appointed as a Non-executive Director in April 2022.

Mdm. Chen joined BOC in April 2000 and is currently the Deputy General Manager of the Credit Management Department. Prior to her current role, she served as Deputy General Manager of BOC Jinan Branch from August 2012 to August 2015. Mdm. Chen graduated from Dongbei University of Finance and Economics in China with a Bachelor's degree in Finance in 1997 and a Master's degree in Finance in 2000.

**Mr. JIN Hongju**

Non-executive Director, Chairman of the Strategy and Budget Committee and a member of the Audit Committee, aged 45.

Mr. Jin was appointed as a Non-executive Director in November 2023.

Mr. Jin, joined BOC in July 2000 and is currently the Executive Manager of the Equity Investment and Subsidiary Management Department of BOC (since February 2019). Mr. Jin is also a Director of Zhong Yi Shan Yuan (Beijing) Technology Co., Ltd. and Bank of China Group Investment Fund Management (Beijing) Co., Ltd. From August 2012 to February 2019, Mr. Jin served successively as Deputy General Manager of BOC Jinan Branch, General Manager of the Investment Banking and Asset Management Department of BOC Shandong Branch and Executive Manager of the BOC Board Secretariat Department. He graduated from Renmin University of China in July 2000 with a Bachelor's degree in International Accounting, and then graduated from China Europe International Business School in China in September 2010 with a Master's degree in Business Administration.

**Mdm. LI Ke**

Non-executive Director, a member of the Nomination Committee and the Remuneration Committee, aged 47.

Mdm. Li was appointed as a Non-Executive Director in November 2023.

Mdm. Li, joined BOC in July 1998 and is currently the Deputy General Manager of the Human Resources Department of BOC (since September 2023). Mdm. Li is also a Director of Bank of China (Australia) Limited, Bank of China Group Investment Fund Management (Beijing) Co., Ltd. and BOC Financial Technology Company Limited. From January 2021 to September 2023, Mdm. Li served successively as the Executive Internal Control and Compliance Manager and the Deputy General Manager of the Internal Control and Legal Compliance Department of BOC. Mdm. Li graduated from Peking University in July 1998 with a Bachelor of Laws degree, and received her Master of Laws degree from Peking University in July 2007.

**Mr. Robert James MARTIN**

Non-executive Director and a member of the Strategy and Budget Committee, aged 59. Mr. Martin was appointed as an Executive Director in July 1998 and re-designated as a Non-executive Director in January 2024.

Mr. Martin was Managing Director and Chief Executive Officer, and Executive Director of the Company for 25 years until his retirement on December 31, 2023. He joined the Company in 1998 and has more than 35 years of experience in the aircraft and leasing business, having previously worked at Bank of America, The Long-Term Credit Bank of Japan and HSBC Investment Bank (Asia) Ltd. Mr. Martin is currently a director of the International Society of Transport Aircraft Trading. Mr. Martin graduated from Cambridge University in the United Kingdom with a Master of Arts degree in Economics.

**Mr. WANG Xiao**

Non-executive Director, a member of the Risk Committee and the Strategy and Budget Committee, aged 53. Mr. Wang was appointed as a Non-executive Director in June 2021.

Mr. Wang Xiao joined BOC in August 1992 and is currently the General Manager of the Corporate Banking Department and the Global Transaction Banking Department of BOC. From December 2007 to October 2020, Mr. Wang served successively as Assistant General Manager of BOC New York Branch, Deputy General Manager of BOC Fujian Branch, General Manager of BOC Xiamen Branch and General Manager of BOC Ningbo Branch. Mr. Wang graduated from Fudan University in 1992 with a Bachelor's degree in International Finance, and received his Master of Laws degree from Xiamen University in 2003.

**Mr. DAI Deming**

Independent Non-executive Director, Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee, aged 61. Mr. Dai was appointed as an Independent Non-executive Director in May 2016.

Mr. Dai has been serving as a Professor at the Accounting Department of the School of Business of Renmin University of China since July 1996. He is also an Independent Non-executive Director of Power Construction Corporation of China, Ltd which is listed on the Shanghai Stock Exchange, Poly Developments and Holdings Group Co., Ltd. which is listed on the Shanghai Stock Exchange, China Great Wall Securities Co., Ltd. which is listed on the Shenzhen Stock Exchange and China Reinsurance (Group) Corporation which is listed on the Hong Kong Stock Exchange.

Mr. Dai was an Independent Non-executive Director of CRRC Corporation Limited 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. from May 2011 to October 2016, Beijing Xinwei Technology Group Co., Ltd. from September 2014 to August 2016, Beijing Capital Development Co. Ltd. from September 2015 to May 2018, Haier Smart Home Co., Ltd. from June 2015 to June 2021, China Zheshang Bank Co., Ltd. from February 2015 to February 2022, and CSC Financial Co. Ltd. from August 2016 to September 2022. Mr. Dai also served as the Dean of the Accounting Department of the

School of Business of Renmin University of China from October 2001 to September 2010 and an Associate Professor of the Accounting Department 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 68. Mr. Fu was appointed as an independent Director in February 2011 and was 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 was an Independent Non-executive Director of Besunyen Holdings Company Limited from April 2019 to October 2023. 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 68.

Mr. Tyler was appointed as an Independent Non-executive Director in May 2016. Mr. Tyler was 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 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 from December 1996 to September 2008 and an Executive Director of Swire Pacific Limited 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. which is listed on the Toronto Stock Exchange, Trans Maldivian Airways (Pvt) Ltd. and Qantas Airways Limited which is listed on the Australian Securities Exchange. 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 70. Dr. Yeung was appointed as an Independent Non-executive Director in December 2016.

Dr. Yeung is the President Emeritus (Inaugural) of the Asian Bureau of Finance and Economic Research, an emeritus professor at the National University of Singapore (**NUS**) Business School, and the Yangtze River scholar and visiting chair professor of the Southern University of Science and Technology in Shenzhen, China.

Dr. Yeung was the President of the Asian Bureau of Finance and Economic Research (2013 to 2023). He was also the Stephen Riady Distinguished Professor in Finance and Strategic Management at NUS Business School (June 2008 to June 2023). He was the Dean of NUS Business School from June 2008 to



June 2019. Before joining NUS, he was the Abraham Krasnoff Professor in Global Business, Economics, and Management at New York University (NYU) Stern School of Business and the Director of the NYU China House. He taught at the University of Michigan from 1988 to 1999 and at the University of Alberta from 1983 to 1988.

Dr. Yeung has published widely cited work in top-tier academic journals covering Finance, Economics, Strategy, and International Business topics. He has more than 30,400 citations. He was awarded the Public Administration Silver Medal (2018) in Singapore, the Irwin Outstanding Educator Award (2013) from the Academy of Management, and is an elected Fellow of the Academy of International Business.

Dr. Yeung was a member of the Economic Strategies Committee in Singapore (2009), a member of the Social Science Research Council (SSRC) in Singapore (2016 to 2018), and a member of the Financial Research Council of the Monetary Authority of Singapore (2010 to 2013).

Dr. Yeung sits on the Advisory Committee of the Institute of Economics, Academia Sinica. Dr. Yeung also served on the Advisory Board of Healthway Medical Corporation Ltd (2018 to 2022).

Dr. Yeung received his Bachelor of Arts in Economics and Mathematics from the University of Western Ontario in 1979 and his MBA and Ph.D. degrees from the Graduate School of Business at the University of Chicago in 1981 and 1984 respectively.

## **MANAGEMENT**

The members of our senior management team are:

### **Mdm. ZHANG Xiaolu**

Please refer to her biography on pages 198 to 199.

### **Mr. Steven Matthew TOWNEND**

Please refer to his biography on page 199.

### **Mr. WU Jianguang**

Chief Financial Officer, aged 59. Mr. Wu joined the Company in November 2022 and was appointed as Chief Financial Officer in January 2024. He currently oversees the Financial Planning and Analysis, Financial Control, Accounting and Reporting, Tax, Treasury and Settlement departments. Mr. Wu has 32 years of banking experience. Prior to joining the Company, Mr. Wu was the General Manager of the Financial Management Department of BOC Head Office. He graduated from the Graduate School of Chinese Academy of Social Sciences with a Master's degree in Economics.

### **Mr. Thomas CHANDLER**

Chief Operating Officer, aged 49. Mr. Chandler joined the Company in January 2023 and was appointed Chief Operating Officer in July 2023. He currently oversees the Legal and Transaction Management, Compliance and Insurance, Technical, Procurement and Information Technology departments. Mr. Chandler has more than 25 years of experience in aircraft leasing, financing and procurement and has worked in the legal, banking and aviation sectors. Prior to joining the Company, he was Managing Director Fleet & Asset Management of TUI Group. Mr. Chandler graduated from Swansea University in the United Kingdom with a Bachelor of Arts (Honours) degree in History. He also received Post Graduate Diplomas in Law and in Legal Practice from the University of the West of England in the United Kingdom.

**Mr. DENG Lei**

Chief Commercial Officer (Asia Pacific and the Middle East), aged 47. Mr. Deng joined the Company in November 2019. He is responsible for overseeing all revenue activities within the Asia Pacific and the Middle East. He joined BOC in July 1998 and held various positions, including serving as the General Manager of the Global Markets Department at the Shanghai Branch and as a Director in the Investment Banking and Asset Management Department at the Head Office. Prior to joining the Company, Mr. Deng was the Assistant General Manager of BOC, Singapore Branch. Mr. Deng graduated with a Bachelor's degree in International Finance from Shanghai University in 1998 and a Master's degree in Business Administration from The University of Hong Kong in 2005.

**Mr. Paul KENT**

Chief Commercial Officer (Europe, Americas and Africa), aged 49. Mr. Kent joined the Company in June 2020. He is based in London and responsible for overseeing all revenue activities in Europe, Americas and Africa. Mr. Kent has more than 25 years of finance and leasing experience, having started his career with nine years at Citibank, before becoming one of the leadership team that launched Doric as a new asset management platform in the aviation industry. He subsequently co-led the set-up of Amedeo where, as a principal shareholder, he managed all commercial activities of the company including aircraft leasing and sales, capital raising and investments, OEM relationships and the company's principal aircraft order positions. Mr. Kent graduated from Cambridge University in the United Kingdom with a Master of Arts (Honours) degree in Management Studies.

## OVERVIEW OF BOC AVIATION (USA) CORPORATION

BOC Aviation (USA) Corporation (company registration no. C28685-1999) is a wholly-owned subsidiary of BOC Aviation Limited. It is a private corporation established on November 16, 1999 and incorporated in the state of Nevada, USA. Its principal address is located at 7 Bryant Park Floor 2, 1045 Avenue of the Americas, New York, New York 10018, USA.

Its principal activities are leasing of aircraft and other related activities. As of December 31, 2023, it owned a total of 89 aircraft leased mainly to airlines whose principal base of operations is in the United States of America. These airlines include American Airlines, Southwest Airlines, United Airlines and JetBlue Airways.

BOC Aviation (USA) Corporation is in compliance with those corporate governance laws of the State of Nevada to which it may be subject, if any.

### Directors

The board of BOC Aviation (USA) Corporation currently comprises four directors whose names are set out below:

Name	Position
Mr. Paul Kent .....	Director/President
Mr. Matthew Baumgarth .....	Director/Treasurer
Mr. Mark Hanley .....	Director/Vice President
Mr. Stuart Postle .....	Director

### Selected Financial Highlights

#### STATEMENT OF PROFIT OR LOSS

	Year ended December 31,	
	2023	2022
	(U.S.\$'000)	
<b>Revenues and other income</b>		
Lease rental income .....	298,678	256,002
Interest income from finance leases .....	23,459	–
Other interest and fee income .....	4,102	6,075
	326,239	262,077
<i>Other sources of income:</i>		
Net gain on sale of aircraft .....	4,355	15,109
Other income .....	12	1,535
	330,606	278,721

	Year ended December 31,	
	2023	2022
	(U.S.\$'000)	
<b>Costs and expenses</b>		
Depreciation of property, plant and equipment .....	(120,946)	(105,721)
Impairment of aircraft .....	(800)	(4,800)
Finance expenses .....	(64,478)	(26,508)
Staff costs .....	(3,395)	(1,628)
Other operating costs and expenses .....	(12,475)	(18,056)
	(202,094)	(156,713)
<b>Profit before income tax</b> .....	128,512	122,008
Income tax expense .....	(28,426)	(26,978)
<b>Profit for the year attributable to owners of the Company</b> ...	100,086	95,030

#### STATEMENT OF FINANCIAL POSITION

	As at December 31,	
	2023	2022
	(U.S.\$'000)	
Current assets .....	86,122	70,269
Current liabilities .....	(1,044,092)	(90,394)
<b>Net current liabilities</b> .....	(957,970)	(20,125)
Non-current assets .....	4,574,939	3,096,022
Non-current liabilities .....	(2,177,796)	(1,736,231)
<b>Net assets</b> .....	1,439,173	1,339,666
<b>Total equity</b> .....	1,439,173	1,339,666

# STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2023	2022
	(U.S.\$'000)	
Net cash flows from operating activities . . . . .	326,559	269,694
Net cash flows used in investing activities . . . . .	(1,822,691)	(159,312)
Net cash flows from/(used in) financing activities. . . . .	1,446,987	(73,602)
Net (decrease)/increase in cash and cash equivalents . . . . .	(49,145)	36,780
Cash and cash equivalents at beginning of year. . . . .	68,784	32,004
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>19,639</b>	<b>68,784</b>
<b>Net cash flows from operating activities less</b>		
<b>    finance expenses paid . . . . .</b>	<b>275,831</b>	<b>246,035</b>

## 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 and the underwriters’ businesses, they or their affiliates may be Parties in Interest with respect to certain Plans. Where any of the Issuer, the underwriters, or their affiliates is a Party in Interest with respect to a Plan, 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 is 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 none of the Issuers, the Guarantor, the underwriters, or their affiliates is a Party in Interest with respect to the Plan, or 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. 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) it is, but none of the Issuers, the Guarantor, the underwriters, or their affiliates is or will become a Party in Interest with respect to the Plan, or (iii) it is, but its purchase and holding of the Notes or any interest therein is eligible for the exemptive relief available under an applicable exemption 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 or 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.

## TAXATION

### U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations relevant to Noteholders 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 notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) partnerships or other pass-through entities; (viii) U.S. Holders that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction; (ix) investors that have a functional currency other than the U.S. dollar; (x) certain accrual method taxpayers subject to special tax accounting rules as a result of their use of financial statements; 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 term of more than 30 years 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.

For the purposes of this summary, a **Non-U.S. Holder** is a beneficial owner of Notes that is neither (i) a U.S. Holder nor (ii) for U.S. federal income tax purposes, a partnership.

If a partnership holds Notes, the tax treatment of a partner in such a partnership 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. The following disclosure applies only to Notes that are treated as debt for U.S. federal income tax purposes.



## U.S. HOLDERS

The following is a summary of certain U.S. federal income tax considerations related to the acquisition, ownership and disposition of Notes applicable to U.S. Holders.

### 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 U.S. Holder’s method of accounting for tax purposes. Interest paid on the Notes issued by the Parent Issuer and original issue discount (**OID**), if any, accrued with respect to the Notes issued by the Parent Issuer (as described below under “Original Issue Discount”) will generally constitute income from sources outside the United States for U.S. foreign tax credit purposes. Interest and OID with respect to Notes issued by the U.S. Issuer will generally constitute income from sources within 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 issued by the Parent Issuer.

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 Indexed Linked Interest Notes, therefore, generally will recognize income for each period equal to the amount paid during that period.

#### 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 not less than 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 issued by the Parent Issuer 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 and the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

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.

If a Variable Interest Rate Note 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).

For 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.

### **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 U.S. 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 issued by the Parent Issuer 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 issued by the Parent Issuer.

## **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.

## **NON-U.S. HOLDERS**

The following is a summary of certain U.S. federal income tax considerations related to the acquisition, ownership and disposition of Notes applicable to Non-U.S. Holders.

### **Payments of Interest by the U.S. Issuer**

Subject to the summaries regarding backup withholding and FATCA below, interest paid, or in the case of any original issue discount, deemed paid, in respect of a Note issued by the U.S. Issuer to any Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax provided the interest is not effectively connected with such Non-U.S. Holder's U.S. trade or business, the Non-U.S. Holder provides to us or the person otherwise responsible for withholding U.S. federal income tax from payments on such Notes an appropriate certification of such Non-U.S. Holder's foreign status, and such Non-U.S. Holder is not:

- an actual or constructive owner of 10 per cent. or more of the total combined voting power of all of the voting stock of the U.S. Issuer;
- a controlled foreign corporation related, actually or constructively, to the U.S. Issuer through stock ownership; or
- a bank described in Section 881(c)(3)(A) of the Code that acquired the Notes in the ordinary course of its trade or business.

In order to satisfy the certification requirement, the Non-U.S. Holder or its agent must generally provide a properly completed IRS Form W-8BEN or Form W-8BEN-E (or appropriate substitute or successor form) to the U.S. Issuer or its paying agent. When a security clearing organization, bank, financial institution, or other agent holds the Notes in the ordinary course of its trade or business on behalf of a Non-U.S. Holder, the Non-U.S. Holder may be required to provide appropriate documentation to such agent. Special rules may apply to certain Non-U.S. Holders and, in certain circumstances, a Non-U.S. Holder may be required to provide additional information to the U.S. Issuer or its paying agent.

If a Non-U.S. Holder does not qualify for an exemption from U.S. taxation in accordance with the rules described above, interest paid on a Note issued by the U.S. Issuer will be subject to withholding tax at the rate of 30 per cent. at the time the interest is paid, unless the Non-U.S. Holder provides the applicable paying agent with a properly executed IRS Form W-8BEN or Form W-8BEN-E (or successor form) claiming an exemption from or reduction in withholding due to the benefit of an applicable U.S. income tax treaty, or IRS Form W-8ECI (or successor form) stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the non-U.S. holder's U.S. trade or business.

### **Payments of Interest by the Parent Issuer**

Interest paid, or in the case of any original issue discount, deemed paid, in respect of Notes issued by the Parent Issuer to a Non-U.S. Holder should not be subject to U.S. federal income or withholding tax, unless such interest or original issue discount is effectively connected with a United States trade or business of the Non-U.S. Holder.

## **Sale, Exchange, or Retirement of a Note**

Subject to the summaries regarding backup withholding and FATCA below, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption, retirement, or other taxable disposition of a Note generally will not be subject to U.S. federal income tax, unless:

- such gain is U.S.-sourced and is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States and, if an applicable income tax treaty so provides, is attributable to a United States “permanent establishment”; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are satisfied.

Proceeds from the disposition of a Note that are attributable to accrued but unpaid interest generally will be subject to, or exempt from, tax to the same extent as described above with respect to interest paid on a Note.

## **U.S. Trade or Business Income**

If a Non-U.S. Holder of a Note is engaged in a trade or business in the United States and interest or gain on the Note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax on interest discussed above, will generally be subject to regular U.S. federal income tax on such interest or gain in the same manner as if it were a U.S. Holder. In addition, if such a holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, subject to adjustments.

## **FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING**

For purposes of this discussion, **FATCA** means one or more of the following, as the context requires: (1) sections 1471 to 1474 of the Code, and any associated legislation, regulations or guidance, commonly referred to as the U.S. Foreign Account Tax Compliance Act; (2) any intergovernmental agreement, treaty or any other arrangement between the United States and any other jurisdiction (including between any government bodies in each relevant jurisdiction), entered into to facilitate, implement, comply with or supplement the legislation, regulations or guidance described in clause (1); and (3) any legislation, regulations or guidance implemented to give effect to the matters outlined in the preceding clauses.

Under FATCA, a 30 per cent. withholding tax may apply to any “withholdable payment” made to a Noteholder unless the payor collects certain information regarding such Noteholder. The term “withholdable payment” includes any payment of interest (even if the interest is otherwise exempt from U.S. withholding rules, and including deemed payments of original issue discount) with respect to any U.S. investment, including the Notes issued by the U.S. Issuer. Noteholders will be required to provide identifying information to the U.S. Issuer or an applicable paying agent in order to classify such Noteholder for purposes of FATCA and other U.S. withholding requirements.

In addition, 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 modifies, in some instances, the default FATCA rules under the U.S. Treasury Regulations. 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, Notes which are 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. Additionally, 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.

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 Inland Revenue Authority of Singapore (IRAS) and 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, announcements, administrative guidelines or circulars, or the interpretation of those laws, announcements, guidelines or circulars occurring after such date, which changes could be made on a retroactive basis including amendments to the Income Tax (Qualifying Debt Securities) Regulations to include the conditions for the income tax and withholding tax exemptions under the qualifying debt securities (QDS) scheme for early redemption fee (as defined in the ITA) and redemption premium (as such term has been amended by the Income Tax Act 1947 of Singapore, as amended or modified from time to time (the ITA)). These laws, announcements, guidelines and circulars are also subject to various interpretations and no assurance can be given that the relevant tax authorities or the courts will agree with the explanations or conclusions set out below. 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. The statements below should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. The statements also do not consider any specific facts or circumstances that may apply to any particular purchaser. Holders and prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the subscription for, 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 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 24% from the Year of Assessment 2024. 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.

Notwithstanding the above, 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) early redemption fee or redemption premium 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.

## 2. QUALIFYING DEBT SECURITIES SCHEME

Debt securities that are issued on or after February 15, 2023 must be substantially arranged in Singapore by specified licensed persons in order to satisfy the requirement to be QDS for the purposes of the ITA. Where the debt securities are issued under a program, and such program was arranged prior to February 15, 2023, if the program was wholly arranged by financial sector incentive (bond market) (**FSI-BM**) companies, financial sector incentive (capital market) (**FSI-CM**) companies or financial sector incentive (standard tier) (**FSI-ST**) companies (each as defined in the ITA), as the case may be, at the relevant time, such requirement would also be satisfied for the purposes of the ITA. The Program was established before January 1, 2014 and the setting up of the Program as a whole was jointly arranged by Citigroup Global Markets Singapore Pte. Ltd. and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, as the first arrangers of the Program from the date of its establishment, each of which was a FSI-BM company at the relevant time. From March 30, 2021, Citigroup Global Markets Singapore Pte. Ltd. and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, each of which is a FSI-ST company,

arranged the participation of the U.S. Issuer as a new issuer in the Program. On the basis that the participation of the U.S. Issuer as a new issuer in the Program was arranged by FSI-ST companies, and the Program was previously wholly arranged by FSI-BM companies, any tranche of the Notes (the **Relevant Notes**) issued by the Parent Issuer or the U.S. Issuer as debt securities under the Program during the period from the date of this Offering Circular to December 31, 2028 would be QDS for the purposes of the ITA, to which the following treatments shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require, and the inclusion by the relevant Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, early redemption fee or redemption premium 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 from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the **Qualifying Income**) from the Relevant Notes 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 income tax;
- (ii) subject to certain conditions having been fulfilled (including the furnishing by the relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require), Qualifying Income from the Relevant Notes 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) the relevant Issuer including, in all offering documents relating to the Relevant Notes, a statement to the effect that any person whose interest, discount income, early redemption fee or redemption premium 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 the relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the relevant Issuer.

*The sub-paragraphs (i) and (ii) above are applicable to the extent that Qualifying Income by the relevant Issuer are deemed to be derived from Singapore under Section 12(6) of the ITA.*



Notwithstanding the foregoing:

- (A) if during the primary launch of the Relevant Notes, the Relevant Notes 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 related party(ies) of the relevant Issuer, such Relevant Notes would not qualify as QDS; and
- (B) even though the Relevant Notes are QDS, if, at any time during the tenure of such Relevant Notes, 50% or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the relevant Issuer, Qualifying Income derived from such Relevant Notes held by:
  - (I) any related party(ies) of the relevant Issuer; or
  - (II) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party(ies) of the relevant Issuer,

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 (A), means any person (a) who directly or indirectly controls A, (b) who is being controlled directly or indirectly, by A, or (c) who, together with A, is directly or indirectly under the control of a common person.

For the purposes of the ITA and/or this Singapore tax disclosure:

- (i) **early redemption 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;
- (ii) **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 or on the early redemption of the securities; and
- (iii) **specified licensed persons** means any of the following persons:
  - (a) a bank or merchant bank licensed under the Banking Act 1970 of Singapore;
  - (b) a finance company licensed under the Finance Companies Act 1967 of Singapore;
  - (c) a person who holds a capital markets services licence under the Securities and Futures Act 2001 of Singapore to carry on a business in any of the following regulated activities:
    - (A) advising on corporate finance; or
    - (B) dealing in capital markets products; or
  - (d) such other person as may be prescribed by rules made under Section 7 of the ITA.

Where interest, discount income, early redemption fee or redemption premium is derived from any of 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 (subject to certain conditions) under the ITA 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, early redemption fee or redemption premium derived from the Relevant 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.



### **3. Capital Gains**

Any gains considered to be in the nature of capital made from the sale of the Notes will generally 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. In addition, any foreign-sourced disposal gains received in Singapore from outside Singapore from the sale of the Notes that occurs on or after January 1, 2024 by an entity of a multinational group that does not have adequate economic substance in Singapore may be taxable as further described in Section 10L of the ITA.

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 (Financial Instruments) (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”.

### **4. Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes**

Section 34A of the ITA requires taxpayers who adopt or are required to adopt FRS 39 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 39, subject to certain exceptions provided in that section and certain “opt-out” provisions. The IRAS has also issued an e-tax guide entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition & Measurement” to provide guidance on the Singapore income tax treatment of financial instruments.

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 adopt or who are required to adopt 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 provided in that section. The IRAS has also issued an e-tax guide 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 the FRS 39 tax regime, FRS 109 tax regime or the SFRS(I) 9 tax regime should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

### **5. 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.

While the Commission's Proposal remains on the European Commission's agenda, there has been no agreement on implementing it and the European Commission has stated that the prospects of reaching an agreement on the FTT in the future are limited.

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 Issuers, the Guarantor, 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 member of the Federal Reserve System, 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 Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct 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 a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries.. 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, or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee 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 DTC. 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. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. 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 Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the relevant agent (or such other nominee as may be requested by an authorized representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. 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 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."

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to us or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

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 28, 2024, 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (i) in the United States to (a) QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (b) Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act and (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that, except as permitted by the Program Agreement, 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 purchases 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 has also agreed, and each further Dealer appointed under the Program will be required to agree, 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 has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, 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 has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, (i) that it has not offered or sold, and 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) that it has not delivered and 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 has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has, and 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 has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, 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 1.163-5(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 has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, 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 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 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 has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, 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 or to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, and in connection therewith each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, 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), (3) and (7) under the Securities Act) 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;
- (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 have represented and agreed 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.

## 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 offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area (the **EEA**). 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, a **Relevant State**), 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 Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) 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 us for any such offer; or
- (d) 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 (b) to (d) above shall require us 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:

- (a) the expression **an offer of Notes to the public** in relation to any Notes in any Relevant 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
- (b) the expression **Prospectus Regulation** means Regulation (EU) 2017/1129 (as amended).

## UNITED KINGDOM

### Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of sales to UK 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 offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK 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 UK 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 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 the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (A) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a **Public Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the relevant Issuer has consented in writing to its use for the purpose of that Public Offer;
- (B) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(D) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (B) to (D) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes 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 **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### Other regulatory restrictions

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 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 a resident of any such province or territory purchasing, or deemed to be purchasing, as principal that 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: +1 (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 manière que ce soit à la vente des valeurs 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 (the **SFO**)) other than: (i) to “professional investors” as defined in the SFO and any rules made under the SFO; 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 (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 SFO and any rules made under the SFO.

## SINGAPORE

Unless the Pricing Supplement in respect of any Notes specifies “Singapore Sales to Institutional Investors and Accredited Investors only” as “Not Applicable”, 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 any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **Securities and Futures Act**)) pursuant to Section 274 of the Securities and Futures Act or (b) to an accredited investor (as defined in Section 4A of the Securities and Futures Act) pursuant to and in accordance with the conditions specified in Section 275 of the Securities and Futures Act.

If the Pricing Supplement in respect of any Notes specifies “Singapore Sales to Institutional Investors and Accredited Investors only” as “Not Applicable”, 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 any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of 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.

## **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).

## **IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)**

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of an Issuer the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the relevant Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the relevant Issuer, the Guarantor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified in the applicable Pricing Supplement, the marketing and investor targeting strategy for the relevant CMI Offering may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the relevant Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors prior to the launch of an offering.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Dealer(s) (if any) to categorize it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate. In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any “Associations” (as used in the SFC Code);
- whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuers, the Guarantor, the relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

## TRANSFER RESTRICTIONS

### UNITED STATES

**As a result of the following restrictions, purchasers 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 and the Guarantee 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 10 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 10 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 Hogan Lovells Lee & Lee, our U.S. and English counsel and Woodburn and Wedge, our counsel as to Nevada law. Allen & Overy LLP, U.S., English and Singapore counsel to the Dealers, will pass upon certain U.S., English and 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, 2023 and 2022. Our independent auditor was PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants, Singapore, located at 7 Straits View, Marina One, East Tower, Level 12, Singapore 018936 for our audited consolidated financial statements as at and for the years ended December 31, 2023 and 2022. The audited consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

## **GENERAL INFORMATION**

### **CHANGE OF NAME**

On May 12, 2016, BOC Aviation Limited was converted to a public company limited by shares and the its name was changed from “BOC Aviation Pte. Ltd.” to “BOC Aviation Limited”.

### **AUTHORIZATION**

The establishment and update of the Program, the issue of Notes and (in the case of BOC Aviation Limited only) the giving of the Guarantee, have been duly authorized by resolutions of:

- (a) BOC Aviation Limited’s Board of Directors dated September 16, 2012, April 10, 2014, March 16, 2015, December 13, 2016, February 17, 2020 and March 12, 2021; and
- (b) BOC Aviation (USA) Corporation’s Board of Directors dated March 17, 2021, August 30, 2021, March 14, 2022, August 23, 2022, March 17, 2023, July 13, 2023, August 14, 2023, September 26, 2023, January 8, 2024 and March 22, 2024 and the Special Committee of BOC Aviation (USA) Corporation dated March 11, 2022, September 16, 2022, March 17, 2023, August 15, 2023 and March 22, 2024.

### **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.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, BOC Aviation (USA) Corporation shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes are exchanged for definitive Notes. In addition, in the event that the Global Notes are exchanged for definitive Notes, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

### **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, 2023, 2022 and 2021. 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 Guarantee, the Deeds of Covenant, the CDP Deeds of Covenant and the Deed Polls;
- (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, 2023 and there has been no material adverse change in the financial position of the Group since December 31, 2023.

## **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, 2023 and 2022. For the audit of these financial statements, our independent auditor was PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants, Singapore, located at 7 Straits View, Marina One, East Tower, Level 12, Singapore 018936. 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. The audited consolidated financial statements have not been specifically prepared for inclusion in 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.

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### **BOC AVIATION LIMITED**

### **AND ITS SUBSIDIARY COMPANIES**

(Incorporated in Singapore. Registration No. 199307789K)

### **FINANCIAL STATEMENTS**

For the financial year ended December 31, 2023

### **FINANCIAL STATEMENTS**

For the financial year ended December 31, 2022



**BOC AVIATION LIMITED AND  
ITS SUBSIDIARY COMPANIES**

*(Incorporated in Singapore. Registration No. 199307789K)*

**FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2023*

## **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2023

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## **DIRECTORS' STATEMENT**

For the financial year ended 31 December 2023

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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 2023.

### **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 2023 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:

Liu Jin	Chairman and Non-Executive Director (appointed on 24 April 2023)
Zhang Xiaolu	Vice-Chairman and Deputy Managing Director
Steven Matthew Townend	Managing Director and Chief Executive Officer (appointed on 1 January 2024)
Chen Jing	Non-executive Director
Jin Hongju	Non-executive Director (appointed on 16 November 2023)
Li Ke	Non-executive Director (appointed on 16 November 2023)
Robert James Martin	Non-executive Director
Wang Xiao	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.

**DIRECTORS' STATEMENT**

For the financial year ended 31 December 2023

**4. Restricted Share Unit Long Term Incentive Plan**

The Company has in place a Restricted Share Unit Long Term Incentive Plan (the "RSU Plan") for certain employees. The first RSU Plan was adopted on 18 December 2017 governing the awards for the financial years 2017 to 2021 (inclusive) and will terminate in December 2024 when the final awards have vested. The second RSU Plan was adopted on 28 February 2023 governing the awards for financial years 2022 to 2025 (inclusive) and will terminate in either April 2029 or (depending on the satisfaction of certain conditions) April 2030 when the final awards have vested. 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 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 subsidiary companies. An independent trustee purchases shares of the Company from the market and holds such shares on trust in accordance with the rules of the RSU Plan. The RSU Plan does not involve any issue of new shares by the Company.

**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 1967, interests in shares of the Company or of related companies as stated below:

<b>Name of director</b>	<b>At the beginning of financial year</b>	<b>At the end of financial year</b>
Ordinary shares:		
Robert James Martin	616,243	697,654
Zhang Xiaolu	—	44,409
Restricted share units granted by the Company but not yet vested:		
Robert James Martin	185,433	248,397
Zhang Xiaolu	110,606	143,387

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.

## DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

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### 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
Chen Jing	Non-executive Director
Jin Hongju	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 Chief Financial Officer, the Head of Accounting and Reporting 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.

## **DIRECTORS' STATEMENT**

For the financial year ended 31 December 2023

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### **7. Auditor**

PricewaterhouseCoopers 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:



**Liu Jin**  
Director



**Steven Matthew Townend**  
Director

Singapore  
14 March 2024

## **INDEPENDENT AUDITOR'S REPORT**

For the financial year ended 31 December 2023

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED**

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#### **Report on the audit of the financial statements**

##### **Our Opinion**

In our opinion, the accompanying consolidated financial statements of BOC Aviation Limited ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act"), International Financial Reporting Standards ("IFRSs") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

We have audited the financial statements of the Company and the Group which comprise the consolidated statement of profit or loss of the Group for the financial year ended 31 December 2023; the consolidated statement of comprehensive income of the Group for the financial year then ended; the consolidated statement of financial position of the Group as at 31 December 2023; the statement of financial position of the Company as at 31 December 2023; the consolidated statement of changes in equity of the Group for the financial year then ended; the consolidated statement of cash flows of the Group for the financial year then ended; and the notes to the financial statements, including a summary of material accounting policies.

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

##### *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

##### **Our Audit Approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



## INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2023

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

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#### Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements for the financial year ended 31 December 2023. The matter was 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.

#### *Carrying value of property, plant and equipment – aircraft*

As at 31 December 2023, the carrying value of aircraft in property, plant and equipment was US\$19,054 million (refer to Note 13), representing approximately 79% of the Group's total assets. During the year ended 31 December 2023, the Group has recognised an impairment loss of US\$8.8 million, which represents the write-down of the carrying amount of affected aircraft to the estimated recoverable amount in accordance with the requirements of IAS36/ SFRS(I) 1-36 *Impairment of Assets*.

We focused on the carrying value of the aircraft because the impairment assessment involved the use of significant judgement and estimation by management as disclosed in Note 3.2(b) to the financial statements. The recoverable amount attributable to each aircraft is determined as being the higher of the fair value less costs of disposal and the value in use of the aircraft. The recoverable amount is compared to the carrying value of the aircraft in order to determine whether an impairment exists.

The fair value is determined by reference to independent aircraft valuation reports provided by external appraisers.

The value in use is determined by calculating the estimated future cash flows expected to be generated by the asset 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.

We obtained an understanding of management's impairment model and key assumptions. We reviewed management's assessment of indicators of impairment, if any, and also performed audit procedures, including:

- We validated, on a sample basis, the fair value of aircraft held for lease to independent aircraft valuation reports or other supporting evidence.
- We validated, on a sample basis, the value in use calculation against lease agreements, independent aircraft valuation or other supporting evidence.
- We evaluated the competence, capabilities and objectivity of the external appraisers who provided the independent aircraft valuation reports.
- We verified the accuracy of the impairment assessment by re-performing the mathematical calculations.
- We assessed the reasonableness of the discount rate used in the value in use calculation.
- We performed sensitivity analyses over the discount rate used in the value in use calculation.

Based on these procedures, we consider that management's impairment assessment is appropriate.

## **INDEPENDENT AUDITOR'S REPORT**

For the financial year ended 31 December 2023

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED**

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#### **Other Information**

Management is responsible for the other information. The other information comprises the information in the Group's Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained all of the other information prior to the date of this auditor's report, except for the Environmental, Social and Governance Report ("the Other Sections"), which is expected to be made available to us after that date.

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

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

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

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with ISAs.

#### **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.

## **INDEPENDENT AUDITOR'S REPORT**

For the financial year ended 31 December 2023

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED**

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#### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 control 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 the matter that was of most significance in the audit of the financial statements of the current period and is therefore the key audit matter. 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.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

## **INDEPENDENT AUDITOR'S REPORT**

For the financial year ended 31 December 2023

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED**

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#### **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 auditors 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 Antony Eldridge.

A handwritten signature in black ink, appearing to read 'Antony Eldridge', followed by a large, stylized 'P'.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore

14 March 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the financial year ended 31 December 2023

	Note	Group	
		2023 US\$'000	2022 US\$'000
<b>Revenues and other income</b>			
Lease rental income	43(a)	1,911,033	1,784,461
Interest income from finance leases	37(b)	68,951	40,697
Other interest and fee income	4	86,182	96,123
		<b>2,066,166</b>	1,921,281
<i>Other sources of income:</i>			
Net gain on sale of aircraft	5	77,848	63,867
Income arising from termination of leases*		–	222,876
Other income	6	317,256	99,028
		<b>2,461,270</b>	2,307,052
<b>Costs and expenses</b>			
Depreciation of property, plant and equipment	13	795,389	786,084
Finance expenses	7	636,361	483,661
Amortisation of deferred debt issue costs	8	20,878	26,615
Staff costs	9	67,741	49,122
Marketing and travelling expenses		6,122	5,058
Impairment of aircraft^	13	8,800	855,991
(Write-back of)/Impairment losses on financial assets	15	(2,879)	1,235
Other operating expenses	11	68,301	69,790
		<b>(1,600,713)</b>	(2,277,556)
<b>Profit before income tax</b>		<b>860,557</b>	29,496
Income tax expense	12	(96,655)	(9,436)
<b>Profit for the year attributable to owners of the Company</b>		<b>763,902</b>	20,060
<b>Earnings per share attributable to owners of the Company:</b>			
<b>Basic earnings per share (US\$)</b>	42	<b>1.10</b>	0.03
<b>Diluted earnings per share (US\$)</b>	42	<b>1.10</b>	0.03

\* Income arising from termination of leases for 2022 was in respect of termination of leases of 17 aircraft with Russian airlines.

^ Impairment of aircraft for 2022 includes asset write-down of US\$791.3 million in respect of the net book value of 17 aircraft in Russia.

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 2023

	Note	Group 2023 US\$'000	2022 US\$'000
<b>Profit for the year</b>		<b>763,902</b>	20,060
<b>Other comprehensive income for the year, net of tax:</b>			
<i>Items that may be reclassified subsequently to statement of profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges, net of tax	30	<b>19,241</b>	83,081
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	30	<b>(34,991)</b>	16,727
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>748,152</b>	119,868

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  
FINANCIAL POSITION**  
As at 31 December 2023

	Note	Group 2023 US\$'000	2022 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	20,765,160	20,628,570
Derivative financial instruments	14	14,083	12,567
Finance lease receivables	37(b)	2,380,547	413,194
Trade receivables	15	98,780	98,334
Other receivables	16	64,400	62,298
Deferred income tax assets	27	193	159
Other non-current assets		15,181	11,045
		<b>23,338,344</b>	<b>21,226,167</b>
<b>Current assets</b>			
Trade receivables	15	18,584	64,933
Prepayments		2,284	1,469
Derivative financial instruments	14	569	10,724
Finance lease receivables	37(b)	123,555	229,909
Other receivables	16	284,393	132,765
Income tax receivables		540	664
Short-term deposits	17	308,796	306,707
Cash and bank balances	18	83,679	90,159
Other current assets		8,867	7,878
		<b>831,267</b>	<b>845,208</b>
<b>Total assets</b>		<b>24,169,611</b>	<b>22,071,375</b>
<b>Current liabilities</b>			
Derivative financial instruments	14	7,445	—
Trade and other payables	20	166,622	146,398
Deferred income	21	93,953	123,856
Income tax payables		301	1,328
Loans and borrowings	22	3,094,676	2,420,180
Lease liabilities	23	2,504	2,516
Security deposits	25	36,193	24,798
		<b>3,401,694</b>	<b>2,719,076</b>
<b>Net current liabilities</b>		<b>(2,570,427)</b>	<b>(1,873,868)</b>
<b>Total assets less current liabilities</b>		<b>20,767,917</b>	<b>19,352,299</b>



BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (CONTINUED)**  
As at 31 December 2023

		Group	
	Note	2023 US\$'000	2022 US\$'000
<b>Non-current liabilities</b>			
Derivative financial instruments	14	18,668	19,949
Loans and borrowings	22	13,415,816	12,701,485
Lease liabilities	23	12,015	14,138
Security deposits	25	150,048	148,121
Deferred income	21	69,195	45,694
Maintenance reserves	26	693,370	645,116
Deferred income tax liabilities	27	647,250	557,596
Other non-current liabilities	28	13,093	18,101
		<b>15,019,455</b>	14,150,200
<b>Total liabilities</b>		<b>18,421,149</b>	16,869,276
<b>Net assets</b>		<b>5,748,462</b>	5,202,099
<b>Equity attributable to owners of the Company</b>			
Share capital	29	1,157,791	1,157,791
Retained earnings		4,582,434	4,020,130
Statutory reserves		1,178	913
Share-based compensation reserves		7,597	8,053
Hedging reserves	30	(538)	15,212
		<b>5,748,462</b>	5,202,099
<b>Total equity</b>		<b>5,748,462</b>	5,202,099
<b>Total equity and liabilities</b>		<b>24,169,611</b>	22,071,375

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2023

		Company	
	Note	2023 US\$'000	2022 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	11,343,144	11,705,169
Derivative financial instruments	14	14,083	12,567
Finance lease receivables	37(b)	595,131	413,194
Trade receivables	15	18,895	21,197
Other receivables	16	16,431	7,831
Amounts due from subsidiary companies	33	2,783,250	2,293,600
Investments in subsidiary companies	34	747,139	747,140
Other non-current assets		13,018	9,243
		<b>15,531,091</b>	<b>15,209,941</b>
<b>Current assets</b>			
Trade receivables	15	10,742	57,851
Prepayments		2,087	1,338
Derivative financial instruments	14	569	10,724
Finance lease receivables	37(b)	24,728	229,909
Other receivables	16	31,081	21,502
Short-term deposits	17	171,095	38,577
Cash and bank balances	18	26,619	40,769
Other current assets		6,761	6,866
		<b>273,682</b>	<b>407,536</b>
<b>Total assets</b>		<b>15,804,773</b>	<b>15,617,477</b>
<b>Current liabilities</b>			
Derivative financial instruments	14	7,445	–
Trade and other payables	20	149,067	150,407
Deferred income	21	52,621	82,883
Loans and borrowings	22	1,890,379	2,013,081
Security deposits	25	10,000	–
Lease liabilities	23	1,798	1,818
Lease liabilities to subsidiary companies	32	–	45,427
		<b>2,111,310</b>	<b>2,293,616</b>
<b>Net current liabilities</b>		<b>(1,837,628)</b>	<b>(1,886,080)</b>
<b>Total assets less current liabilities</b>		<b>13,693,463</b>	<b>13,323,861</b>

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at 31 December 2023

		<b>Company</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	14	<b>18,668</b>	19,949
Loans and borrowings	22	<b>9,468,007</b>	9,221,864
Security deposits	25	<b>89,207</b>	83,452
Deferred income	21	<b>37,667</b>	27,465
Maintenance reserves	26	<b>332,181</b>	339,488
Deferred income tax liabilities	27	<b>180,955</b>	160,956
Lease liabilities	23	<b>10,395</b>	11,986
Lease liabilities to subsidiary companies	32	<b>—</b>	30,758
Other non-current liabilities	28	<b>15,037</b>	15,043
		<b>10,152,117</b>	9,910,961
<b>Total liabilities</b>		<b>12,263,427</b>	12,204,577
<b>Net assets</b>		<b>3,541,346</b>	3,412,900
<b>Equity attributable to owners of the Company</b>			
Share capital	29	<b>1,157,791</b>	1,157,791
Retained earnings		<b>2,375,814</b>	2,234,909
Share-based compensation reserves		<b>7,036</b>	6,652
Hedging reserves	30	<b>705</b>	13,548
<b>Total equity</b>		<b>3,541,346</b>	3,412,900
<b>Total equity and liabilities</b>		<b>15,804,773</b>	15,617,477

*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 2023

		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
<b>At 1 January 2022</b>		1,157,791	4,182,119	834	9,766	(84,596)	5,265,914
Profit for the year		–	20,060	–	–	–	20,060
Transfers to statutory reserves		–	(79)	79	–	–	–
Other comprehensive income for the year, net of tax	30	–	–	–	–	99,808	99,808
Total comprehensive income for the year		–	19,981	79	–	99,808	119,868
Transactions with owners of the Company:							
Dividends	35	–	(181,970)	–	–	–	(181,970)
Amortisation of share-based compensation	9	–	–	–	8,749	–	8,749
Restricted Share Units – amount vested		–	–	–	(10,462)	–	(10,462)
<b>At 31 December 2022 and 1 January 2023</b>		<b>1,157,791</b>	<b>4,020,130</b>	<b>913</b>	<b>8,053</b>	<b>15,212</b>	<b>5,202,099</b>
Profit for the year		–	763,902	–	–	–	763,902
Transfers to statutory reserves		–	(265)	265	–	–	–
Other comprehensive income for the year, net of tax	30	–	–	–	–	(15,750)	(15,750)
Total comprehensive income for the year		–	763,637	265	–	(15,750)	748,152
Transactions with owners of the Company:							
Dividends	35	–	(201,333)	–	–	–	(201,333)
Amortisation of share-based compensation	9	–	–	–	7,381	–	7,381
Restricted Share Units – amount vested		–	–	–	(7,837)	–	(7,837)
<b>At 31 December 2023</b>		<b>1,157,791</b>	<b>4,582,434</b>	<b>1,178</b>	<b>7,597</b>	<b>(538)</b>	<b>5,748,462</b>

\* 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 2023

	Note	Group 2023 US\$'000	2022 US\$'000
<b>Cash flows from operating activities:</b>			
Profit before income tax		860,557	29,496
Adjustments for:			
Depreciation of property, plant and equipment	13	795,389	786,084
Impairment of aircraft	13	8,800	855,991
Amortisation of deferred debt issue costs	8	20,878	26,615
Amortisation of share-based compensation	9	7,381	8,749
Interest income from finance leases	37(b)	(68,951)	(40,697)
Other interest and fee income	4	(86,182)	(96,123)
Net gain on sale of aircraft	5	(77,848)	(63,867)
Finance expenses	7	636,361	483,661
Income arising from termination of leases		—	(222,876)
(Write-back of)/Impairment losses on financial assets	15	(2,879)	1,235
Other income		(41,658)	(49,575)
<b>Operating profit before working capital changes</b>		<b>2,051,848</b>	<b>1,718,693</b>
(Increase)/Decrease in receivables		(33,109)	1,780
Decrease in payables		(9,313)	(74,773)
Increase in maintenance reserves, net		94,942	127,352
(Decrease)/Increase in deferred income		(7,131)	28,483
<b>Cash generated from operations</b>		<b>2,097,237</b>	<b>1,801,535</b>
Security deposits received, net		14,051	79,447
Lease transaction closing costs paid		(965)	(466)
Income tax paid, net		(6,769)	(8,613)
Interest and fee income received		179,647	136,649
<b>Net cash flows from operating activities</b>		<b>2,283,201</b>	<b>2,008,552</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(1,669,955)	(1,207,989)
Purchase of aircraft classified as finance lease		(1,970,200)	—
Proceeds from sale of property, plant and equipment		808,066	1,309,190
Refund of pre-delivery payments by airlines		30,075	91,835
<b>Net cash flows (used in)/from investing activities</b>		<b>(2,802,014)</b>	<b>193,036</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the financial year ended 31 December 2023

	Note	Group 2023 US\$'000	2022 US\$'000
<b>Cash flows from financing activities:</b>			
Proceeds from loans and borrowings		3,335,000	1,685,000
Repayment of loans and borrowings		(2,449,601)	(3,108,391)
Increase/(Decrease) in borrowings from revolving credit facilities, net		505,000	(185,000)
Repayment of lease liabilities		(3,384)	(2,902)
Finance expenses paid		(639,794)	(492,019)
Debt issue costs paid		(31,466)	(5,536)
Dividends paid	35	(201,333)	(181,970)
Decrease/(Increase) in cash and bank balances - encumbered		4,299	(3,742)
<b>Net cash flows from/(used in) financing activities</b>		<b>518,721</b>	<b>(2,294,560)</b>
Net decrease in cash and cash equivalents		(92)	(92,972)
Cash and cash equivalents at beginning of year		391,913	484,885
<b>Cash and cash equivalents at end of year</b>	31	<b>391,821</b>	<b>391,913</b>

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2023

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**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. The shareholder of Sky Splendor Limited 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 79 Robinson Road, #15-01, Singapore 068897.

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 34.

**2. Summary of material accounting policies**

**2.1 Basis of presentation and preparation**

As at 31 December 2023, the Group’s and the Company’s current liabilities exceeded its current assets by US\$2,570.4 million (2022: US\$1,873.9 million) and US\$1,837.6 million (2022: US\$1,886.1 million), respectively. The financial statements have been prepared on a going concern basis as management is reasonably confident that after taking into account cash generated by the Group and unutilised committed banking facilities, the Group will have sufficient resources to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board and are also prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) as issued by the Singapore Accounting Standards Council.

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 United States Dollar (“US\$” or “US Dollar”), which is the functional currency of the Company, and all values are rounded to the nearest thousand (US\$’000), except when otherwise indicated. Where necessary, comparative information has been re-presented to conform with the presentation in the current year.

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.



BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2023

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**2. Summary of material 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 new and revised standards which are effective for annual periods beginning on or after 1 January 2023.

The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company for the current or prior financial years.

In the current financial year, the Group adopted the Amendments to IAS 12/SFRS(I) 1-12: International Tax Reform – Pillar Two Model Rules which include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation.

Pillar Two legislation was enacted in the United Kingdom on 11 July 2023 and in Ireland on 18 December 2023, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for financial years beginning on or after 31 December 2023. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating the Global Anti-Base Erosion income, the quantitative impact of the enacted legislation is not yet reasonably estimated. The Group is currently engaged with tax specialists to assist them in applying the legislation.

The Group has not adopted the following new or amended standards which have been issued and are relevant to the Group, but not yet effective:

<b>Standards</b>	<b>Applicable for financial year beginning on or after</b>
Amendments to IAS 1/SFRS(I) 1-1 on Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1/SFRS(I) 1-1 on Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024
Amendment to IFRS 16/SFRS(I) 16 on Leases: Lease Liability in a Sale and Leaseback	1 January 2024

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2023

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**2. Summary of material accounting policies (cont'd)**

**2.2 Changes in accounting policies (cont'd)**

Based on a preliminary assessment using currently available information, the Group does not expect the adoption of the above standards 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 on the effective date.

**2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2023. 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 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 based on the currency of the primary economic environment in which the entity generates revenues and incurs costs ("functional currency"). Refer to Note 2.1 for details on the presentation 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. Summary of material accounting policies (cont'd)**

**2.5 Property, plant and equipment**

*(a) Aircraft*

Aircraft on operating lease to airline customers and aircraft off-lease at year end are included under property, 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 applicable 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 when incurred.

The carrying values of aircraft are reviewed for impairment at the end of each reporting period or 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 at cost under property, plant and equipment when payments are made for aircraft under construction and are not depreciated.

*(c) Other plant and equipment*

Other plant and equipment comprises office renovations, furniture, fittings and office equipment which 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 when incurred.

*(d) Right-of-use assets*

At the commencement date of the lease, the Group and the Company recognise right-of-use assets representing the right to use the underlying asset during the lease term. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are subject to impairment. Refer to Note 2.7 for the accounting policy.

**2. Summary of material accounting policies (cont'd)**

**2.5 Property, plant and equipment (cont'd)**

*(e) Depreciation*

Aircraft are depreciated on a straight-line basis from the date of manufacture 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 on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of such property, plant and equipment are as follows:

Office renovations	- 8 to 10 years
Furniture, fittings and office equipment	- 1 to 3 years
Right-of-use asset - Office and facilities spaces	- 1 to 10 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 property, plant and equipment.

*(f) Disposal*

An item of property, 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. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

**2. Summary of material accounting policies (cont'd)**

**2.7 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, 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 increased carrying amount 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.

**2.8 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 material accounting policies (cont'd)**

**2.9 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's financial assets are categorised as either financial assets at fair value through profit or loss or financial assets measured at amortised cost at initial recognition. The classification depends on the Group's business model for managing financial assets as well as the contractual terms of the cash flows of the financial asset.

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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) 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.

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.

**2. Summary of material accounting policies (cont'd)**

**2.9 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's financial liabilities are categorised as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost 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.

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. Summary of material accounting policies (cont'd)**

**2.10 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.

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 and/or deferral agreements to the Group in excess of any security deposit or the value of any collateral related to the lease.

*(b) General approach*

The Group applies a general three stage 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. According to the changes of credit risk of financial instruments since initial recognition, the Group calculates ECL by three stages:

- Stage 1: Financial instruments without significant increases in credit risk since initial recognition are included under Stage 1 to calculate their loss allowance at an amount equivalent to 12-month ECLs;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included under Stage 2, with their loss allowance measured at an amount equivalent to lifetime ECLs; or
- Stage 3: Financial instruments that have had a significant increase in credit risk since initial recognition and objective impairment evidence are included under Stage 3, with their loss allowance measured at an amount equivalent to lifetime ECLs.

**2. Summary of material accounting policies (cont'd)**

**2.10 Impairment of financial assets (cont'd)**

*(b) General approach (cont'd)*

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.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recovery received subsequent to write-off will be recognised in profit or loss.

**2.11 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. The Group's policy requires that derivatives are used solely for managing risks and not for speculative purposes.

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. The full fair values of hedging derivatives are classified as current if the hedge relationships are for less than 12 months, and as non-current if those relationships are for more than 12 months.

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 with reference to marked-to-market values based on valuation techniques that use data from observable markets.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

**2. Summary of material accounting policies (cont'd)**

**2.11 Derivative financial instruments and hedging activities (cont'd)**

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 value 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 at hedge inception and on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

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 method. If the hedged item is derecognised, the unamortised fair value is recognised immediately 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.

If the hedged future cash flows 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 cash flows occur.

**2. Summary of material accounting policies (cont'd)**

**2.11 Derivative financial instruments and hedging activities (cont'd)**

Hedges directly affected by interest rate benchmark reform

Phase 1 amendments: when there is uncertainty arising from interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of the interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of the reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

For assessing the economic relationship between the hedged item and the hedging instrument, the Group will cease to apply the specific policy when (i) the uncertainty arising from the reform is no longer present with respect to the timing and the amount of the contractual cash flows of the respective item or instrument or when (ii) the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will cease to apply the specific policy when (i) the uncertainty arising from the reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when (ii) the hedging relationship is discontinued.

Phase 2 amendments: when there is no longer uncertainty arising from interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged item or the hedging instrument changes as a result of the reform and therefore there is no longer uncertainty arising from the cash flows of the hedge item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by the reform. A change in the basis for determining the contractual cash flows is required by the reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately before the change).

**2. Summary of material accounting policies (cont'd)**

**2.11 Derivative financial instruments and hedging activities (cont'd)**

Hedges directly affected by interest rate benchmark reform (cont'd)

Phase 2 amendments: when there is no longer uncertainty arising from interest rate benchmark reform (cont'd)

For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by the reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by the reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by the reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge relationship. If the additional changes do not result in discontinuation of the hedge relationship, then the Group amends the formal hedge documentation for changes required by the reform as mentioned above.

When the interest rate benchmark is changed as required by the reform, the Group deems that the hedging reserve recognised in other comprehensive income for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

**2. Summary of material accounting policies (cont'd)**

**2.12 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.

**2.13 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.

**2.14 Security deposits**

Security deposits represent cash received from the lessee as security in accordance with the lease agreement. The deposits are repayable to the lessees on the expiration/termination of the lease agreements subject to satisfactory compliance with the lease agreement by the lessee. Security deposits are recognised at amortised cost using the effective interest method.

**2.15 Maintenance reserves**

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are generally 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 or surplus that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee 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. Summary of material accounting policies (cont'd)**

**2.16 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 is suspended during extended periods in which active development of a qualifying asset is suspended and ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

**2.17 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.

**2.18 Trade and other payables**

Liabilities for trade and other payables including payables to related parties, which are normally contracted between 30 and 45 days 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.

**2.19 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 for certain staff. 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.



**2. Summary of material accounting policies (cont'd)**

**2.19 Employee benefits (cont'd)**

*(c) Long-term incentive plan*

For financial years 2017 to 2021

Selected employees of the Group are eligible to participate in the long-term incentive plan, which comprises a cash portion and the Restricted Share Unit Long Term Incentive Plan (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. Details have been disclosed in Note 28.

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 a 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 each RSU at grant date. This cost is recognised in profit or loss over the vesting period (from the date of grant to the date the shares vest) or the period of service of any relevant employee who has retired, whichever is shorter. The vesting period is typically over a period of approximately three years.

For financial years 2022 to 2025

Long-term incentive plan awards for financial years 2022 to 2025 will be settled fully by RSUs with no cash portion.

*(d) Employers' defined contributions*

As required by law, the Group participates in defined contribution retirement schemes for its employees. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

In Singapore, the Company makes contributions to the Central Provident Fund ("CPF"). In general, an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service. An employer must pay both the employer's and employee's share of the monthly CPF contribution. However, an employer can recover the employee's share of CPF contributions from their wages when the contributions are paid for that month. CPF contributions are payable at the applicable prescribed rates which are dependent on factors including the amount of monthly wages and the age of the employee.

The Group also makes contributions to National Insurance and Workplace Pension in the United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in the United States of America and Social Insurance in China at the applicable rates based on the amounts stipulated by the relevant government authorities.

None of the defined contribution retirement schemes described above provide for the forfeiture of contributions made by the Group.

**2. Summary of material accounting policies (cont'd)**

**2.20 Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*(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 2.21.

Finance leases, which effectively transfer to the lessee substantially all the risks and rewards of ownership of the 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 is recognised directly in profit or loss.

*(b) Where the Group or the Company is the lessee*

The Group or the Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group or the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(i) Right-of-use assets*

Refer to Note 2.5 (d) and (e) for the accounting policies.

*(ii) Lease liabilities*

At the commencement date of a lease, the Group or the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group or the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, or a change in the lease payment.

*(iii) Short-term leases and leases of low-value assets*

The Group or the Company applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**2. Summary of material accounting policies (cont'd)**

**2.21 Revenue and other income 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 stepped or adjusted rentals are recognised on a straight-line basis over the term of the remaining lease. For operating leases where rentals are based on floating interest rates, increases or decreases in lease payments that result from subsequent changes in the floating interest rate are recorded as increases or decreases in lease revenue in the period of the interest rate change. Variable rents are recognised as revenue in the period in which they are earned.

*(b) Fee income from aircraft pre-delivery payments*

Fee income from aircraft pre-delivery payments is recognised as revenue over time following the timing of satisfaction of the performance obligation.

*(c) Lease management and remarketing fee income*

Lease management and remarketing fee income is 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 is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

*(e) Interest income*

Interest income from financial assets at amortised cost is recognised using the effective interest method.

*(f) Other income*

Other income is recognised based on contractual agreements with the relevant parties.

**2. Summary of material accounting policies (cont'd)**

**2.22 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 material accounting policies (cont'd)**

**2.22 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.

**2.23 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 for which the fair values can be reliably determined.

**2. Summary of material accounting policies (cont'd)**

**2.24 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 the 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);
  - (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); or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting 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.

**3.1 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) Maintenance of aircraft by lessees*

Maintenance, repairs and overhaul of the aircraft placed on operating and finance leases are generally undertaken and paid for by the lessees. Certain lease agreements require the lessees to make monthly maintenance contributions to the Group which can subsequently be drawn on for certain maintenance events carried out during the lease term or end-of-lease payments based on aircraft utilisation during the lease term. Management has made a judgement that lessees are able to fulfil their obligations as stipulated in the lease agreements.

*(b) Deferred income taxes*

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except 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. This judgement relies on estimates and assumptions and may involve a series of assessments of future events including forecasted cash flows of the subsidiary companies. 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 2023 was US\$370.5 million (2022: US\$323.4 million) for which deferred tax liabilities have not been recognised.



**3. Significant accounting judgements and estimates (cont'd)**

**3.1 Judgements made in applying accounting policies (cont'd)**

*(b) Deferred income taxes (cont'd)*

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 allowances and 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 business planning decisions.

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%. The Company has met all the conditions required to qualify for the five years of concessionary income tax rate of 5%. In June 2022, the Company was awarded the Aircraft Leasing Scheme ("ALS") Incentive for another five years from 1 July 2022 to 30 June 2027 at a concessionary income tax rate of 8%, subject to meeting certain conditions as amended from time to time. 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 ALS awards approved on or after 1 April 2017, existing ALS recipients may apply the tax rate under their existing award in effect on that date until 31 December 2027 on qualifying income from leasing of aircraft or aircraft engines acquired during their existing award tenure. Management 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 rates applicable in those years.

Details have been disclosed in Note 12 and Note 27.

*(c) 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 19.

**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 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. 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\$34.4 million (2022: US\$33.9 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) 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 assesses at the end of each reporting period whether there is any indication that the carrying value of 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 an 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 an aircraft, or the technological or aviation environment have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence of or physical damage to an aircraft; and worse than expected economic performance of the aircraft. If any indication exists, the Group makes an estimate of the asset's recoverable amount. Analysis of impairment loss provision is disclosed in Note 13.

*(c) Impairment of financial assets*

The Group assesses when a financial asset is impaired and recognises an allowance for ECL for all financial assets not held at fair value through profit or loss. The Group considers a receivable to be in default for the purpose of assessing ECL provision when the lessee has not paid the amounts due under its lease agreements, unless mutually agreed to be deferred, in excess of any security deposits or the value of any collaterals related to the lease. If the total overdue receivables are in excess of the security deposits, provision for ECL is made for the excess amounts. Analysis of impairment of trade receivables is disclosed in Note 15.

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**3. Significant accounting judgements and estimates (cont'd)**

**3.2 Key sources of estimation uncertainty (cont'd)**

*(d) 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 12 and Note 27.

**4. Other interest and fee income**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Fee income from aircraft pre-delivery payments	<b>54,120</b>	74,856
Interest income from deferred payments	<b>9,180</b>	5,314
Interest income from short-term deposits and bank balances	<b>11,750</b>	5,022
Lease management and remarketing fee income	<b>3,313</b>	4,145
Others	<b>7,819</b>	6,786
	<b>86,182</b>	96,123

**5. Net gain on sale of aircraft**

		<b>Group</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>US\$'000</b>	<b>US\$'000</b>
Proceeds from sale of aircraft		<b>808,066</b>	1,309,190
Maintenance reserves released		<b>5,030</b>	–
Net book value of aircraft classified as:			
Property, plant and equipment		<b>(733,640)</b>	(1,191,589)
Assets held for sale	19	<b>–</b>	(52,806)
Expenses, net of costs written back		<b>(1,608)</b>	(928)
		<b>77,848</b>	63,867

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**6. Other income**

During the year ended 31 December 2023, the Group recognised as other income the insurance settlement proceeds from a Russian insurance company in respect of 11 aircraft formerly leased to Russian airlines which were detained in Russia. The remaining other income was mainly related to income arising from the release of unutilised maintenance reserves to profit or loss and tax rebates.

During the year ended 31 December 2022, other income was mainly related to income arising from the release of unutilised maintenance reserves and security deposits collected in a prior lease to profit or loss and amounts paid by manufacturers based on mutual agreements. The remaining other income was related to tax rebates.

**7. Finance expenses**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Interest expense and other charges on:		
Loans and borrowings	<b>635,932</b>	483,324
Lease liabilities	<b>429</b>	337
	<b>636,361</b>	483,661

**8. Amortisation of deferred debt issue costs**

During the year ended 31 December 2023 and 2022, the amortisation of deferred debt issue costs was related to loans and borrowings.

**9. Staff costs**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Salaries, bonuses and other staff costs	<b>57,842</b>	37,894
Employers' defined contributions	<b>2,518</b>	2,479
Amortisation of share-based compensation	<b>7,381</b>	8,749
	<b>67,741</b>	49,122

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**9. Staff costs (cont'd)**

**Share-based compensation (equity-settled)**

The Group has in place a Restricted Share Unit Long Term Incentive Plan for certain employees. The first RSU Plan was adopted on 18 December 2017 governing the awards of Restricted Share Units ("RSU") made by the Company in respect of the five financial years from 2017 to 2021 (inclusive) and will terminate in December 2024 when the final awards have vested. The second RSU Plan was adopted on 28 February 2023 governing the awards made by the Company in respect of the four financial years from 2022 to 2025 (inclusive) and will terminate in either April 2029 or (depending on the satisfaction of certain conditions) April 2030 when the final awards have vested.

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 award will vest in December of the third year after the end of the financial year for which the award was granted (under the first RSU Plan) or in April of either the fourth or fifth year (depending on the satisfaction of certain conditions) after the end of the financial year for which the award was granted (under the second RSU Plan).

Movements of RSUs:

			Number of RSUs				
Year of grant	Fair value at grant date HK\$	Fair value at grant date US\$	At 1 January 2023	Granted during the year	Lapsed during the year	Vested during the year	At 31 December 2023
2021	74.10	9.55	759,000	–	(32,138)	(726,862)	–
2022	62.36	7.97	1,065,506	–	(51,304)	(14,186)	1,000,016
2023	60.40	7.70	–	1,644,651	(41,965)	–	1,602,686
			1,824,506	1,644,651	(125,407)	(741,048)	2,602,702

			Number of RSUs				
Year of grant	Fair value at grant date HK\$	Fair value at grant date US\$	At 1 January 2022	Granted during the year	Lapsed during the year	Vested during the year	At 31 December 2022
2020	47.08	6.06	1,665,326	–	(41,378)	(1,623,948)	–
2021	74.10	9.55	793,825	–	(34,825)	–	759,000
2022	62.36	7.97	–	1,103,807	(38,301)	–	1,065,506
			2,459,151	1,103,807	(114,504)	(1,623,948)	1,824,506

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

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**10. Emoluments of directors, five highest paid individuals and senior management**

**(a) Emoluments paid to directors of the Company during the year**

	Fees US\$'000	Salaries, allowances and other benefits US\$'000	Discretionary bonus US\$'000	Employers' defined contributions US\$'000	Total US\$'000
<b>2023</b>					
<i>Chairman, Non-executive director<sup>1</sup></i>					
Liu Jin <sup>2</sup>	—	—	—	—	—
<i>Executive directors</i>					
Zhang Xiaolu (Vice-Chairman)	—	609	632	—	1,241
Robert James Martin <sup>3</sup>	—	987	2,181	3	3,171
<i>Independent non-executive directors</i>					
Antony Nigel Tyler	168	53	—	—	221
Dai Deming	72	23	—	—	95
Fu Shula	72	23	—	—	95
Yeung Yin Bernard	54	—	—	—	54
<i>Non-executive directors<sup>1</sup></i>					
Dong Zonglin <sup>4,5</sup>	—	—	—	—	—
Wang Xiao	—	—	—	—	—
Wei Hanguang <sup>5</sup>	—	—	—	—	—
Chen Jing <sup>4</sup>	—	—	—	—	—
Jin Hongju <sup>6</sup>	—	—	—	—	—
Li Ke <sup>6</sup>	—	—	—	—	—
	<b>366</b>	<b>1,695</b>	<b>2,813</b>	<b>3</b>	<b>4,877</b>

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**10. 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 US\$'000	Salaries, allowances and other benefits US\$'000	Discretionary bonus US\$'000	Employers' defined contributions US\$'000	Total US\$'000
<b>2022</b>					
<i>Chairman, Non-executive director<sup>1</sup></i>					
Chen Huaiyu <sup>7</sup>	—	—	—	—	—
<i>Executive directors</i>					
Zhang Xiaolu (Vice-Chairman)	—	585	645	—	1,230
Robert James Martin <sup>3</sup>	—	1,107	3,071	3	4,181
<i>Independent non-executive directors</i>					
Antony Nigel Tyler	154	45	—	—	199
Dai Deming	66	19	—	—	85
Fu Shula	66	19	—	—	85
Yeung Yin Bernard	50	—	—	—	50
<i>Non-executive directors<sup>1</sup></i>					
Dong Zonglin <sup>4,5</sup>	—	—	—	—	—
Wang Xiao	—	—	—	—	—
Wei Hanguang <sup>5</sup>	—	—	—	—	—
Chen Jing <sup>4</sup>	—	—	—	—	—
	336	1,775	3,716	3	5,830

<sup>1</sup> In 2022 and 2023, the non-executive Chairman and non-executive directors were not entitled to any emoluments under their respective engagement letters

<sup>2</sup> Appointed on 24 April 2023

<sup>3</sup> Retired on 31 December 2023

<sup>4</sup> Appointed on 18 April 2022

<sup>5</sup> Resigned on 16 November 2023

<sup>6</sup> Appointed on 16 November 2023

<sup>7</sup> Resigned on 3 February 2023



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**10. Emoluments of directors, five highest paid individuals and senior management (cont'd)**

**(b) Five highest paid individuals**

During the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group include two (2022: one) executive directors whose emoluments are reflected in Note 10(a).

The emoluments paid to the remaining three (2022: four) individuals during the year ended 31 December 2023 and 2022 were as follows:

	2023 US\$'000	2022 US\$'000
Salaries, allowances and other benefits	1,706	2,475
Discretionary bonus	2,633	3,985
Employers' defined contributions	3	15
	4,342	6,475

The number of such individuals whose emoluments paid during the year ended 31 December 2023 and 2022 fell within the following bands:

	2023	2022
HK\$9,500,001 to HK\$10,000,000	1	1
HK\$10,500,001 to HK\$11,000,000	—	1
HK\$11,500,001 to HK\$12,000,000	1	—
HK\$12,000,001 to HK\$12,500,000	1	—
HK\$14,000,001 to HK\$14,500,000	—	1
HK\$16,000,001 to HK\$16,500,000	—	1

During the year ended 31 December 2023, 263,257 (2022: 496,859) of RSUs granted in 2021 (2022: 2020) to the five highest paid individuals had vested.

During the years ended 31 December 2023 and 2022, no director and none 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 as a director of the Company or any of its subsidiaries, or any other office in connection with the management of the affairs of the Group.

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**10. 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 2023 and 2022 fell within the following bands are as follows:

	2023	2022
HK\$4,500,001 to HK\$5,000,000	1	—
HK\$7,000,001 to HK\$7,500,000	—	1
HK\$7,500,001 to HK\$8,000,000	1	—
HK\$8,000,001 to HK\$8,500,000	—	1
HK\$9,000,001 to HK\$9,500,000	1	—
HK\$9,500,001 to HK\$10,000,000	1	1
HK\$11,500,001 to HK\$12,000,000	1	—
HK\$12,000,001 to HK\$12,500,000	1	—
HK\$14,000,001 to HK\$14,500,000	—	1
HK\$16,000,001 to HK\$16,500,000	—	1
HK\$24,500,001 to HK\$25,000,000	1	—
HK\$32,500,001 to HK\$33,000,000	—	1

During the year ended 31 December 2023, 256,838 (2022: 397,558) of RSUs granted in 2021 (2022: 2020) to the senior management had vested.

**11. Other operating expenses**

	Group	
	2023	2022
	US\$'000	US\$'000
General office expenses	8,758	8,023
Operating lease expenses	489	495
Technical services expenses	32,789	42,727
Professional fees	13,852	7,031
Amortisation of lease transaction closing costs	278	342
Auditors' remuneration	426	389
Net foreign exchange losses <sup>1</sup>	749	822
Other taxes and expenses	10,960	9,961
	<b>68,301</b>	<b>69,790</b>

Technical services expenses include net provisions for repair, maintenance, transition and repossession costs of aircraft.

<sup>1</sup> Included foreign exchange loss of US\$2.3 million (2022: gain of US\$12.1 million) in revaluation of financial liabilities which was offset by fair value gain of US\$2.3 million (2022: loss of US\$12.1 million) in derivative financial instruments.

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**12. Income tax expense**

The major components of income tax expense for the years ended 31 December 2023 and 2022 were:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current income tax</b>		
Singapore	–	–
Foreign	<b>6,167</b>	8,018
(Over)/Under provision in respect of prior years	<b>(12)</b>	512
	<b>6,155</b>	8,530
<b>Deferred income tax</b>		
Singapore	<b>20,000</b>	18,558
Foreign	<b>74,073</b>	(14,533)
Over provision in respect of prior years	<b>(3,573)</b>	(3,119)
	<b>90,500</b>	906
	<b>96,655</b>	9,436

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 is as follows:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Profit before income tax	<b>860,557</b>	29,496
Tax at the Singapore tax rate of 17% (2022:17%)	<b>146,295</b>	5,014
Adjustments:		
Different tax rates in foreign jurisdictions	<b>(8,196)</b>	22,763
Effects of Aircraft Leasing Scheme incentive on the Company's results	<b>(41,596)</b>	(13,823)
Income not subject to tax	<b>(14,460)</b>	(16,224)
Expenses not deductible for tax purposes	<b>18,197</b>	14,313
Over provision in respect of prior years, net	<b>(3,585)</b>	(2,607)
Income tax expense	<b>96,655</b>	9,436

# NOTES TO THE FINANCIAL STATEMENTS

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## 13. Property, plant and equipment

Group	Aircraft US\$'000	Aircraft pre-delivery payments US\$'000	Office renovations US\$'000	Furniture, fittings and office equipment US\$'000	Right-of-use assets US\$'000	Total US\$'000
<b>Cost:</b>						
At 1 January 2022	23,036,269	2,717,764	1,922	16,288	8,480	25,780,723
Additions/(Reductions)	1,618,750	(490,375)	2,889	750	16,350	1,148,364
Disposals	(1,367,073)	–	(1,549)	(11,971)	(5,208)	(1,385,801)
Transfers	722,772	(722,772)	–	–	–	–
Transfer to assets held for sale	(77,517)	–	–	–	–	(77,517)
Adjustments	3,062	–	–	–	(3)	3,059
At 31 December 2022 and 1 January 2023	23,936,263	1,504,617	3,262	5,067	19,619	25,468,828
Additions	942,566	716,766	19	2,580	99	1,662,030
Disposals	(960,506)	–	–	(234)	–	(960,740)
Transfers	528,633	(528,633)	–	–	–	–
Write-off	(454,547)	–	–	–	–	(454,547)
Adjustments	12,480	–	–	–	(91)	12,389
<b>At 31 December 2023</b>	<b>24,004,889</b>	<b>1,692,750</b>	<b>3,281</b>	<b>7,413</b>	<b>19,627</b>	<b>25,727,960</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2023

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

<b>Group</b>	<b>Aircraft US\$'000</b>	<b>Aircraft pre-delivery payments US\$'000</b>	<b>Office renovations US\$'000</b>	<b>Furniture, fittings and office equipment US\$'000</b>	<b>Right-of-use assets US\$'000</b>	<b>Total US\$'000</b>
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2022	3,393,279	–	1,856	15,844	6,127	3,417,106
Charge for the year	782,777	–	265	494	2,548	786,084
Disposals	(175,484)	–	(1,549)	(11,971)	(5,208)	(194,212)
Impairment of aircraft	855,991	–	–	–	–	855,991
Transfer to assets held for sale	(24,711)	–	–	–	–	(24,711)
At 31 December 2022 and 1 January 2023	4,831,852	–	572	4,367	3,467	4,840,258
Charge for the year	791,407	–	359	1,074	2,549	795,389
Disposals	(226,866)	–	–	(234)	–	(227,100)
Impairment of aircraft	8,800	–	–	–	–	8,800
Write-off	(454,547)	–	–	–	–	(454,547)
<b>At 31 December 2023</b>	<b>4,950,646</b>	<b>–</b>	<b>931</b>	<b>5,207</b>	<b>6,016</b>	<b>4,962,800</b>
<b>Net book value:</b>						
At 31 December 2022	19,104,411	1,504,617	2,690	700	16,152	20,628,570
<b>At 31 December 2023</b>	<b>19,054,243</b>	<b>1,692,750</b>	<b>2,350</b>	<b>2,206</b>	<b>13,611</b>	<b>20,765,160</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2023

**13. Property, 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	Right-of-use assets (Aircraft) US\$'000	Right-of-use assets (Others) US\$'000	Total US\$'000
<b>Cost:</b>							
At 1 January 2022	12,954,833	895,816	1,595	15,668	965,590	5,122	14,838,624
Additions/(Reductions)	797,714	(94,502)	2,504	674	—	14,600	720,990
Disposals	(529,000)	(447,194)	(1,548)	(11,649)	—	(4,756)	(994,147)
Transfer from right-of-use assets (aircraft)	355,500	—	—	—	—	—	355,500
Transfer to aircraft	—	—	—	—	(355,500)	—	(355,500)
Adjustments	138	—	—	—	—	—	138
At 31 December 2022 and 1 January 2023	13,579,185	354,120	2,551	4,693	610,090	14,966	14,565,605
Additions	469,487	392,552	19	2,557	—	—	864,615
Disposals	(862,184)	(95,875)	—	(223)	—	—	(958,282)
Transfer from right-of-use assets (aircraft)	610,090	—	—	—	—	—	610,090
Transfer to aircraft	313,720	(313,720)	—	—	(610,090)	—	(610,090)
Adjustments	8,088	—	—	—	—	—	8,088
<b>At 31 December 2023</b>	<b>14,118,386</b>	<b>337,077</b>	<b>2,570</b>	<b>7,027</b>	<b>—</b>	<b>14,966</b>	<b>14,480,026</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**13. Property, 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	Right-of-use assets (Aircraft) US\$'000	Right-of-use assets (Others) US\$'000	Total US\$'000
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2022	2,034,775	-	1,563	15,278	288,623	4,477	2,344,716
Charge for the year	449,887	-	201	402	23,883	1,869	476,242
Impairment of aircraft	248,515	-	-	-	3,800	-	252,315
Disposals	(194,884)	-	(1,548)	(11,649)	-	(4,756)	(212,837)
Transfer from right-of-use assets (aircraft)	94,498	-	-	-	-	-	94,498
Transfer to aircraft	-	-	-	-	(94,498)	-	(94,498)
At 31 December 2022 and 1 January 2023	2,632,791	-	216	4,031	221,808	1,590	2,860,436
Charge for the year	464,112	-	321	1,026	10,216	1,922	477,597
Impairment of aircraft	10,500	-	-	-	-	-	10,500
Disposals	(211,428)	-	-	(223)	-	-	(211,651)
Transfer from right-of-use assets (aircraft)	232,024	-	-	-	-	-	232,024
Transfer to aircraft	-	-	-	-	(232,024)	-	(232,024)
<b>At 31 December 2023</b>	<b>3,127,999</b>	<b>-</b>	<b>537</b>	<b>4,834</b>	<b>-</b>	<b>3,512</b>	<b>3,136,882</b>
<b>Net book value:</b>							
At 31 December 2022	10,946,394	354,120	2,335	662	388,282	13,376	11,705,169
<b>At 31 December 2023</b>	<b>10,990,387</b>	<b>337,077</b>	<b>2,033</b>	<b>2,193</b>	<b>-</b>	<b>11,454</b>	<b>11,343,144</b>



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

**(a) Impairment of assets**

As at 31 December 2023, the accumulated impairment loss on the Group's and the Company's property, plant and equipment was US\$741.0 million (2022: US\$1,106.0 million) and US\$410.3 million (2022: US\$421.7 million) respectively. The weighted average discount rate applied to the forecast cash flows was 5.6% (2022: 4.7%) per annum.

Movement of accumulated impairment loss provision:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January	<b>1,105,991</b>	253,600	<b>421,715</b>	231,800
Impairment loss	<b>8,800</b>	868,286	<b>10,500</b>	252,315
Reversal of impairment loss	<b>—</b>	(12,295)	<b>—</b>	—
Write-off	<b>(372,168)</b>	—	<b>—</b>	—
Utilised	<b>(1,600)</b>	(3,600)	<b>(21,900)</b>	(62,400)
At 31 December	<b>741,023</b>	1,105,991	<b>410,315</b>	421,715

The impairment loss represented the write-down of the book value of certain aircraft to their recoverable amounts. The recoverable amount was determined based on the higher of management's best estimate of each aircraft value from appraisers' valuation less costs of disposal and its value in use. The adjusted selling price, if available, is also taken into account. The reversal of impairment loss represented the recovery of the written down value of certain aircraft to their recoverable amount.

During the year ended 31 December 2023, the Group received approximately US\$258.0 million under insurance settlements with a Russian insurance company, in respect of 11 aircraft formerly leased to Russian airlines which were detained in Russia, and released its claims against the Russian insurance company, the relevant Russian airlines and other relevant parties in Russia with respect to those 11 aircraft. The Group has recognised the settlement proceeds as other income in the statement of profit or loss. The Group has written-off the accumulated impairment loss of US\$372.2 million in respect of the 11 aircraft during the financial year ended 31 December 2023.

During the year ended 31 December 2022, the Group recognised a net asset write-down of US\$791.3 million in respect of 17 aircraft in Russia, including the 11 aircraft that were the subject of the insurance settlements in 2023 referred to in the preceding paragraph. The write-down was partially offset by cash collateral in respect of these 17 aircraft held by the Group in the form of maintenance reserves and security deposits amounting to US\$200.4 million and US\$22.5 million respectively, recorded as income arising from termination of leases in the statement of profit or loss. This results in a net pre-tax write-down of US\$568.4 million for the year ended 31 December 2022. Taking into consideration the insurance settlements received of US\$258.0 million in 2023, the net pre-tax write-down in respect of the remaining aircraft in Russia was US\$310.4 million as at 31 December 2023.

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

**(b) Right-of-use assets**

The Group and the Company have lease contracts for their offices and facilities spaces.

The Group has certain leases that are of low value. The Group applies the exemption under IFRS16/SFRS(I) 16 Leases not to recognise right-of-use assets and liabilities for these leases.

**(c) Reconciliation of capital expenditure in property, plant and equipment to net cash flows (used in)/from investing activities**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
<u>Extract from Consolidated Statement of Cash Flows</u>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	<b>(1,669,955)</b>	(1,207,989)
Proceeds from sale of property, plant and equipment	<b>808,066</b>	1,309,190
Refund of pre-delivery payments by airlines	<b>30,075</b>	91,835
<b>Net capital expenditure in property, plant and equipment</b>	<b>(831,814)</b>	193,036
Purchase of aircraft classified as finance lease	<b>(1,970,200)</b>	—
<b>Net cash flows (used in)/from investing activities in the consolidated statement of cash flows</b>	<b>(2,802,014)</b>	193,036
<b>Reconciliation:</b>		
Additions of aircraft	<b>(942,566)</b>	(1,618,750)
(Additions)/Reductions of aircraft pre-delivery payments	<b>(746,841)</b>	398,340
Additions of other property, plant and equipment	<b>(2,599)</b>	(3,639)
Proceeds from sale of aircraft	<b>808,066</b>	1,309,190
Refund of pre-delivery payments by airlines	<b>30,075</b>	91,835
Borrowing costs capitalised	<b>22,051</b>	16,060
<b>Net capital expenditure in property, plant and equipment</b>	<b>(831,814)</b>	193,036

**(d) Assets pledged as security**

The net book value of aircraft owned by the Group and the Company, including aircraft held under lease arrangements (Note 32), that have been charged for loan facilities granted (Note 22 and Note 32) 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 34) amounted to US\$97.3 million (2022: US\$688.1 million) and nil (2022: US\$496.8 million), respectively.

**(e) Capitalisation of borrowing costs**

The borrowing costs capitalised as cost of aircraft by the Group and the Company amounted to US\$22.1 million (2022: US\$16.1 million) and US\$11.8 million (2022: US\$10.4 million) respectively. The interest rates used to determine the amount of borrowing costs for capitalisation ranged from 2.9% to 3.9% (2022: 2.5% to 3.6%) per annum.

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**14. Derivative financial instruments**

	Outstanding notional amounts US\$'000	2023		Group and Company		2022	
		Assets US\$'000	Liabilities US\$'000	Outstanding notional amounts US\$'000	Assets US\$'000	Liabilities US\$'000	
<b>Current:</b>							
Cross-currency interest rate swaps	49,710	–	(7,445)	–	–	–	
Interest rate swaps	150,000	569	–	860,000	10,724	–	
		<b>569</b>	<b>(7,445)</b>		<b>10,724</b>	<b>–</b>	
<b>Non-current:</b>							
Cross-currency interest rate swaps	409,310	3,746	(8,934)	459,020	1,687	(19,949)	
Interest rate swaps	2,020,000	10,337	(9,734)	350,000	10,880	–	
		<b>14,083</b>	<b>(18,668)</b>		<b>12,567</b>	<b>(19,949)</b>	

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 based on valuation techniques that use data from observable markets.

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. Hedge ineffectiveness arises from the difference in timing of cash flows of hedged items and hedging instruments, but it was negligible for 2023 and 2022.

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**14. Derivative financial instruments (cont'd)**

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

	Outstanding notional amounts US\$'000	Assets/ (Liabilities) US\$'000	Hedge rates		Maturity (Year)
			USD interest rates (p.a.)	Foreign currency rates	
Group and Company					
2023					
Fair value hedge					
Cross-currency interest rate swaps <sup>1</sup>					
- Chinese Yuan	49,710	(7,445)	6-month SOFR + Margin ranging from 2.26% to 2.28%	US\$1 : CNY6.04	2024
Cash flow hedge					
Cross-currency interest rate swaps <sup>2</sup>					
- Australian Dollar	140,590	(8,934)	3.43%	US\$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	804	3.72% to 4.13%	US\$1 : HK\$7.81 to HK\$7.84	2026 to 2027
- Singapore Dollar	108,883	2,942	4.00%	US\$1 : SGD1.33	2025
Interest rate swaps <sup>3</sup>					
- United States Dollar	2,170,000	1,172	4.091% to 5.29%	—	2024 to 2028
2022					
Fair value hedge					
Cross-currency interest rate swaps <sup>1</sup>					
- Chinese Yuan	49,710	(6,246)	6-month LIBOR + Margin ranging from 2.26% to 2.28%	US\$1 : CNY6.04	2024
Cash flow hedge					
Cross-currency interest rate swaps <sup>2</sup>					
- Australian Dollar	140,590	(11,925)	3.43%	US\$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(1,778)	3.72% to 4.13%	US\$1 : HK\$7.81 to HK\$7.84	2026 to 2027
- Singapore Dollar	108,883	1,687	4.00%	US\$1 : SGD1.33	2025
Interest rate swaps <sup>3</sup>					
- United States Dollar	1,210,000	21,604	3.595% to 4.242%	—	2023 to 2025

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**14. Derivative financial instruments (cont'd)**

- <sup>1</sup> The Group uses these cross-currency interest rate swaps to hedge against the exposure to exchange rates and interest rates arising from the Group's non-US Dollar loans and borrowings which are liabilities designated as hedged items in fair value hedges. 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 which was replaced with Secured Overnight Financing Rate ("SOFR") subsequent to 30 June 2023. 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.
- <sup>2</sup> The Group uses these cross-currency interest rate swaps to hedge against the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest, and pays US Dollar principal and fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these cross-currency interest rate swaps are recognised in hedging reserve.
- <sup>3</sup> The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from the related loans and borrowings which are pegged to US Dollar LIBOR and SOFR. Under these interest rate swaps, the Group receives floating interest pegged to US Dollar LIBOR and SOFR and pays fixed interest. Subsequent to 30 June 2023, US Dollar LIBOR was replaced with Synthetic US Dollar LIBOR. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognised in hedging reserve.

**15. Trade receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade receivables – gross carrying amount				
Current	<b>21,822</b>	64,933	<b>11,786</b>	57,851
Non-current	<b>101,125</b>	109,684	<b>18,895</b>	25,553
	<b>122,947</b>	174,617	<b>30,681</b>	83,404
Less: Allowance for expected credit losses	<b>(5,583)</b>	(11,350)	<b>(1,044)</b>	(4,356)
	<b>117,364</b>	163,267	<b>29,637</b>	79,048
Trade receivables – net of allowance for expected credit losses				
Current	<b>18,584</b>	64,933	<b>10,742</b>	57,851
Non-current	<b>98,780</b>	98,334	<b>18,895</b>	21,197
	<b>117,364</b>	163,267	<b>29,637</b>	79,048

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**15. Trade receivables (cont'd)**

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables are generally secured by cash security deposits (Note 40(e)) or letters of credit (Note 25).

As at 31 December 2023, included in the Group's current and non-current portion of trade receivables was an amount of US\$8.5 million and US\$98.8 million (2022: US\$44.7 million and US\$98.3 million), respectively, that was contractually deferred by mutual agreement, not overdue and was generally interest bearing.

As at 31 December 2023, included in the Company's current and non-current portion of trade receivables was an amount of US\$5.1 million and US\$18.9 million (2022: US\$41.4 million and US\$21.2 million), respectively, that was contractually deferred by mutual agreement, not overdue and was generally interest bearing.

Impairment of financial assets – trade receivables

The Group and the Company apply the IFRS 9/SFRS(I) 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The cash security deposits and letters of credit that the Group and the Company hold on behalf of its lessees are considered in the calculation of the loss allowance.

As at 31 December 2023 and 31 December 2022, the aging of trade receivables based on the receivables due date was as follows:

			Group				
	Deferred	Current	Less than	30 to 60	61 to 90	More than	Total
	US\$'000	US\$'000	30 days	days	days	90 days	US\$'000
			past due	past due	past due	past due	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2023</b>							
Gross carrying amount	<b>109,686</b>	<b>3,475</b>	<b>928</b>	<b>3,480</b>	<b>921</b>	<b>4,457</b>	<b>122,947</b>
Allowance for expected credit losses	<b>(2,378)</b>	<b>–</b>	<b>–</b>	<b>(1,240)</b>	<b>(921)</b>	<b>(1,044)</b>	<b>(5,583)</b>
<b>2022</b>							
Gross carrying amount	154,361	6,397	3,158	7,887	789	2,025	174,617
Allowance for expected credit losses	(11,350)	–	–	–	–	–	(11,350)

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**15. Trade receivables (cont'd)**

Impairment of financial assets – trade receivables (cont'd)

For the financial year ended 31 December 2023, the allowance for expected credit loss rate for the Group was assessed to be immaterial for current and less than 30 days past due (2022: current, less than 30 days past due, 30 to 60 days past due, 61 to 90 days past due and more than 90 days past due). The allowance for expected credit loss rate for the gross carrying amounts which are deferred and not yet due was 2%, 30 to 60 days past due was 36%, 61 to 90 days past due was 100% and more than 90 days past due was 23% (2022: deferred and not yet due was 7%).

	Company						Total US\$'000
	Deferred US\$'000	Current US\$'000	Less than 30 days past due US\$'000	30 to 60 days past due US\$'000	61 to 90 days past due US\$'000	More than 90 days past due US\$'000	
<b>2023</b>							
Gross carrying amount	24,039	348	928	909	–	4,457	30,681
Allowance for expected credit losses	–	–	–	–	–	(1,044)	(1,044)
<b>2022</b>							
Gross carrying amount	66,983	3,742	2,848	7,137	669	2,025	83,404
Allowance for expected credit losses	(4,356)	–	–	–	–	–	(4,356)

For the financial year ended 31 December 2023, the allowance for expected credit loss rate for the Company was assessed to be immaterial for deferred and not yet due, current, less than 30 days past due, 30 to 60 days past due and 61 to 90 days past due (2022: current, less than 30 days past due, 30 to 60 days past due, 61 to 90 days past due and more than 90 days past due). The allowance for expected credit loss rate for the gross carrying amounts which are more than 90 days past due was 23% (2022: deferred and not yet due was 7%).

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Group		Company	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
At beginning of year	11,350	20,137	4,356	20,137
(Credited)/Charged to profit or loss	(2,879)	1,235	(1,374)	(6,708)
Write-off*	(2,888)	(10,022)	(1,938)	(9,073)
At end of year	5,583	11,350	1,044	4,356

\* Trade receivables of the Group with a contractual amount of US\$0.9 million (2022: US\$0.2 million) written off during the year are still subject to enforcement activities.



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**16. Other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current:</b>				
Deposits	<b>719</b>	704	<b>607</b>	597
Interest receivables	<b>2,908</b>	1,700	<b>1,568</b>	717
Sundry receivables	<b>10,010</b>	2,143	<b>7,790</b>	258
Receivables from airlines	<b>19,127</b>	—	<b>1,127</b>	—
Receivables from manufacturers	<b>212,296</b>	109,629	<b>—</b>	—
Accrued receivables	<b>39,333</b>	18,589	<b>9,605</b>	11,223
Amounts due from subsidiary companies	<b>—</b>	—	<b>10,384</b>	8,707
	<b>284,393</b>	132,765	<b>31,081</b>	21,502
<b>Non-current:</b>				
Receivables from airlines	<b>—</b>	18,000	<b>—</b>	—
Accrued receivables	<b>40,890</b>	42,762	<b>11,867</b>	7,682
Notes receivables	<b>21,890</b>	—	<b>—</b>	—
Interest receivables	<b>1,620</b>	1,536	<b>98</b>	149
Amounts due from subsidiary companies	<b>—</b>	—	<b>4,466</b>	—
	<b>64,400</b>	62,298	<b>16,431</b>	7,831

The sundry receivables of the Group and the Company are non-trade related, unsecured and non-interest bearing.

As at 31 December 2023, included in the Group's other receivables was an amount of US\$212.3 million (2022: US\$109.6 million) due from a manufacturer which was deferred by agreement in return for a fee.

The Group's receivables from airlines are mainly non-trade related, secured by letter of credit (Note 25), fee bearing and are repayable based on agreed repayment schedule.

Accrued receivables relate to future receipts for revenues and other income for which services have been rendered.

The amounts due from subsidiary companies are non-trade related, unsecured, interest free and repayable based on agreements.

As there has been no significant increase in the risk of default of these other receivables since initial recognition, the Group and the Company assess that there is no material expected credit losses and accordingly no allowance for expected credit losses is required.

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**17. Short-term deposits**

	Note	Group		Company	
		2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Unencumbered	31	<b>308,796</b>	306,707	<b>171,095</b>	38,577

Short-term deposits consist of investments in money market funds and fixed deposits (maturing between one day and three months) which are placed depending on cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates for money market funds and fixed deposits were 5.1% (2022: 1.9%) and 5.0% (2022: 2.3%) per annum, respectively.

As at 31 December 2023, the Group's short-term deposits included an amount of US\$49.9 million (2022: US\$52.0 million) placed with a related party for 31 days (2022: seven days) at an interest rate of 5.65% (2022: 4.47%) per annum.

**18. Cash and bank balances**

	Note	Group		Company	
		2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Encumbered		<b>654</b>	4,953	<b>652</b>	2,310
Unencumbered	31	<b>83,025</b>	85,206	<b>25,967</b>	38,459
		<b>83,679</b>	90,159	<b>26,619</b>	40,769

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations (Note 22) and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US\$33.3 million (2022: US\$40.3 million) and US\$10.8 million (2022: US\$36.5 million), respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2023, the Group's cash and bank balances included an amount of US\$16.5 million (2022: US\$18.4 million) placed with the intermediate holding company.

Cash and bank balances were denominated in US Dollar except for the following:

	Group		Company	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Australian Dollar	—	84	—	—
Chinese Yuan	<b>8,338</b>	7,219	—	—
Euro	<b>473</b>	618	<b>116</b>	240
Hong Kong Dollar	<b>560</b>	722	<b>444</b>	722
Japanese Yen	<b>987</b>	925	—	—
Sterling Pound	<b>1,683</b>	1,324	—	—
Singapore Dollar	<b>361</b>	149	<b>361</b>	149
	<b>12,402</b>	11,041	<b>921</b>	1,111

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**19. Assets held for sale**

As at 31 December 2023 and 31 December 2022, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Property, plant and equipment – aircraft				
At beginning of year	–	–	–	–
Additions	–	52,806	–	–
Disposals	–	(52,806)	–	–
At end of year	–	–	–	–

**20. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade payables	253	27	12	27
Sundry payables	6,927	5,417	2,098	1,309
Accrued finance expenses	107,305	95,951	84,410	79,816
Accrued maintenance reserve payables	670	444	–	444
Accrued technical expenses	6,108	11,383	5,229	6,965
Staff costs related accruals	36,659	28,396	30,407	23,143
Other accruals and liabilities	8,700	4,780	3,769	1,495
Amounts due to subsidiary companies	–	–	23,142	37,208
	<b>166,622</b>	<b>146,398</b>	<b>149,067</b>	<b>150,407</b>

The trade payables and sundry payables of the Group and the Company are substantially denominated in US Dollar (2022: US Dollar), non-interest bearing, current in nature and are normally contracted between 30 and 45 days credit terms.

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

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Current	10	20	10	20
1 – 30 days	43	7	2	7
31 – 60 days	200	–	–	–
	<b>253</b>	<b>27</b>	<b>12</b>	<b>27</b>

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**21. 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 advance receipts for lease income for which services have not yet been rendered and the difference between the nominal value of the security deposits (Note 25) and their amortised value using the effective interest method. The deferred income is recognised in profit or loss on a straight-line basis over the lease term.

**22. Loans and borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current:</b>				
Medium term notes	<b>2,299,710</b>	1,890,000	<b>1,299,710</b>	1,890,000
Loans	<b>805,938</b>	534,432	<b>600,000</b>	124,882
Medium term notes discount (net of premium)	<b>(997)</b>	(482)	<b>(800)</b>	(482)
Fair value and revaluation adjustments	<b>(7,708)</b>	—	<b>(7,445)</b>	—
Deferred debt issue costs	<b>(2,267)</b>	(3,770)	<b>(1,086)</b>	(1,319)
	<b>3,094,676</b>	2,420,180	<b>1,890,379</b>	2,013,081
<b>Non-current:</b>				
Medium term notes	<b>7,459,310</b>	8,109,020	<b>6,309,310</b>	7,109,020
Loans	<b>6,023,704</b>	4,663,546	<b>3,200,000</b>	2,170,000
Medium term notes discount (net of premium)	<b>(22,265)</b>	(16,456)	<b>(12,571)</b>	(15,664)
Fair value and revaluation adjustments	<b>(4,088)</b>	(12,973)	<b>(3,346)</b>	(12,973)
Deferred debt issue costs	<b>(40,845)</b>	(41,652)	<b>(25,386)</b>	(28,519)
	<b>13,415,816</b>	12,701,485	<b>9,468,007</b>	9,221,864
<b>Total loans and borrowings</b>	<b>16,510,492</b>	15,121,665	<b>11,358,386</b>	11,234,945

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**22. Loans and borrowings (cont'd)**

The deferred debt issue costs relating to obtaining loans and borrowings are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cost:</b>				
At beginning of year	<b>115,719</b>	151,402	<b>64,023</b>	71,175
Additions	<b>17,730</b>	4,852	<b>7,361</b>	1,167
Fully amortised costs written off	<b>(40,539)</b>	(41,219)	<b>(9,377)</b>	(8,658)
Adjustments	<b>838</b>	684	<b>772</b>	339
At end of year	<b>93,748</b>	115,719	<b>62,779</b>	64,023
<b>Accumulated amortisation:</b>				
At beginning of year	<b>70,297</b>	84,901	<b>34,185</b>	30,776
Charge for the year	<b>20,878</b>	26,615	<b>11,499</b>	12,067
Fully amortised costs written off	<b>(40,539)</b>	(41,219)	<b>(9,377)</b>	(8,658)
At end of year	<b>50,636</b>	70,297	<b>36,307</b>	34,185
<b>Net book value:</b>				
At end of year	<b>43,112</b>	45,422	<b>26,472</b>	29,838
Deferred debt issue costs, net	<b>43,112</b>	45,422	<b>26,472</b>	29,838
Less: Current portion	<b>(2,267)</b>	(3,770)	<b>(1,086)</b>	(1,319)
Non-current portion	<b>40,845</b>	41,652	<b>25,386</b>	28,519

The table below summarises the maturity profile of the loans and borrowings at the end of each year for the Group and the Company.

	<b>Group</b>				
	<b>One year or less</b>	<b>One to two years</b>	<b>Two to five years</b>	<b>Over five years</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>2023</b>					
Medium term notes	<b>2,290,006</b>	<b>1,855,579</b>	<b>3,541,050</b>	<b>2,020,196</b>	<b>9,706,831</b>
Loans	<b>804,670</b>	<b>1,903,340</b>	<b>4,095,651</b>	<b>–</b>	<b>6,803,661</b>
<b>Total loans and borrowings</b>	<b>3,094,676</b>	<b>3,758,919</b>	<b>7,636,701</b>	<b>2,020,196</b>	<b>16,510,492</b>
<b>2022</b>					
Medium term notes	1,888,414	2,286,997	4,251,552	1,523,808	9,950,771
Loans	531,766	1,025,565	3,574,376	39,187	5,170,894
<b>Total loans and borrowings</b>	<b>2,420,180</b>	<b>3,312,562</b>	<b>7,825,928</b>	<b>1,562,995</b>	<b>15,121,665</b>

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**22. Loans and borrowings (cont'd)**

	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
<b>2023</b>					
Medium term notes	1,290,935	1,855,825	2,898,524	1,527,118	7,572,402
Loans	599,444	1,148,425	2,038,115	–	3,785,984
<b>Total loans and borrowings</b>	<b>1,890,379</b>	<b>3,004,250</b>	<b>4,936,639</b>	<b>1,527,118</b>	<b>11,358,386</b>
<b>2022</b>					
Medium term notes	1,888,413	1,289,710	4,251,552	1,523,809	8,953,484
Loans	124,668	193,476	1,963,317	–	2,281,461
<b>Total loans and borrowings</b>	<b>2,013,081</b>	<b>1,483,186</b>	<b>6,214,869</b>	<b>1,523,809</b>	<b>11,234,945</b>

As at 31 December 2023, secured loans amounted to US\$64.6 million (2022: US\$223.0 million) and nil (2022: US\$54.9 million) for the Group and the Company, respectively. These amounts are secured by the related aircraft (Note 13), certain cash and bank balances and designated bank accounts (Note 18) and/or a pledge of the shares in certain subsidiary companies (Note 34) that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges prohibiting the creation of any encumbrance on its 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 were:

			Group 2023		
		Maturity (Year)	Outstanding amounts US\$'000	Amounts swapped to US\$ and floating rates US\$'000	Amounts swapped to US\$ and fixed rates US\$'000
<b>Currency</b>	<b>Fixed Coupon Rate (p.a.)</b>				
Australian Dollar	3.15%	2029	140,590	–	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	–
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	1.625% to 5.75%	2024 to 2033	8,950,000	–	–
			<b>9,409,020</b>	<b>49,710</b>	<b>409,310</b>
<b>Currency</b>	<b>Floating Rate (p.a.)</b>				
	3-month Synthetic US Dollar LIBOR + Margin 1.30%				
United States Dollar		2025	350,000	–	350,000
			<b>9,759,020</b>	<b>49,710</b>	<b>759,310</b>

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**22. Loans and borrowings (cont'd)**

**(a) Medium term notes (cont'd)**

			<b>Group 2022</b>		
			Outstanding amounts US\$'000	Amounts swapped to US\$ and floating rates US\$'000	Amounts swapped to US\$ and fixed rates US\$'000
	<b>Fixed Coupon Rate (p.a.)</b>	<b>Maturity (Year)</b>			
<b>Currency</b>					
Australian Dollar	3.15%	2029	140,590	—	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	—
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	1.625% to 4.375%	2023 to 2030	8,600,000	—	—
			<b>9,059,020</b>	<b>49,710</b>	<b>409,310</b>
<b>Currency</b>	<b>Floating Rate (p.a.)</b>				
	3-month LIBOR + Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	—	840,000
			<b>9,999,020</b>	<b>49,710</b>	<b>1,249,310</b>

			<b>Company 2023</b>		
			Outstanding amounts US\$'000	Amounts swapped to US\$ and floating rates US\$'000	Amounts swapped to US\$ and fixed rates US\$'000
	<b>Fixed Coupon Rate (p.a.)</b>	<b>Maturity (Year)</b>			
<b>Currency</b>					
Australian Dollar	3.15%	2029	140,590	—	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	—
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	1.75% to 4.5%	2024 to 2030	6,800,000	—	—
			<b>7,259,020</b>	<b>49,710</b>	<b>409,310</b>
<b>Currency</b>	<b>Floating Rate (p.a.)</b>				
	3-month Synthetic US Dollar LIBOR + Margin 1.30%				
United States Dollar		2025	350,000	—	350,000
			<b>7,609,020</b>	<b>49,710</b>	<b>759,310</b>



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**22. Loans and borrowings (cont'd)**

**(a) Medium term notes (cont'd)**

			<b>Company 2022</b>		
		Maturity (Year)	Outstanding amounts US\$'000	Amounts swapped to US\$ and floating rates US\$'000	Amounts swapped to US\$ and fixed rates US\$'000
<b>Fixed Coupon Rate</b>					
<b>Currency</b>	<b>(p.a.)</b>				
Australian Dollar	3.15%	2029	140,590	—	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	—
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	1.75% to 4.375%	2023 to 2030	7,600,000	—	—
			8,059,020	49,710	409,310
<b>Floating Rate</b>					
<b>Currency</b>	<b>(p.a.)</b>				
	3-month LIBOR + Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	—	840,000
			8,999,020	49,710	1,249,310

As at 31 December 2023, an amount of US\$49.7 million (2022: US\$49.7 million) in medium term notes of the Group and the Company has been swapped to floating rate liabilities and US Dollars (for non-US Dollar denominated notes) via cross-currency interest rate swap contracts. The carrying amount of the medium term note was US\$42.3 million (2022: US\$43.4 million). The note is a liability designated as a hedged item in fair value hedges and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 5.7% to 7.6% (2022: 1.6% to 3.1%) per annum during the year.

Effects of fair value hedges on the notes in 2023 and 2022 were as follows:

<b>Group and Company 2023</b>				
	Outstanding amounts US\$'000	Discount and deferred debt issue costs US\$'000	Accumulated amount of fair value adjustments US\$'000	Carrying amounts of liabilities US\$'000
<b>Fair value hedge</b>				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	49,710	(3)	(7,445)	42,262
<b>Group and Company 2022</b>				
	Outstanding amounts US\$'000	Discount and deferred debt issue costs US\$'000	Accumulated amount of fair value adjustments US\$'000	Carrying amounts of liabilities US\$'000
<b>Fair value hedge</b>				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	49,710	(20)	(6,246)	43,444

**22. Loans and borrowings (cont'd)**

**(a) Medium term notes (cont'd)**

As at 31 December 2023, an amount of US\$409.3 million (2022: US\$409.3 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 Dollars and at fixed rates via cross-currency interest rate swap contracts to hedge the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. The net fair value gain of US\$3.2 million (2022: US\$6.4 million) on these cross-currency interest rate swaps was recognised in hedging reserve.

As at 31 December 2023, an amount of US\$350 million (2022: US\$840 million) 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 borrowings which are pegged to Synthetic US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value loss of US\$11.6 million (2022: gain of US\$50.5 million) 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 SOFR or US Dollar LIBOR (prior to the loans being transited to SOFR). Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 6.1% (2022: 2.8%) 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 2024 and 2028 (2022: 2023 and 2028).

As at 31 December 2023, the loans due to the intermediate holding company for the Group and the Company amounted to US\$995 million (2022: US\$695 million) and the loans due to other related parties for the Group and the Company amounted to US\$2,169.1 million (2022: US\$1,887.6 million) and US\$757.3 million (2022: US\$300.3 million), respectively.

As at 31 December 2023, loans outstanding of the Group and the Company amounting to US\$1,820 million (2022: US\$370 million) and US\$720 million (2022: US\$70 million) respectively, 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 SOFR. 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\$7.4 million (2022: gain of US\$42.9 million) and US\$4.4 million (2022: gain of US\$3.6 million) was accounted for in hedging reserve of the Group and the Company respectively.

As at 31 December 2023, the Group and the Company had unutilised unsecured committed revolving credit facilities of US\$4,460 million (2022: US\$4,705 million) and US\$4,085 million (2022: US\$4,465 million), respectively. These facilities included US\$3,500 million (2022: US\$3,500 million) available under a committed revolving credit facility provided by the intermediate holding company that matures in 2026 (2022: 2026). The unutilised committed revolving credit facilities provided by other related parties to the Group totalled US\$95.9 million (2022: US\$82.4 million) that mature in 2024 (2022: 2024) and to the Company amounted to US\$3.8 million (2022: US\$35.7 million) that mature in 2024 (2022: 2024).

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**22. Loans and borrowings (cont'd)**

**(b) Loans (cont'd)**

As at 31 December 2023, unutilised unsecured committed term loan facilities available to the Group totalled US\$765 million (2022: US\$225 million) and available to the Company amounted to nil (2022: US\$125 million). For the Group, these facilities include an amount of US\$240 million (2022: US\$100 million) which was provided by other related parties.

**23. Lease liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At beginning of year	<b>16,654</b>	2,757	<b>13,804</b>	953
Additions	<b>99</b>	16,464	<b>–</b>	14,600
Accretion of interest	<b>429</b>	337	<b>367</b>	256
Payments	<b>(3,384)</b>	(2,902)	<b>(2,590)</b>	(2,296)
Revaluation adjustments	<b>721</b>	(2)	<b>612</b>	291
At end of year	<b>14,519</b>	16,654	<b>12,193</b>	13,804
Current	<b>2,504</b>	2,516	<b>1,798</b>	1,818
Non-current	<b>12,015</b>	14,138	<b>10,395</b>	11,986
	<b>14,519</b>	16,654	<b>12,193</b>	13,804

The following amounts were recognised in profit or loss:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Depreciation expense of right-of-use assets	<b>2,549</b>	2,548
Interest expense on lease liabilities	<b>429</b>	337
Expense relating to leases of low-value assets	<b>21</b>	13
	<b>2,999</b>	2,898

Interest rates on the leases ranged from 2.8% to 3.9% (2022: 2.0% to 3.4%) per annum for the Group and 2.9% (2022: 2.0% to 2.9%) per annum for the Company.

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**24. Reconciliation of movement of financial liabilities to net cash flows from financing activities**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
<u>Extract from Consolidated Statement of Cash Flows</u>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loans and borrowings	<b>3,335,000</b>	1,685,000
Repayment of loans and borrowings	<b>(2,449,601)</b>	(3,108,391)
Increase/(Decrease) in borrowings from revolving credit facilities, net	<b>505,000</b>	(185,000)
Repayment of lease liabilities	<b>(3,384)</b>	(2,902)
Finance expenses paid	<b>(639,794)</b>	(492,019)
Debt issue costs paid	<b>(31,466)</b>	(5,536)
<b>Net cash flows from/(used in) financing activities arising from movement in financial liabilities</b>	<b>715,755</b>	(2,108,848)
Cash flows used in other financing activities	<b>(197,034)</b>	(185,712)
<b>Net cash flows from/(used in) financing activities in consolidated statement of cash flows</b>	<b>518,721</b>	(2,294,560)

**NOTES TO THE FINANCIAL STATEMENTS**

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**24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)**

Group	Note	2022 US\$'000	Cash flows US\$'000	Fair value and revaluation adjustments US\$'000	Non-cash changes				Re- classification US\$'000	2023 US\$'000
					Future lease payments US\$'000	Amortisation /accretion US\$'000				
<b>Loans and borrowings</b>										
Medium term notes										
- current		1,890,000	(1,890,000)	(7,445)	-	-			2,299,710	2,292,265
- non-current		8,096,047	1,650,000	9,627	-	-			(2,299,710)	7,455,964
Medium term notes discount (net of premium)										
- current		(482)	-	-	-	482			(997)	(997)
- non-current		(16,456)	(12,898)	-	-	6,092			997	(22,265)
<b>Loans</b>										
- current		534,432	(534,694)	(1)	-	-			805,938	805,675
- non-current		4,663,546	2,165,093	261	-	-			(805,938)	6,022,962
Deferred debt issue costs										
- current		(3,770)	-	-	-	3,770			(2,267)	(2,267)
- non-current		(41,652)	(18,568)	-	-	17,108			2,267	(40,845)
	22	15,121,665	1,358,933	2,442	-	27,452			-	16,510,492
<b>Lease liabilities</b>										
- current		2,516	(3,384)	-	99	429			2,844	2,504
- non-current		14,138	-	721	-	-			(2,844)	12,015
	23	16,654	(3,384)	721	99	429			-	14,519
<b>Trade and other payables</b>										
Accrued finance expenses										
		95,951	(639,794)	(260)	-	651,408			-	107,305
	20	95,951	(639,794)	(260)	-	651,408			-	107,305
<b>Total</b>		<b>15,234,270</b>	<b>715,755</b>	<b>2,903</b>	<b>99</b>	<b>679,289</b>			<b>-</b>	<b>16,632,316</b>

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**24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)**

Group	Note	2021 US\$'000	Non-cash changes					2022 US\$'000	
			Cash flows US\$'000	Fair value and revaluation adjustments US\$'000	Future lease payments US\$'000	Amortisation /accretion US\$'000	Re- classification US\$'000		
<b>Loans and borrowings</b>									
Medium term notes		1,047,143	(1,048,301)	1,158	–	–	1,890,000	1,890,000	
- current		9,998,908	–	(12,861)	–	–	(1,890,000)	8,096,047	
- non-current		(630)	–	–	–	–	–	–	
Medium term notes discount (net of premium)		(22,872)	–	–	–	630	(482)	(482)	
- current						5,934	482	(16,456)	
- non-current						–	–	–	
Loans									
- current		808,577	(808,315)	(262)	–	–	534,432	534,432	
- non-current		4,950,756	248,225	(1,003)	–	–	(534,432)	4,663,546	
Deferred debt issue costs									
- current		(5,336)	–	–	–	5,336	(3,770)	(3,770)	
- non-current		(61,165)	(5,536)	–	–	21,279	3,770	(41,652)	
	22	16,715,381	(1,613,927)	(12,968)	–	33,179	–	15,121,665	
<b>Lease liabilities</b>									
- current		1,490	(2,902)	–	3,185	337	406	2,516	
- non-current		1,267	–	(2)	13,279	–	(406)	14,138	
	23	2,757	(2,902)	(2)	16,464	337	–	16,654	
<b>Trade and other payables</b>									
Accrued finance expenses		95,150	(492,019)	–	–	492,820	–	95,951	
	20	95,150	(492,019)	–	–	492,820	–	95,951	
<b>Total</b>		16,813,288	(2,108,848)	(12,970)	16,464	526,336	–	15,234,270	

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**25. Security deposits**

In addition to the cash security deposits recorded in 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\$132.9 million (2022: US\$187.2 million) and US\$59.6 million (2022: US\$67.0 million), respectively.

**26. Maintenance reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At beginning of year	<b>645,116</b>	672,110	<b>339,488</b>	326,509
Contributions	<b>161,699</b>	175,989	<b>82,600</b>	67,387
Utilisation	<b>(40,328)</b>	(31,812)	<b>(13,952)</b>	(18,814)
Transfer to accrued maintenance reserve payables	<b>(670)</b>	(444)	<b>–</b>	(444)
Transfer to buyers	<b>(25,759)</b>	(16,211)	<b>(25,759)</b>	(3,843)
Transfer to subsidiary companies, net	<b>–</b>	–	<b>(8,538)</b>	(2,282)
Release to profit or loss for excess written off	<b>(41,658)</b>	–	<b>(41,658)</b>	–
Release to profit or loss upon sale of aircraft	<b>(5,030)</b>	–	<b>–</b>	–
Release to profit or loss upon termination of leases	<b>–</b>	(154,516)	<b>–</b>	(29,025)
At end of year	<b>693,370</b>	645,116	<b>332,181</b>	339,488

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\$253.2 million (2022: US\$249.8 million) and US\$72.0 million (2022: US\$73.5 million), respectively.

**27. Deferred income tax assets and liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Deferred income tax liabilities, net	<b>647,250</b>	557,596	<b>180,955</b>	160,956
Deferred income tax assets, net	<b>(193)</b>	(159)	<b>–</b>	–
	<b>647,057</b>	557,437	<b>180,955</b>	160,956

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are grouped separately.



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**27. Deferred income tax assets and liabilities (cont'd)**

The gross deferred income tax assets and liabilities were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Gross deferred tax liabilities	<b>1,184,334</b>	1,016,570	<b>259,361</b>	189,679
Gross deferred tax assets	<b>(537,277)</b>	(459,133)	<b>(78,406)</b>	(28,723)
Net deferred tax liabilities	<b>647,057</b>	557,437	<b>180,955</b>	160,956

The unrecognised deferred tax liabilities are as disclosed in Note 3.1(b).

Movements in the Group's and Company's deferred tax assets and liabilities during the year were as follows:

	<b>Group</b>			
	<b>Differences in depreciation</b>	<b>Unremitted overseas income</b>	<b>Others</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Deferred tax liabilities arising from:				
At 1 January 2022	990,390	5,274	451	996,115
Charged to profit or loss	14,577	1,955	3,923	20,455
At 31 December 2022 and 1 January 2023	<b>1,004,967</b>	<b>7,229</b>	<b>4,374</b>	<b>1,016,570</b>
Charged to profit or loss	<b>113,205</b>	<b>3,429</b>	<b>51,130</b>	<b>167,764</b>
<b>At 31 December 2023</b>	<b>1,118,172</b>	<b>10,658</b>	<b>55,504</b>	<b>1,184,334</b>

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**27. Deferred income tax assets and liabilities (cont'd)**

	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 2022	(429,750)	(6,854)	(12,456)	(449,060)
(Credited)/Charged to profit or loss	(19,379)	2,771	(2,941)	(19,549)
Charged to other comprehensive income	—	—	9,476	9,476
At 31 December 2022 and 1 January 2023	(449,129)	(4,083)	(5,921)	(459,133)
(Credited)/Charged to profit or loss	(78,528)	(515)	1,779	(77,264)
Credited to other comprehensive income	—	—	(880)	(880)
<b>At 31 December 2023</b>	<b>(527,657)</b>	<b>(4,598)</b>	<b>(5,022)</b>	<b>(537,277)</b>
	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 2022	158,034	5,274	424	163,732
Charged to profit or loss	20,042	1,955	3,950	25,947
At 31 December 2022 and 1 January 2023	178,076	7,229	4,374	189,679
Charged to profit or loss	15,113	3,429	51,140	69,682
<b>At 31 December 2023</b>	<b>193,189</b>	<b>10,658</b>	<b>55,514</b>	<b>259,361</b>

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**27. Deferred income tax assets and liabilities (cont'd)**

	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 2022	(14,224)	(4,676)	(3,766)	(22,666)
(Credited)/Charged to profit or loss	(12,092)	2,206	(35)	(9,921)
Charged to other comprehensive income	—	—	3,864	3,864
At 31 December 2022 and 1 January 2023	(26,316)	(2,470)	63	(28,723)
Credited to profit or loss	(48,040)	(807)	(370)	(49,217)
Credited to other comprehensive income	—	—	(466)	(466)
<b>At 31 December 2023</b>	<b>(74,356)</b>	<b>(3,277)</b>	<b>(773)</b>	<b>(78,406)</b>

The unabsorbed capital allowances and unutilised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements applying to the Company and its relevant subsidiaries in their respective countries of incorporation. The unabsorbed capital allowances and unutilised tax losses have no expiry date.

**28. 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 from 2025 to 2026 (2022: 2024 to 2025).

**29. Share capital**

	Group and Company			
	2023 No. of shares '000	US\$'000	2022 No. of shares '000	US\$'000
<b>Issued and fully paid ordinary shares:</b>				
At beginning and end of year	<b>694,010</b>	<b>1,157,791</b>	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.

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**30. 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.

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Interest rate and foreign currency risk:</b>				
At beginning of year	<b>15,212</b>	(84,596)	<b>13,548</b>	(46,982)
Effective portion of changes in fair value of cash flow hedges, net of tax:				
- Interest rate swaps	<b>14,459</b>	87,249	<b>7,042</b>	44,303
- Cross-currency interest rate swaps	<b>4,782</b>	(4,168)	<b>4,782</b>	(4,168)
	<b>19,241</b>	83,081	<b>11,824</b>	40,135
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:				
- Interest rate swaps	<b>(33,449)</b>	6,148	<b>(23,125)</b>	9,816
- Cross-currency interest rate swaps	<b>(1,542)</b>	10,579	<b>(1,542)</b>	10,579
	<b>(34,991)</b>	16,727	<b>(24,667)</b>	20,395
	<b>(15,750)</b>	99,808	<b>(12,843)</b>	60,530
At end of year	<b>(538)</b>	15,212	<b>705</b>	13,548

**31. Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

		<b>Group</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>US\$'000</b>	<b>US\$'000</b>
Short-term deposits	17	<b>308,796</b>	306,707
Cash and bank balances	18	<b>83,025</b>	85,206
		<b>391,821</b>	391,913

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**32. Lease liabilities to subsidiary companies**

	<b>Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current:</b>		
Lease liabilities to subsidiary companies	–	47,293
Deferred debt issue costs	–	(1,866)
Lease liabilities to subsidiary companies, net	–	45,427
<b>Non-current:</b>		
Lease liabilities to subsidiary companies	–	31,842
Deferred debt issue costs	–	(1,084)
Lease liabilities to subsidiary companies, net	–	30,758
Total lease liabilities to subsidiary companies, net	–	76,185
	<b>Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
At beginning of year	<b>76,185</b>	175,710
Accretion of interest	<b>5,691</b>	7,773
Payments	<b>(81,876)</b>	(107,298)
At end of year	–	76,185
Current	–	45,427
Non-current	–	30,758
	–	76,185

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**32. Lease liabilities to subsidiary companies (cont'd)**

The lease liabilities to subsidiary companies are secured by a charge over leased assets (Note 13). Interest rates on the leases ranged from 4.0% to 6.5% (2022: 0.3% to 6.1%) per annum.

The deferred debt issue costs relating to lease liabilities to subsidiary companies are analysed as follows:

	<b>Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cost:</b>		
At beginning of year	<b>23,375</b>	38,756
Fully amortised cost written off	<b>(23,375)</b>	(15,381)
At end of year	<b>–</b>	23,375
<b>Accumulated amortisation:</b>		
At beginning of year	<b>20,425</b>	30,818
Charge for the year	<b>2,950</b>	4,988
Fully amortised cost written off	<b>(23,375)</b>	(15,381)
At end of year	<b>–</b>	20,425
<b>Net book value:</b>		
At end of year	<b>–</b>	2,950
Deferred debt issue costs, net	<b>–</b>	2,950
Less: Current portion	<b>–</b>	(1,866)
Non-current portion	<b>–</b>	1,084

**33. Amounts due from subsidiary companies**

The amounts due from subsidiary companies of US\$2,783.3 million (2022: US\$2,293.6 million) are interest bearing, non-trade related and unsecured. The interest rate ranged from 2.9% to 3.9% (2022: 2.9% to 6.3%) per annum.

**34. Investments in subsidiary companies**

	<b>Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Equity investments at cost:		
At beginning of year	<b>747,140</b>	747,140
Dissolutions	<b>(1)</b>	–*
At end of year	<b>747,139</b>	747,140

\* The decrease in cost of investment is less than US\$1,000.

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**34. Investments in subsidiary companies (cont'd)**

Details of the subsidiary companies are as follows:

	<b>Name</b>	<b>Country of incorporation/ principal country of operation</b>	<b>Principal activities</b>	<b>Paid up capital as at 31 December 2023</b>	<b>Percentage of equity held 2023 %</b>	<b>Percentage of equity held 2022 %</b>
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 <sup>#</sup>	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 (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
2	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	US\$100	100	100
2	Echo Leasing Five Limited	Cayman Islands	In dissolution process	–	–	100
2	Echo Leasing Six Limited	Cayman Islands	In dissolution process	US\$10	100	100
2	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
2,4	Vanda Leasing Nine Limited	Cayman Islands	In dissolution process	–	–	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

<sup>#</sup> Company type: Limited liability company (solely invested by a foreign legal person)



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**34. Investments in subsidiary companies (cont'd)**

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2023	Percentage of equity held 2023 %	Percentage of equity held 2022 %
	<b>Consolidated structured entities*</b>					
2,3	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US\$250	—	—
	Gawain Leasing Limited	Cayman Islands	Dissolved	—	—	—
	Green Knight Leasing Limited	Cayman Islands	Dissolved	—	—	—
2,3	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US\$250	—	—
1,3	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US\$1	—	—
1,3	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US\$1	—	—
2,3	Chilli Leasing LLC	United States	Leasing of aircraft	US\$1,000	—	—
2,3	Laylya Leasing LLC	United States	Leasing of aircraft	US\$1,000	—	—
2,3	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	US\$1,000	—	—

\* The companies were used as structured entities for the Group in relation to certain loan facilities. The loan facilities have been fully repaid, and these entities will be dissolved in 2024.

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**34. Investments in subsidiary companies (cont'd)**

Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2023	Percentage of equity held 2023 %	Percentage of equity held 2022 %
<b>Held by ARCU Aircraft Holdings Pte. Ltd.:</b>					
<sup>2,3</sup> ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US\$250	—	—
<b>Held by Pacific Triangle Holdings Pte. Ltd.:</b>					
<sup>2</sup> Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US\$250	—	—
<sup>2</sup> Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US\$250	—	—
<b>Held by BOC Aviation (Ireland) Limited:</b>					
<sup>2,4</sup> BOC Aviation (France) SARL	France	In dissolution process	€1,000	100	100

\* The companies were used as structured entities for the Group in relation to certain loan facilities. The loan facilities have been fully repaid, and these entities will be dissolved in 2024.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

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34. Investments in subsidiary companies (cont'd)

Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2023	Percentage of equity held 2023 %	Percentage of equity held 2022 %
<i>Held by BOC Aviation Leasing (Tianjin) Limited:</i>					
2 博加阿尔法航空租赁（天津）有限公司 (BOCA Alpha Leasing (TJ) Limited) <sup>^</sup>	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) <sup>^</sup>	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) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100
2 博加德达航空租赁（天津）有限公司 (BOCA Delta Leasing (TJ) Limited) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100
2 博加易科航空租赁（天津）有限公司 (BOCA Echo Leasing (TJ) Limited) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100

<sup>^</sup> Company type: Limited liability company (solely invested by a foreign-invested enterprise)

All subsidiary companies and all consolidated structured entities are incorporated as limited liability entities.

<sup>1</sup> Audited by PricewaterhouseCoopers LLP, Singapore or member firms of PricewaterhouseCoopers.  
<sup>2</sup> Not required to be audited by law in its country of incorporation.  
<sup>3</sup> The shares or membership interest (as applicable) of these companies was pledged for loan facilities that have been fully repaid. The entities will be dissolved in 2024.  
<sup>4</sup> Subsequent to 31 December 2023, the dissolution process for this company was completed.

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**35. Dividends**

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b><i>Declared and paid during the year:</i></b>		
Final dividend for 2022: US\$0.1770 (2021: US\$0.1733) per share	<b>122,840</b>	120,272
Interim dividend for 2023: US\$0.1131 (2022: US\$0.0889) per share	<b>78,493</b>	61,698
	<b>201,333</b>	181,970
<b><i>Proposed as at 31 December:</i></b>		
Final dividend for 2023: US\$0.2721 (2022: US\$0.1770) per share	<b>188,840</b>	122,840

On 14 March 2024, the directors proposed to recommend to the Annual General Meeting on 30 May 2024 a final dividend of US\$0.2721 per ordinary share for the year ended 31 December 2023 amounting to approximately US\$188.8 million, bringing the total dividend for 2023 to US\$267.3 million (2022: US\$184.5 million) or US\$0.3852 (2022: US\$0.2659) 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 2024.

**36. 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 of the PRC Government 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, borrowing and other transactions with certain state-owned or state-controlled entities mentioned above in the normal course of business and on commercial terms.

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

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**36. Related party transactions (cont'd)**

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:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Costs and expenses</b>		
(a) Intermediate holding company:		
Interest expense	<b>52,307</b>	19,269
Debt issue costs	<b>300</b>	—
(b) Other related parties:		
Interest expense	<b>120,356</b>	54,175
Debt issue costs	<b>5,100</b>	1,525
<b>Dividend paid to immediate holding company</b>	<b>140,933</b>	127,379
<b>Directors' and key executives' remuneration paid during the year</b>		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	<b>4,874</b>	5,827
CPF and other defined contributions	<b>3</b>	3
	<b>4,877</b>	5,830
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	<b>7,652</b>	7,617
CPF and other defined contributions	<b>168</b>	154
	<b>7,820</b>	7,771

During the year ended 31 December 2023, the share-based compensation expense for directors of the Company and key executives of the Group amounted to US\$1.2 million (2022: US\$1.3 million) and US\$1.9 million (2022: US\$1.5 million), respectively.

As at 31 December 2023, US\$6.8 million (2022: US\$8.9 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

During the year ended 31 December 2023, 296,212 (2022: 450,403) of RSUs granted in 2021 (2022: 2020) to the directors of the Company and key executives of the Group had vested.

As at 31 December 2023, 1,063,494 (2022: 727,674) of RSUs had been granted to directors of the Company and key executives of the Group but had not vested.

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**37. Commitments**

**(a) Operating lease commitments**

*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:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>US\$</b>	US\$	<b>US\$</b>	US\$
	<b>million</b>	million	<b>million</b>	million
Within one year	<b>1,907</b>	1,887	<b>1,120</b>	1,128
Between one and two years	<b>1,843</b>	1,857	<b>1,098</b>	1,119
Between two and three years	<b>1,774</b>	1,716	<b>1,055</b>	1,044
Between three and four years	<b>1,671</b>	1,608	<b>1,024</b>	969
Between four and five years	<b>1,622</b>	1,500	<b>1,013</b>	930
More than five years	<b>5,170</b>	5,759	<b>3,006</b>	3,368
	<b>13,987</b>	14,327	<b>8,316</b>	8,558

Future net minimum lease receivables committed for aircraft yet to be delivered are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>US\$</b>	US\$	<b>US\$</b>	US\$
	<b>million</b>	million	<b>million</b>	million
Within one year	<b>126</b>	73	<b>59</b>	27
Between one and two years	<b>183</b>	200	<b>91</b>	80
Between two and three years	<b>195</b>	232	<b>103</b>	98
Between three and four years	<b>195</b>	232	<b>103</b>	98
Between four and five years	<b>195</b>	232	<b>103</b>	98
More than five years	<b>1,285</b>	1,567	<b>772</b>	771
	<b>2,179</b>	2,536	<b>1,231</b>	1,172

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**37. Commitments (cont'd)**

**(b) Finance lease commitments**

*Finance lease commitments - As lessor*

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Within one year	<b>300,253</b>	262,892	<b>62,496</b>	262,892
Between one and two years	<b>846,319</b>	234,132	<b>608,823</b>	234,132
Between two and three years	<b>237,443</b>	204,774	–	204,774
Between three and four years	<b>237,395</b>	–	–	–
Between four and five years	<b>263,277</b>	–	–	–
More than five years	<b>1,682,463</b>	–	–	–
Total undiscounted minimum lease payments	<b>3,567,150</b>	701,798	<b>671,319</b>	701,798
Less: Amounts representing unearned finance income	<b>(1,063,048)</b>	(58,695)	<b>(51,460)</b>	(58,695)
Net investment in finance leases	<b>2,504,102</b>	643,103	<b>619,859</b>	643,103

The scheduled finance lease receivables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Finance lease receivables	<b>2,504,102</b>	643,103	<b>619,859</b>	643,103
Less: Current portion	<b>(123,555)</b>	(229,909)	<b>(24,728)</b>	(229,909)
Non-current portion	<b>2,380,547</b>	413,194	<b>595,131</b>	413,194

The effective interest rates on the finance lease receivables was 6.6% (2022: 6.2%) per annum. Interest income from finance leases during the year ended 31 December 2023 was US\$69.0 million (2022: US\$40.7 million).

As there has been no significant increase in the risk of default of these finance lease receivables since initial recognition, the Group and the Company assess that there is no material expected credit loss and accordingly no loss allowance is required.



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**37. Commitments (cont'd)**

**(c) Capital expenditure commitments**

As at 31 December 2023, the Group had committed to purchase various aircraft delivering between 2024 and 2029. The amount of future commitments under purchase agreements, purchase and leaseback and finance lease agreements, including assumed escalation to delivery, was US\$12.0 billion to the end of 2029 (2022: US\$11.1 billion to the end of 2029). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

**38. Contingent liabilities**

***Guarantees of subsidiary companies' obligations***

The Company has provided 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 2023, the guarantees for loans to subsidiary companies amounted to approximately US\$5.2 billion (2022: US\$3.9 billion). The guarantees are callable on demand.

**39. 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 15), other receivables (Note 16), short-term deposits<sup>1</sup> (Note 17), cash and bank balances (Note 18), amounts due from subsidiary companies (Note 33) and finance lease receivables (Note 37(b)).

As at 31 December 2023, the financial assets measured at amortised cost for the Group and the Company were US\$3,131.7 million (2022: US\$1,180.1 million) and US\$3,519.7 million (2022: US\$3,105.9 million), respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 20), loans and borrowings (Note 22), security deposits (Note 25) and other non-current liabilities<sup>2</sup> (Note 28).

As at 31 December 2023, the financial liabilities measured at amortised cost for the Group and the Company were US\$16,866.7 million (2022: US\$15,441.0 million) and US\$11,610.0 million (2022: US\$11,468.8 million), respectively.

<sup>1</sup> Excluding investment in money market funds.

<sup>2</sup> Excluding bonuses and related employers' contributions payable and provided for under the staff cash incentive plans.

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

**(a) Financial instruments carried at fair values**

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 14) and investment in money market funds classified as short-term deposits (Note 17).

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the derivative financial instruments and investment in money market funds under the Group are classified under Level 2 of the fair value hierarchy. The fair values of the derivative financial instruments are determined with reference to marked-to-market values based on valuation techniques that use data from observable markets. The fair values of investment in money market funds are determined by reference to marked-to-market values provided by counterparties. There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2023 and 2022.

**(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 values because these are repriced frequently.

Non-current loans and borrowings (excluding non-current medium term notes as disclosed in Note 39(c) below) and receivables from airlines (Note 16) 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.

Non-current finance lease receivables and trade receivables reasonably approximate their fair values as the implicit interest rate of each financial instrument approximates the market interest rate prevailing at the end of each year.

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**39. 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 all of the Group's and Company's financial instruments not measured at fair value.

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Medium term notes :</b>				
Carrying amounts	<b>9,319,350</b>	8,975,156	<b>7,183,916</b>	7,977,869
Fair values	<b>9,024,003</b>	8,429,804	<b>6,877,463</b>	7,480,334

As at 31 December 2023, the fair value measurements 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\$159.7 million (2022: US\$159.6 million) with fair value of US\$156.6 million (2022: US\$148.3 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.

**40. 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 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 Synthetic US Dollar LIBOR or SOFR and are contractually repriced at intervals of 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 rates under its borrowings.

The Group adopts a policy of managing its interest rate exposure by maintaining a debt portfolio with both fixed and floating interest rates.

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**40. Financial risk management objectives and policies (cont'd)**

**(a) Interest rate risk (cont'd)**

Interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. US Dollar LIBOR was discontinued on 30 June 2023 and has lost its representativeness. On 3 April 2023, the Financial Conduct Authority announced its decision to require ICE Benchmark Administration Limited (the administrator of US Dollar LIBOR) to continue the publication of 1-month, 3-month and 6-month US Dollar LIBOR settings using a 'synthetic' methodology ("Synthetic US Dollar LIBOR") for a period expiring on 30 September 2024 (subject to any extension of such period).

As at 31 December 2023, the Group has completed the transition of its US Dollar LIBOR-based financial instruments and off-balance sheet items to SOFR, except for certain balances for which the Group has exposure to Synthetic US Dollar LIBOR. The Group has applied Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39, IFRS 7/SFRS(I) 7, IFRS 4/SFRS(I) 4 and IFRS 16/SFRS(I)16: Interest Rate Benchmark Reform – Phase 2 for amortised cost measurement and hedge accounting in respect of modifications triggered by the transition. The transition from US Dollar LIBOR to SOFR has no material effect on the amounts reported for the current and prior financial year.

The Group has exposure to Synthetic US Dollar LIBOR on its financial instruments and off-balance sheet items as at 31 December 2023 as set out in the table below. These balances have not yet transitioned to an alternative benchmark rate. For those balances with exposure to Synthetic US Dollar LIBOR, some of the balances will naturally expire before Synthetic US Dollar LIBOR ceases on 30 September 2024. Management monitors and manages the transition to alternative risk-free rates. Management evaluates whether the contracts which are referenced to Synthetic US Dollar LIBOR will need to be amended and how to manage such communication with the counterparties.

	<b>Group US\$'000</b>	<b>Company US\$'000</b>
<u>Assets</u>		
Derivative financial instruments	6,970	6,970
<u>Liabilities</u>		
Gross debt	350,000	350,000
<u>Off-balance sheet items</u>		
Operating lease commitments – as lessor	168,551	158,242

As at 31 December 2023, the notional amount of the Group's and Company's derivative financial instruments exposed to Synthetic US Dollar LIBOR is US\$350 million.

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**40. 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 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.

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 10 basis points (2022: 10 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.

		<b>Group</b>	
	<b>Basis points</b>	<b>Increase/ (Decrease) on profit net of tax US\$'000</b>	<b>Increase/ (Decrease) on hedging reserve net of tax in equity US\$'000</b>
<b>2023</b>			
Increase in interest rate	+10	(3,929)	6,659
Decrease in interest rate	-10	3,929	(6,683)
<b>2022</b>			
Increase in interest rate	+10	(3,401)	848
Decrease in interest rate	-10	3,401	(850)

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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For the financial year ended 31 December 2023

**40. 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 aircraft capital expenditures and borrowings to fund these expenditures 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 repayments typically spread over substantial periods of up to 10 years, and also to have available committed credit facilities from banks.

As at 31 December 2023, the Group had unutilised unsecured committed revolving credit facilities of US\$4,460 million (2022: US\$4,705 million) and unutilised unsecured committed term loan facilities of US\$765 million (2022: US\$225 million).

As at 31 December 2023, approximately 19% (2022: 16%) of the Group's gross debt was due to mature 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		
	One year or less	One to five years	Over five years	Total
2023	US\$'000	US\$'000	US\$'000	US\$'000
<b><i>Financial liabilities:</i></b>				
Trade and other payables*	59,838	—	—	59,838
Loans and borrowings	3,105,648	11,442,424	2,040,590	16,588,662
Estimated interest and net swap payments*	713,048	1,438,081	173,452	2,324,581
Lease liabilities	2,881	9,401	3,563	15,845
Security deposits	36,193	47,725	133,664	217,582
Other non-current liabilities	—	13,093	—	13,093
Total undiscounted financial liabilities	3,917,608	12,950,724	2,351,269	19,219,601

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**40. Financial risk management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

**Analysis of financial liabilities by remaining contractual maturities (cont'd)**

	Group			
	One year or less	One to five years	Over five years	Total
2022	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities:</b>				
Trade and other payables*	51,687	—	—	51,687
Loans and borrowings	2,424,432	11,192,353	1,580,213	15,196,998
Estimated interest and net swap payments*	583,652	1,103,528	108,419	1,795,599
Lease liabilities	2,954	9,684	5,751	18,389
Security deposits	24,798	40,798	137,934	203,530
Other non-current liabilities	—	18,101	—	18,101
Total undiscounted financial liabilities	3,087,523	12,364,464	1,832,317	17,284,304

	Company			
	One year or less	One to five years	Over five years	Total
2023	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities:</b>				
Trade and other payables*	65,080	—	—	65,080
Loans and borrowings	1,899,710	7,968,720	1,540,590	11,409,020
Estimated interest and net swap payments*	452,652	807,325	63,764	1,323,741
Lease liabilities	2,120	8,340	2,859	13,319
Security deposits	10,000	24,154	84,645	118,799
Other non-current liabilities	—	15,037	—	15,037
Total undiscounted financial liabilities	2,429,562	8,823,576	1,691,858	12,944,996



BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**40. Financial risk management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

**Analysis of financial liabilities by remaining contractual maturities (cont'd)**

2022	Company			Total US\$'000
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	
<b>Financial liabilities:</b>				
Trade and other payables*	71,060	—	—	71,060
Loans and borrowings	2,014,882	7,738,430	1,540,590	11,293,902
Estimated interest and net swap payments*	335,170	824,507	107,841	1,267,518
Lease liabilities	2,185	8,232	4,859	15,276
Lease liabilities to subsidiary companies	47,293	31,842	—	79,135
Security deposits	—	22,883	78,029	100,912
Other non-current liabilities	—	15,043	—	15,043
Total undiscounted financial liabilities	2,470,590	8,640,937	1,731,319	12,842,846

\* Accrued interest expenses of the Group and the Company of US\$106.8 million and US\$84.0 million (2022: US\$94.7 million and US\$79.3 million) respectively are excluded in trade and other payables and included in estimated interest and net swap payments.

**(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 continuous 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 at least annually. The Group also evaluates 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 an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2023

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**40. Financial risk management objectives and policies (cont'd)**

**(c) Credit risk (cont'd)**

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-".

The Group recognises an allowance for expected credit losses of trade receivables when the overdue receivables of each lessee are in excess of any security deposit or the value of any collateral related to the lease.

In determining if there is any significant increase in credit risk of finance lease receivables, the Group considers and assesses the period of default and/or significant adverse changes in the lessee's operations or financial status.

*(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. In addition, the Company also has a credit risk exposure to certain subsidiary companies under guarantees provided by the Company in respect of loans to the subsidiary companies and in respect of certain lease agreements entered into by the subsidiary companies.

*(ii) Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring individual debtor and regional exposure to its trade receivables and finance lease receivables, net of allowance for impairment losses, on an ongoing basis.

The credit risk concentration profile of the Group's trade receivables by debtors' geographic region based on the jurisdiction of each debtor under the relevant contracts was as follows:

	2023		2022	
	US\$'000	%	US\$'000	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	89,719	76.5	92,788	56.8
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	3,984	3.4	33,419	20.5
Americas	23,290	19.8	18,166	11.1
Europe	371	0.3	18,894	11.6
	<b>117,364</b>	<b>100.0</b>	<b>163,267</b>	<b>100.0</b>

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**40. Financial risk management objectives and policies (cont'd)**

**(c) Credit risk (cont'd)**

*(ii) Credit risk concentration profile (cont'd)*

The credit risk concentration profile of the Group's finance lease receivables by lessees' geographic region based on the jurisdiction of each lessee under the relevant contracts was as follows:

	2023		2022	
	US\$'000	%	US\$'000	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	448,502	17.9	—	—
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	619,859	24.8	643,103	100.0
Americas	1,435,741	57.3	—	—
	<b>2,504,102</b>	<b>100.0</b>	643,103	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 were either past due or impaired*

Information regarding financial assets that were either past due or impaired was disclosed in Note 15.

**(d) Foreign currency risk**

The Group's revenues and principal assets are denominated in United States Dollar, which is the functional currency of the Group. Foreign currency exposure arises from the Group's 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 to 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.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**40. Financial risk management objectives and policies (cont'd)**

**(e) Offsetting financial assets and financial liabilities**

The Group and the Company have the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

	Group					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	Gross amounts- Financial assets	Gross amounts- Financial liabilities	Net amounts- presented in balance sheet	Financial assets/ (liabilities)	Financial collateral received	Net amount
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 31 December 2023</b>						
Derivative financial assets	14,652	–	14,652	(9,394)	–	5,258
Trade receivables	122,947	–	122,947	–	(38,979)	83,968
	137,599	–	137,599	(9,394)	(38,979)	89,226
Derivative financial liabilities	–	(26,113)	(26,113)	9,394	–	(16,719)
<b>At 31 December 2022</b>						
Derivative financial assets	23,291	–	23,291	(6,989)	–	16,302
Trade receivables	174,617	–	174,617	–	(90,485)	84,132
	197,908	–	197,908	(6,989)	(90,485)	100,434
Derivative financial liabilities	–	(19,949)	(19,949)	6,989	–	(12,960)

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2023

**40. Financial risk management objectives and policies (cont'd)**

**(e) Offsetting financial assets and financial liabilities (cont'd)**

	Company					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	Gross amounts- Financial assets US\$'000	Gross amounts- Financial liabilities US\$'000	Net amounts- presented in balance sheet US\$'000	Financial assets/ (liabilities) US\$'000	Financial collateral received US\$'000	Net amount US\$'000
<b>At 31 December 2023</b>						
Derivative financial assets	14,652	—	14,652	(9,394)	—	5,258
Trade receivables	30,681	—	30,681	—	(13,300)	17,381
	45,333	—	45,333	(9,394)	(13,300)	22,639
Derivative financial liabilities	—	(26,113)	(26,113)	9,394	—	(16,719)
<b>At 31 December 2022</b>						
Derivative financial assets	23,291	—	23,291	(6,989)	—	16,302
Trade receivables	83,404	—	83,404	—	(55,098)	28,306
	106,695	—	106,695	(6,989)	(55,098)	44,608
Derivative financial liabilities	—	(19,949)	(19,949)	6,989	—	(12,960)

Agreements with derivative counterparties are based on an International Swap Derivatives Association Master Agreement. Under the terms of these arrangements, only upon the occurrence of certain credit events (such as default), the net position owing to/receivable from a single counterparty in the same currency are aggregated into a single net amount that is payable by one party to the other and all the relevant arrangements terminated.

Trade receivables are generally secured by cash security deposits (Note 25). In an event of default, based on contractual terms the Group can apply the security deposits against the trade receivables from the same lessee. As the Group does not presently have a legally enforceable right to set off, these amounts have not been offset in the balance sheet but have been presented separately in the table above.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**41. 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 gross debt to equity, which is gross debt divided by total equity, to ensure that it complies with the debt to equity covenants in its loan facilities and to maintain its investment grade credit rating. Gross debt comprises the Group's loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums on 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 2023 and 2022.

During the year ended 31 December 2023, the Group issued US\$1,650 million (2022: US\$300 million) of notes under its Global Medium Term Note Program and utilised US\$1,685 million (2022: US\$1,385 million) in term loans. As at 31 December 2023, the Group had utilised US\$1,240 million (2022: US\$735 million) under its committed revolving credit facilities. The Group's gross debt to equity as at 31 December 2023 and 31 December 2022 are set out in the table below:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Gross debt	<b>16,588,662</b>	15,196,998
Total equity	<b>5,748,462</b>	5,202,099
Gross debt to equity (times)	<b>2.9</b>	2.9

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**42. 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 2023 and 31 December 2022.

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

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
<b><i>Earnings</i></b>		
Earnings used in the computation of basic and diluted earnings per share (profit for the year attributable to owners of the Company) (US\$'000)	<b>763,902</b>	20,060
<b><i>Number of shares</i></b>		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	<b>694,010</b>	694,010
<b>Basic earnings per share (US\$)</b>	<b>1.10</b>	0.03
<b>Diluted earnings per share (US\$)</b>	<b>1.10</b>	0.03



BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**43. Segmental analysis**

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management. Senior Management assesses the financial performance and position of the Group and uses the information to support strategic decisions.

All revenues are derived from the Group's principal activities of aircraft leasing, 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 on operating lease to various airline customers around the world. The distribution of lease rental income by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2023		2022	
	US\$ million	%	US\$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	<b>443</b>	<b>23.2</b>	421	23.6
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	<b>486</b>	<b>25.5</b>	473	26.5
Americas	<b>384</b>	<b>20.1</b>	311	17.4
Europe	<b>379</b>	<b>19.8</b>	363	20.4
Middle East and Africa	<b>219</b>	<b>11.4</b>	216	12.1
	<b>1,911</b>	<b>100.0</b>	1,784	100.0

The lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 25.5% and United States of America accounted for 14.7% of the total lease rental income for the year ended 31 December 2023 (2022: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 26.5% and United States of America accounted for 13.0%). Other than as disclosed above, there was no other country concentration in excess of 10% of the total lease rental income in either 2023 or 2022.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES  
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**43. Segmental analysis (cont'd)**

**(b) Net book value of aircraft and finance lease receivables**

The distribution of net book value of aircraft and finance lease receivables by geographic region based on the jurisdiction of each airline customer under the relevant lease was as follows:

	2023		2022	
	US\$ million	%	US\$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	<b>5,082</b>	<b>23.6</b>	4,654	23.6
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	<b>4,878</b>	<b>22.6</b>	5,179	26.2
Americas	<b>5,716</b>	<b>26.5</b>	3,702	18.8
Europe	<b>3,608</b>	<b>16.7</b>	3,894	19.7
Middle East and Africa	<b>2,274</b>	<b>10.6</b>	2,319	11.7
	<b>21,558</b>	<b>100.0</b>	19,748	100.0

Note: Off-lease aircraft are allocated to the region of the prospective operator if a lease commitment is in place, or to the region of the prior operator if no lease commitment is in place

The net book value of aircraft leased to airline customers and finance lease receivables from airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 22.6% (2022: 26.2%) and United States of America accounted for 20.6% (2022: 13.9%), of the total net book value and finance lease receivables as at 31 December 2023. Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value and finance lease receivables in either 2023 or 2022.

During the year ended 31 December 2023, the impairment loss recognised on aircraft leased to airline customers in Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) was US\$8.0 million (2022: US\$52.2 million), Americas was US\$0.8 million (2022: US\$4.8 million), Europe was nil (2022: US\$792.9 million) and Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was nil (2022: US\$6.1 million). During the year ended 31 December 2023, the reversal of impairment loss was nil (2022: US\$12.3 million in respect of an engine of an aircraft previously leased to an airline customer in Europe).

**44. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors passed on 14 March 2024.

BOC AVIATION LIMITED AND  
ITS SUBSIDIARY COMPANIES  
*(Incorporated in Singapore. Registration No. 199307789K)*

FINANCIAL STATEMENTS  
*For the financial year ended 31 December 2022*

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

# FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

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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 2022.

### 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 2022 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:

Zhang Xiaolu	Vice-Chairman and Deputy Managing Director
Robert James Martin	Managing Director and Chief Executive Officer
Chen Jing	Non-executive Director (appointed on 18 April 2022)
Dong Zonglin	Non-executive Director (appointed on 18 April 2022)
Wang Xiao	Non-executive Director
Wei Hanguang	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.

**DIRECTORS' STATEMENT**

For the financial year ended 31 December 2022

**4. Restricted Share Unit Long Term Incentive Plan**

The Company adopted the Restricted Share Unit Long Term Incentive Plan on 18 December 2017 which covers awards for the financial years 2017 to 2021 (inclusive) and adopted a new plan in February 2023 that will cover awards for financial years 2022 to 2025 (inclusive) (collectively, the "RSU Plan"). 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 subsidiary companies. An independent trustee purchases shares of the Company from the market and holds such shares on trust in accordance with the rules of the RSU Plan. The RSU Plan does not involve any issue of new shares by the Company.

**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 1967, interests in shares of the Company or of related companies as stated below:

<b>Name of director</b>	<b>At the beginning of financial year</b>	<b>At the end of financial year</b>
Ordinary shares:		
Robert James Martin	372,708	616,243
Zhang Xiaolu	—	—
Restricted share units granted by the Company but not yet vested:		
Robert James Martin	324,946	185,433
Zhang Xiaolu	44,409	110,606

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.

## DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

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### 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
Chen Jing	Non-executive Director
Dong Zonglin	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 Head of Accounting and Reporting 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.



BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

## **DIRECTORS' STATEMENT**

For the financial year ended 31 December 2022

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### **7. Auditor**

PricewaterhouseCoopers 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:



**Zhang Xiaolu**  
Director



**Robert James Martin**  
Director

Singapore  
9 March 2023

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

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### Report on the audit of the financial statements

#### Our Opinion

In our opinion, the accompanying consolidated financial statements of BOC Aviation Limited ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act"), International Financial Reporting Standards ("IFRSs") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

We have audited the financial statements of the Company and the Group which comprise the consolidated statement of profit or loss of the Group for the financial year ended 31 December 2022; the consolidated statement of comprehensive income of the Group for the financial year then ended; the consolidated statement of financial position of the Group as at 31 December 2022; the statement of financial position of the Company as at 31 December 2022; the consolidated statement of changes in equity of the Group for the financial year then ended; the consolidated statement of cash flows of the Group for the financial year then ended; and the notes to the financial statements, including a summary of significant accounting policies.

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

#### *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

#### Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

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#### 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 for the financial year ended 31 December 2022. 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.

#### *Carrying value of property, plant and equipment – aircraft*

As at 31 December 2022, the carrying value of aircraft in property, plant and equipment was \$19,104 million (refer to Note 13), representing approximately 87% of the Group's total assets. During the year ended 31 December 2022 the Group has recognised an impairment loss of \$856.0 million, of which approximately 92% relates to 17 aircraft that remain in Russia notwithstanding the termination in March 2022 of the leases of those aircraft in compliance with applicable sanctions against Russia and that the Group has been unable to recover. The remaining impairment relates to the write-down of the carrying amount of affected aircraft to the estimated recoverable amount in accordance with the requirements of IAS36/ SFRS(I) 1-36 Impairment of Assets.

We focused on the carrying value of the aircraft because the impairment assessment involved the use of significant judgement and estimation by management as disclosed in Note 3.2(b) to the financial statements. The recoverable amount attributable to each aircraft is determined as being the higher of the fair value less costs of disposal and the value in use of the aircraft. The recoverable amount is compared to the carrying value of the aircraft in order to determine whether an impairment exists.

The fair value is determined by reference to independent aircraft valuation reports provided by external appraisers.

The value in use is determined by calculating the estimated future cash flows expected to be generated by the asset 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.

We obtained an understanding of management's impairment model and key assumptions. We reviewed management's assessment of indicators of impairment, if any, and also performed audit procedures, including:

- We validated, on a sample basis, the fair value of aircraft held for lease to independent aircraft valuation reports or other supporting evidence.
- We validated, on a sample basis, the value in use calculation against lease agreements, independent aircraft valuation or other supporting evidence.
- We evaluated the competence, capabilities and objectivity of the external appraisers who provided the independent aircraft valuation reports.
- We verified the accuracy of the impairment assessment by re-performing the mathematical calculations.
- We assessed the reasonableness of the discount rate used in the value in use calculation.
- We performed sensitivity analyses over the discount rate used in the value in use calculation.

# **INDEPENDENT AUDITOR'S REPORT**

For the financial year ended 31 December 2022

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED**

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### **Other Information**

Management is responsible for the other information. The other information comprises the information in the Group's Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained all of the other information prior to the date of this auditor's report, except for the Environmental, Social and Governance Report ("the Other Sections"), which is expected to be made available to us after that date.

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

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

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

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with ISAs.

### **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.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED

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### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 control 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.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

## INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOC AVIATION LIMITED**

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### 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 auditors 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 Wong Wanyi.



PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore

9 March 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the financial year ended 31 December 2022

	Note	Group 2022 US\$'000	2021 US\$'000
<b>Revenues and other income</b>			
Lease rental income	43(a)	1,784,461	1,865,151
Interest income from finance leases		40,697	42,006
Other interest and fee income	4	96,123	135,046
		<b>1,921,281</b>	<b>2,042,203</b>
<i>Other sources of income:</i>			
Net gain on sale of aircraft	5	63,867	43,772
Income arising from termination of leases*		222,876	73,855
Other income	6	99,028	23,405
		<b>2,307,052</b>	<b>2,183,235</b>
<b>Costs and expenses</b>			
Depreciation of property, plant and equipment	13	786,084	765,561
Finance expenses	7	483,661	465,287
Amortisation of deferred debt issue costs	8	26,615	24,991
Staff costs	9	49,122	68,703
Marketing and travelling expenses		5,058	911
Impairment of aircraft	13	855,991	145,800
Impairment/(Write-back of) losses on financial assets	15	1,235	(7,921)
Other operating expenses	11	69,790	81,235
		<b>(2,277,556)</b>	<b>(1,544,567)</b>
<b>Profit before income tax</b>		<b>29,496</b>	<b>638,668</b>
Income tax expense	12	(9,436)	(77,350)
<b>Profit for the year attributable to owners of the Company</b>		<b>20,060</b>	<b>561,318</b>
Earnings per share attributable to owners of the Company:			
<b>Basic earnings per share (US\$)</b>	42	<b>0.03</b>	<b>0.81</b>
<b>Diluted earnings per share (US\$)</b>	42	<b>0.03</b>	<b>0.81</b>

\* Income arising from termination of leases for 2022 was in respect of termination of leases of 17 aircraft with Russian airlines. Refer to Note 13(a) for more details. Income arising from termination of leases for 2021 was in respect of termination of leases of six aircraft arising from a separate unrelated event.

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 COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Note	Group 2022 US\$'000	2021 US\$'000
<b>Profit for the year</b>		<b>20,060</b>	561,318
<b>Other comprehensive income for the year, net of tax:</b>			
<i>Items that may be reclassified subsequently to statement of profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges, net of tax	30	<b>83,081</b>	15,833
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	30	<b>16,727</b>	70,360
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>119,868</b>	647,511

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 FINANCIAL POSITION

As at 31 December 2022

	Note	Group 2022 US\$'000	2021 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	20,628,570	22,363,617
Derivative financial instruments	14	12,567	—
Finance lease receivables	37(b)	413,194	643,104
Trade receivables	15	98,334	135,116
Other receivables	16	62,298	53,175
Deferred income tax assets	27	159	153
Other non-current assets		11,045	11,525
		<b>21,226,167</b>	<b>23,206,690</b>
<b>Current assets</b>			
Trade receivables	15	64,933	47,101
Prepayments		1,469	2,419
Derivative financial instruments	14	10,724	—
Finance lease receivables	37(b)	229,909	21,849
Other receivables	16	132,765	104,141
Income tax receivables		664	604
Short-term deposits	17	306,707	248,224
Cash and bank balances	18	90,159	237,872
Other current assets		7,878	10,464
		<b>845,208</b>	<b>672,674</b>
<b>Total assets</b>		<b>22,071,375</b>	<b>23,879,364</b>
<b>Current liabilities</b>			
Derivative financial instruments	14	—	11,821
Trade and other payables	20	146,398	200,090
Deferred income	21	123,856	104,249
Income tax payables		1,328	1,337
Loans and borrowings	22	2,420,180	1,849,754
Lease liabilities	23	2,516	1,490
Security deposits	25	24,798	36,808
		<b>2,719,076</b>	<b>2,205,549</b>
<b>Net current liabilities</b>		<b>(1,873,868)</b>	<b>(1,532,875)</b>
<b>Total assets less current liabilities</b>		<b>19,352,299</b>	<b>21,673,815</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	Note	Group 2022 US\$'000	2021 US\$'000
<b>Non-current liabilities</b>			
Derivative financial instruments	14	19,949	82,417
Loans and borrowings	22	12,701,485	14,865,627
Lease liabilities	23	14,138	1,267
Security deposits	25	148,121	169,323
Deferred income	21	45,694	35,166
Maintenance reserves	26	645,116	672,110
Deferred income tax liabilities	27	557,596	547,208
Other non-current liabilities	28	18,101	34,783
		<b>14,150,200</b>	16,407,901
<b>Total liabilities</b>		<b>16,869,276</b>	18,613,450
<b>Net assets</b>		<b>5,202,099</b>	5,265,914
<b>Equity attributable to owners of the Company</b>			
Share capital	29	1,157,791	1,157,791
Retained earnings		4,020,130	4,182,119
Statutory reserves		913	834
Share-based compensation reserves		8,053	9,766
Hedging reserves	30	15,212	(84,596)
<b>Total equity</b>		<b>5,202,099</b>	5,265,914
<b>Total equity and liabilities</b>		<b>22,071,375</b>	23,879,364

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

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

		Company	
	Note	2022 US\$'000	2021 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	11,705,169	12,493,908
Derivative financial instruments	14	12,567	–
Finance lease receivables	37(b)	413,194	643,104
Trade receivables	15	21,197	46,552
Other receivables	16	7,831	41,956
Amounts due from subsidiary companies	33	2,293,600	2,235,850
Investments in subsidiary companies	34	747,140	747,140
Other non-current assets		9,243	9,540
		<b>15,209,941</b>	<b>16,218,050</b>
<b>Current assets</b>			
Trade receivables	15	57,851	33,399
Prepayments		1,338	1,696
Derivative financial instruments	14	10,724	–
Finance lease receivables	37(b)	229,909	21,849
Other receivables	16	21,502	26,547
Short-term deposits	17	38,577	62,239
Cash and bank balances	18	40,769	65,415
Other current assets		6,866	9,258
		<b>407,536</b>	<b>220,403</b>
<b>Total assets</b>		<b>15,617,477</b>	<b>16,438,453</b>
<b>Current liabilities</b>			
Derivative financial instruments	14	–	11,821
Trade and other payables	20	150,407	159,172
Deferred income	21	82,883	62,084
Loans and borrowings	22	2,013,081	1,103,785
Security deposits	25	–	2,618
Lease liabilities	23	1,818	953
Lease liabilities to subsidiary companies	32	45,427	63,066
		<b>2,293,616</b>	<b>1,403,499</b>
<b>Net current liabilities</b>		<b>(1,886,080)</b>	<b>(1,183,096)</b>
<b>Total assets less current liabilities</b>		<b>13,323,861</b>	<b>15,034,954</b>

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at 31 December 2022

		Company	
	Note	2022 US\$'000	2021 US\$'000
<b>Non-current liabilities</b>			
Derivative financial instruments	14	19,949	82,417
Loans and borrowings	22	9,221,864	10,885,238
Security deposits	25	83,452	85,530
Deferred income	21	27,465	19,318
Maintenance reserves	26	339,488	326,509
Deferred income tax liabilities	27	160,956	141,066
Lease liabilities	23	11,986	—
Lease liabilities to subsidiary companies	32	30,758	112,644
Other non-current liabilities	28	15,043	28,129
		<b>9,910,961</b>	<b>11,680,851</b>
<b>Total liabilities</b>		<b>12,204,577</b>	<b>13,084,350</b>
<b>Net assets</b>		<b>3,412,900</b>	<b>3,354,103</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	29	1,157,791	1,157,791
Retained earnings		2,234,909	2,234,743
Share-based compensation reserves		6,652	8,551
Hedging reserves	30	13,548	(46,982)
<b>Total equity</b>		<b>3,412,900</b>	<b>3,354,103</b>
<b>Total equity and liabilities</b>		<b>15,617,477</b>	<b>16,438,453</b>

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 2022

	Note	Attributable to owners of the Company					Total equity US\$'000
		Share capital US\$'000	Retained earnings US\$'000	Statutory reserves* US\$'000	Share-based compensation reserves US\$'000	Hedging reserves US\$'000	
<b>At 1 January 2021</b>		1,157,791	3,778,620	624	10,554	(170,789)	4,776,800
Profit for the year		–	561,318	–	–	–	561,318
Transfers to statutory reserves		–	(210)	210	–	–	–
Other comprehensive income for the year, net of tax	30	–	–	–	–	86,193	86,193
Total comprehensive income for the year		–	561,108	210	–	86,193	647,511
Transactions with owners of the Company:							
Dividends	35	–	(157,609)	–	–	–	(157,609)
Amortisation of share-based compensation	9	–	–	–	8,548	–	8,548
Restricted Share Units – amount vested		–	–	–	(9,336)	–	(9,336)
<b>At 31 December 2021 and 1 January 2022</b>		<b>1,157,791</b>	<b>4,182,119</b>	<b>834</b>	<b>9,766</b>	<b>(84,596)</b>	<b>5,265,914</b>
Profit for the year		–	20,060	–	–	–	20,060
Transfers to statutory reserves		–	(79)	79	–	–	–
Other comprehensive income for the year, net of tax	30	–	–	–	–	99,808	99,808
Total comprehensive income for the year		–	19,981	79	–	99,808	119,868
Transactions with owners of the Company:							
Dividends	35	–	(181,970)	–	–	–	(181,970)
Amortisation of share-based compensation	9	–	–	–	8,749	–	8,749
Restricted Share Units – amount vested		–	–	–	(10,462)	–	(10,462)
<b>At 31 December 2022</b>		<b>1,157,791</b>	<b>4,020,130</b>	<b>913</b>	<b>8,053</b>	<b>15,212</b>	<b>5,202,099</b>

\* 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 2022

	Note	Group 2022 US\$'000	2021 US\$'000
<b>Cash flows from operating activities:</b>			
Profit before income tax		<b>29,496</b>	638,668
Adjustments for:			
Depreciation of property, plant and equipment	13	<b>786,084</b>	765,561
Impairment of aircraft	13	<b>855,991</b>	145,800
Amortisation of deferred debt issue costs	8	<b>26,615</b>	24,991
Amortisation of share-based compensation	9	<b>8,749</b>	8,548
Interest income from finance leases		<b>(40,697)</b>	(42,006)
Other interest and fee income	4	<b>(96,123)</b>	(135,046)
Net gain on sale of aircraft	5	<b>(63,867)</b>	(43,772)
Finance expenses	7	<b>483,661</b>	465,287
Income arising from termination of lease		<b>(222,876)</b>	(54,806)
Impairment/(Write-back of) losses on financial assets	15	<b>1,235</b>	(7,921)
Other income		<b>(49,575)</b>	–
<b>Operating profit before working capital changes</b>		<b>1,718,693</b>	1,765,304
Decrease/(Increase) in receivables		<b>1,780</b>	(126,481)
(Decrease)/Increase in payables		<b>(74,773)</b>	12,376
Increase/(Decrease) in maintenance reserves, net		<b>127,352</b>	(25,952)
Increase/(Decrease) in deferred income		<b>28,483</b>	(23,034)
<b>Cash generated from operations</b>		<b>1,801,535</b>	1,602,213
Security deposits received/(paid), net		<b>79,447</b>	(55,471)
Lease transaction closing costs paid		<b>(466)</b>	(503)
Income tax (paid)/received, net		<b>(8,613)</b>	81,820
Interest and fee income received		<b>136,649</b>	176,310
<b>Net cash flows from operating activities</b>		<b>2,008,552</b>	1,804,369
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		<b>(1,207,989)</b>	(2,124,352)
Proceeds from sale of property, plant and equipment		<b>1,309,190</b>	825,257
Refund of pre-delivery payments by airlines		<b>91,835</b>	243,735
<b>Net cash flows from/(used in) investing activities</b>		<b>193,036</b>	(1,055,360)



BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the financial year ended 31 December 2022

	Note	2022 US\$'000	Group 2021 US\$'000
<b>Cash flows from financing activities:</b>			
Proceeds from loans and borrowings		1,685,000	2,170,000
Repayment of loans and borrowings		(3,108,391)	(1,948,953)
Decrease in borrowings from revolving credit facilities, net		(185,000)	(225,000)
Repayment of lease liabilities		(2,902)	(2,371)
Finance expenses paid		(492,019)	(477,681)
Debt issue costs paid		(5,536)	(28,856)
Dividends paid	35	(181,970)	(157,609)
Increase in cash and bank balances - encumbered		(3,742)	(1,210)
<b>Net cash flows used in financing activities</b>		<b>(2,294,560)</b>	<b>(671,680)</b>
Net (decrease)/increase in cash and cash equivalents		(92,972)	77,329
Cash and cash equivalents at beginning of year		484,885	407,556
<b>Cash and cash equivalents at end of year</b>	31	<b>391,913</b>	<b>484,885</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## 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. The shareholder of Sky Splendor Limited 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 79 Robinson Road, #15-01, Singapore 068897.

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 34.

## 2. Summary of significant accounting policies

### 2.1 Basis of presentation and preparation

As at 31 December 2022, the Group’s and the Company’s current liabilities exceeded its current assets by US\$1,873.9 million (2021: US\$1,532.9 million) and US\$1,886.1 million (2021: US\$1,183.1 million), respectively. The financial statements have been prepared on a going concern basis as management is reasonably confident that after taking into account cash generated by the Group and unutilised committed banking facilities, the Group will have sufficient resources to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board and are also prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) as issued by the Singapore Accounting Standards Council.

In preparing the financial statements for the year, the Group has considered the impact of the Russia-Ukraine conflict and Covid-19 on the impairment of aircraft assets, expected credit losses on financial assets and funding requirements based on the information available as of the date of this report.

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 United States Dollar (“US\$” or “US Dollar”), which is the functional currency of the Company, and all values are rounded to the nearest thousand (US\$’000), except when otherwise indicated. Where necessary, comparative information has been re-represented to conform with the presentation in the current year.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**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 new and revised standards which are effective for annual periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company for the current or prior financial years.

The Group has not adopted the following new or amended standards which are relevant to the Group that have been issued but are not yet effective:

<b>Standards</b>	<b>Applicable for financial year beginning on or after</b>
Amendments to IAS 1/SFRS(I) 1-1 on Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1/SFRS(I) 1-1 and IFRS Practice Statement 2/SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8/SFRS(I) 1-8 on Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12/SFRS(I) 1-12 on Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Based on a preliminary assessment using currently available information, the Group does not expect the adoption of the above standards 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 on the effective date.

**2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2022. 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 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 based on the currency of the primary economic environment in which the entity generates revenues and incurs costs ("functional currency"). Refer to Note 2.1 for details on the presentation 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.

#### 2.5 Property, plant and equipment

##### (a) Aircraft

Aircraft on operating lease to airline customers and aircraft off-lease at year end are included under property, 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 applicable 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 when incurred.

The carrying values of aircraft are reviewed for impairment at the end of each reporting period or 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 at cost under property, plant and equipment when payments are made for aircraft under construction and are not depreciated.

##### (c) Other plant and equipment

Other plant and equipment comprises office renovations, furniture, fittings and office equipment which 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 when incurred.

**NOTES TO THE FINANCIAL STATEMENTS**For the financial year ended 31 December 2022

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**2. Summary of significant accounting policies (cont'd)****2.5 Property, plant and equipment (cont'd)***(d) Right-of-use assets*

At the commencement date of the lease, the Group and the Company recognise right-of-use assets representing the right to use the underlying asset during the lease term. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are subject to impairment. Refer to Note 2.7 for the accounting policy.

*(e) Depreciation*

Aircraft are depreciated on a straight-line basis from the date of manufacture 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 on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of such property, plant and equipment are as follows:

Office renovations	- 3 to 5 years
Furniture, fittings and office equipment	- 1 to 3 years
Right-of-use asset - Office and facilities spaces	- 1 to 5 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 property, plant and equipment.

*(f) Disposal*

An item of property, 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. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.7 *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, 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 increased carrying amount 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.

#### 2.8 *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## 2. Summary of significant accounting policies (cont'd)

### 2.9 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's financial assets are categorised as either financial assets at fair value through profit or loss or financial assets measured at amortised cost at initial recognition. The classification depends on the Group's business model for managing financial assets as well as the contractual terms of the cash flows of the financial asset.

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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) 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.

##### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## 2. Summary of significant accounting policies (cont'd)

### 2.9 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's financial liabilities are categorised as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.10 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.

##### (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 and/or deferral agreements to the Group in excess of any security deposit or the value of any collateral related to the lease; or
- in the case where the financial asset is not secured, when the financial asset is more than 90 days past due.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## 2. Summary of significant accounting policies (cont'd)

### 2.10 Impairment of financial assets (cont'd)

#### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recovery received subsequent to write-off will be recognised in profit or loss.

### 2.11 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. The Group's policy requires that derivatives are used solely for managing risks and not for speculative purposes.

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. The full fair values of hedging derivatives are classified as current if the hedge relationships are for less than 12 months, and as non-current if those relationships are for more than 12 months.

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 value 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 at hedge inception and on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.11 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 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 method. If the hedged item is derecognised, the unamortised fair value is recognised immediately 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.

If the hedged future cash flows 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 cash flows occur.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.11 *Derivative financial instruments and hedging activities (cont'd)*

##### Phase 1 amendments: when there is uncertainty arising from interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of the interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of the reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

For assessing the economic relationship between the hedged item and the hedging instrument, the Group will cease to apply the specific policy when (i) the uncertainty arising from the reform is no longer present with respect to the timing and the amount of the contractual cash flows of the respective item or instrument or when (ii) the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will cease to apply the specific policy when (i) the uncertainty arising from the reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when (ii) the hedging relationship is discontinued.

##### Phase 2 amendments: when there is no longer uncertainty arising from interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged item or the hedging instrument changes as a result of the reform and therefore there is no longer uncertainty arising from the cash flows of the hedge item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by the reform. A change in the basis for determining the contractual cash flows is required by the reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately before the change).

For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## 2. Summary of significant accounting policies (cont'd)

### 2.11 *Derivative financial instruments and hedging activities (cont'd)*

Phase 2 amendments: when there is no longer uncertainty arising from interest rate benchmark reform (cont'd)

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by the reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by the reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by the reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge relationship. If the additional changes do not result in discontinuation of the hedge relationship, then the Group amends the formal hedge documentation for changes required by the reform as mentioned above.

When the interest rate benchmark is changed as required by the reform, the Group deems that the hedging reserve recognised in other comprehensive income for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

### 2.12 *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.

### 2.13 *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.

### 2.14 *Security deposits*

Security deposits represent cash received from the lessee as security in accordance with the lease agreement. The deposits are repayable to the lessees on the expiration/termination of the lease agreements subject to satisfactory compliance with the lease agreement by the lessee. Security deposits are recognised at amortised cost using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.15 Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are generally 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 or surplus that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee 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.

#### 2.16 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 is suspended during extended periods in which active development of a qualifying asset is suspended and ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

#### 2.17 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.18 Trade and other payables

Liabilities for trade and other payables including payables to related parties, which are normally contracted between 30 and 45 days 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.

#### 2.19 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 for certain staff. 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

###### For financial years 2017 to 2021

Selected employees of the Group are eligible to participate in the long-term incentive plan, which comprises a cash portion and the Restricted Share Unit Long Term Incentive Plan (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. Details have been disclosed in Note 28.

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 each RSU at grant date. This cost is recognised in profit or loss over the vesting period (from the date of grant to the date the shares vest) or the period of service of any relevant employee who has retired, whichever is shorter. The vesting period is typically over a period of approximately three years.

###### For financial years 2022 to 2025

Long-term incentive plan awards for financial years 2022 to 2025 will be settled fully by RSUs with no cash portion.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.19 Employee benefits (cont'd)

##### *(d) Employers' defined contributions*

As required by law, the Group participates in defined contribution retirement schemes for its employees. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

In Singapore, the Company makes contributions to the Central Provident Fund ("CPF"). In general, an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service. An employer must pay both the employer's and employee's share of the monthly CPF contribution. However, an employer can recover the employee's share of CPF contributions from their wages when the contributions are paid for that month. CPF contributions are payable at the applicable prescribed rates which are dependent on factors including the amount of monthly wages and the age of the employee.

The Group also makes contributions to National Insurance and Workplace Pension in the United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in the United States of America and Social Insurance in China at the applicable rates based on the amounts stipulated by the relevant government authorities.

None of the defined contribution retirement schemes described above provide for the forfeiture of contributions made by the Group.

#### 2.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *(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 2.21.

Finance leases, which effectively transfer to the lessee substantially all the risks and rewards of ownership of the 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 is recognised directly in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.20 Leases (cont'd)

##### (b) Where the Group or the Company is the lessee

The Group or the Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group or the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### (i) Right-of-use assets

Refer to Note 2.5 (d) and (e) for the accounting policies.

##### (ii) Lease liabilities

At the commencement date of a lease, the Group or the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group or the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, or a change in the lease payment.

##### (iii) Short-term leases and leases of low-value assets

The Group or the Company applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.21 Revenue and other income 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 stepped or adjusted rentals are recognised on a straight-line basis over the term of the remaining lease. For operating leases where rentals are based on floating interest rates, increases or decreases in lease payments that result from subsequent changes in the floating interest rate are recorded as increases or decreases in lease revenue in the period of the interest rate change. Variable rents are recognised as revenue in the period in which they are earned.

##### (b) Fee income from aircraft pre-delivery payments

Fee income from aircraft pre-delivery payments is 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 is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

##### (e) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method.

##### (f) Other income

Other income is recognised based on contractual agreements with the relevant parties.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.22 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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.22 Taxes (cont'd)

##### *(b) Deferred income tax (cont'd)*

- (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.

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.

#### 2.23 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 for which the fair values can be reliably determined.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 2. Summary of significant accounting policies (cont'd)

#### 2.24 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 the 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);
  - (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); or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 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.

#### 3.1 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) Maintenance of aircraft by lessees

Maintenance, repairs and overhaul of the aircraft placed on operating and finance leases are generally undertaken and paid for by the lessees. Certain lease agreements require the lessees to make monthly maintenance contributions to the Group which can subsequently be drawn on for certain maintenance events carried out during the lease term or end-of-lease payments based on aircraft utilisation during the lease term. Management has made a judgement that lessees are able to fulfil their obligations as stipulated in the lease agreements.

##### (b) Classification of leases

###### (i) Operating lease – As lessor

The majority of the Group's aircraft are subject to leases under which the Group retains substantially all the risks and rewards of ownership of the aircraft. Accordingly, the Group has classified these leases as operating leases.

###### (ii) Finance lease – As lessor

Certain of the Group's aircraft are subject to leases under which the lessee has assumed substantially all the risks and rewards of ownership of the aircraft. Accordingly, the Group has classified these leases as finance leases and has recorded the finance lease receivables in the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS**For the financial year ended 31 December 2022

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**3. Significant accounting judgements and estimates (cont'd)****3.1 Judgements made in applying accounting policies (cont'd)***(c) Deferred income taxes*

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except 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 2022 was US\$323.4 million (2021: US\$258.9 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 allowances and 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 business planning decisions.

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%. The Company has met all the conditions required to qualify for the five years of concessionary income tax rate of 5%. In June 2022, the Company was awarded the Aircraft Leasing Scheme ("ALS") Incentive for another five years from 1 July 2022 to 30 June 2027 at a concessionary income tax rate of 8%, subject to meeting certain conditions as amended from time to time. 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 amended the Income Tax Act 1947 in October 2018 for existing ALS recipients to apply the tax rate under their existing award until 31 December 2027 on qualifying income from leasing of aircraft or aircraft engines acquired during their existing award tenure. Management 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 rates applicable in those years.

Details have been disclosed in Note 12 and Note 27.

*(d) 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 19.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 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 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. 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\$33.9 million (2021: US\$32.6 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) 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 assesses at the end of each reporting period whether there is any indication that the carrying value of 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 an 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 an aircraft, or the technological or aviation environment have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence of or physical damage to an aircraft; and worse than expected economic performance of the aircraft. If any indication exists, the Group makes an estimate of the asset's recoverable amount. Analysis of impairment loss provision is disclosed in Note 13.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**3. Significant accounting judgements and estimates (cont'd)****3.2 Key sources of estimation uncertainty (cont'd)***(c) Impairment of financial assets*

The Group assesses when a financial asset is impaired and recognises an allowance for ECL for all financial assets not held at fair value through profit or loss. The Group considers a receivable to be in default for the purpose of assessing ECL provision when the lessee has not paid the amounts due under its lease agreements, unless mutually agreed to be deferred, in excess of any security deposits or the value of any collaterals related to the lease. If the total overdue receivables are in excess of the security deposits, provision for ECL is made for the excess amounts. Analysis of impairment of trade receivables is disclosed in Note 15.

*(d) 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 12 and Note 27.

**4. Other interest and fee income**

	<b>Group</b>	
	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Fee income from aircraft pre-delivery payments	<b>74,856</b>	115,668
Interest income from deferred payments	<b>5,314</b>	3,552
Interest income from short-term deposits and bank balances	<b>5,022</b>	322
Lease management and remarketing fee income	<b>4,145</b>	4,391
Others	<b>6,786</b>	11,113
	<b>96,123</b>	135,046

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**5. Net gain on sale of aircraft**

	Note	Group 2022 US\$'000	2021 US\$'000
Proceeds from sale of aircraft		1,309,190	825,257
Net book value of aircraft classified as:			
Property, plant and equipment		(1,191,589)	(464,278)
Assets held for sale	19	(52,806)	(316,203)
Expenses, net of costs written back		(928)	(1,004)
		<b>63,867</b>	<b>43,772</b>

**6. Other income**

During the year ended 31 December 2022, other income was mainly related to income arising from the release of unutilised maintenance reserves and security deposits collected in a prior lease to profit or loss and amounts paid by manufacturers based on mutual agreements. The remaining other income was related to tax rebates.

During the year ended 31 December 2021, other income was mainly related to tax rebates and amounts paid by manufacturers based on mutual agreements.

**7. Finance expenses**

	Group 2022 US\$'000	2021 US\$'000
Interest expense and other charges on:		
Loans and borrowings	483,324	465,058
Lease liabilities	337	229
	<b>483,661</b>	<b>465,287</b>

**8. Amortisation of deferred debt issue costs**

During the year ended 31 December 2022 and 2021, the amortisation of deferred debt issue costs was related to loans and borrowings.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**9. Staff costs**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Salaries, bonuses and other staff costs	<b>37,894</b>	57,475
Employers' defined contributions	<b>2,479</b>	2,680
Amortisation of share-based compensation	<b>8,749</b>	8,548
	<b>49,122</b>	68,703

**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 ("RSUs") granted in a financial year will vest in the third year from the year of grant.

Movements of RSUs:

<b>2022</b>			<b>Number of RSUs</b>				
<b>Year of grant</b>	<b>Fair value at grant date HK\$</b>	<b>Fair value at grant date US\$</b>	<b>At 1 January 2022</b>	<b>Granted during the year</b>	<b>Lapsed during the year</b>	<b>Vested during the year</b>	<b>At 31 December 2022</b>
2020	47.08	6.06	1,665,326	–	(41,378)	(1,623,948)	–
2021	74.10	9.55	793,825	–	(34,825)	–	759,000
2022	62.36	7.97	–	1,103,807	(38,301)	–	1,065,506
			<b>2,459,151</b>	<b>1,103,807</b>	<b>(114,504)</b>	<b>(1,623,948)</b>	<b>1,824,506</b>

<b>2021</b>			<b>Number of RSUs</b>				
<b>Year of grant</b>	<b>Fair value at grant date HK\$</b>	<b>Fair value at grant date US\$</b>	<b>At 1 January 2021</b>	<b>Granted during the year</b>	<b>Lapsed during the year</b>	<b>Vested during the year</b>	<b>At 31 December 2021</b>
2019	65.64	8.36	1,153,695	–	(49,152)	(1,104,543)	–
2020	47.08	6.06	1,755,376	–	(67,727)	(22,323)	1,665,326
2021	74.10	9.55	–	820,600	(26,775)	–	793,825
			<b>2,909,071</b>	<b>820,600</b>	<b>(143,654)</b>	<b>(1,126,866)</b>	<b>2,459,151</b>

The fair value of each 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**10. Emoluments of directors, five highest paid individuals and senior management****(a) Emoluments paid to directors of the Company during the year**

	<b>Fees</b>	<b>Salaries, allowances and other benefits</b>	<b>Discretionary bonus</b>	<b>Employers' defined contributions</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>2022</b>					
<i>Chairman, Non-executive director<sup>1</sup></i>					
Chen Huaiyu <sup>2</sup>	–	–	–	–	–
<i>Executive directors</i>					
Zhang Xiaolu (Vice-Chairman)	–	585	645	–	1,230
Robert James Martin	–	1,107	3,071	3	4,181
<i>Independent non-executive directors</i>					
Antony Nigel Tyler	154	45	–	–	199
Dai Deming	66	19	–	–	85
Fu Shula	66	19	–	–	85
Yeung Yin Bernard	50	–	–	–	50
<i>Non-executive directors<sup>1</sup></i>					
Dong Zonglin <sup>3</sup>	–	–	–	–	–
Wang Xiao <sup>4</sup>	–	–	–	–	–
Wei Hanguang <sup>5</sup>	–	–	–	–	–
Chen Jing <sup>3</sup>	–	–	–	–	–
	<b>336</b>	<b>1,775</b>	<b>3,716</b>	<b>3</b>	<b>5,830</b>



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**10. 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 US\$'000	Salaries, allowances and other benefits US\$'000	Discretionary bonus US\$'000	Employers' defined contributions US\$'000	Total US\$'000
<b>2021</b>					
<i>Chairman, Non-executive director<sup>1</sup></i>					
Chen Huaiyu <sup>2</sup>	—	—	—	—	—
<i>Executive directors</i>					
Zhang Xiaolu (Vice-Chairman)	—	590	363	—	953
Robert James Martin	—	1,104	3,402	3	4,509
<i>Independent non-executive directors</i>					
Antony Nigel Tyler	140	40	—	—	180
Dai Deming	60	17	—	—	77
Fu Shula	60	17	—	—	77
Yeung Yin Bernard	45	—	—	—	45
<i>Non-executive directors<sup>1</sup></i>					
Liu Chenggang <sup>6</sup>	—	—	—	—	—
Wang Xiao <sup>4</sup>	—	—	—	—	—
Wei Hanguang <sup>5</sup>	—	—	—	—	—
Zhu Lin <sup>6</sup>	—	—	—	—	—
	305	1,768	3,765	3	5,841

<sup>1</sup>In 2021 and 2022, the non-executive Chairman and non-executive directors were not entitled to any emoluments under their respective engagement letters

<sup>2</sup>Appointed on 23 April 2021 and resigned on 3 February 2023

<sup>3</sup>Appointed on 18 April 2022

<sup>4</sup>Appointed on 17 June 2021

<sup>5</sup>Appointed on 4 June 2021

<sup>6</sup>Resigned on 18 April 2022

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**10. Emoluments of directors, five highest paid individuals and senior management (cont'd)****(b) Five highest paid individuals**

During the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group include one (2021: one) executive director whose emoluments are reflected in Note 10(a).

The emoluments paid to the remaining four (2021: four) individuals during the year ended 31 December 2022 and 2021 were as follows:

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Salaries, allowances and other benefits	<b>2,475</b>	2,537
Discretionary bonus	<b>3,985</b>	4,157
Employers' defined contributions	<b>15</b>	33
	<b>6,475</b>	6,727

The number of such individuals whose emoluments paid during the year ended 31 December 2022 and 2021 fell within the following bands:

	<b>2022</b>	2021
HK\$9,500,001 to HK\$10,000,000	<b>1</b>	—
HK\$10,500,001 to HK\$11,000,000	<b>1</b>	1
HK\$11,000,001 to HK\$11,500,000	—	1
HK\$14,000,001 to HK\$14,500,000	<b>1</b>	1
HK\$15,500,001 to HK\$16,000,000	—	1
HK\$16,000,001 to HK\$16,500,000	<b>1</b>	—

During the year ended 31 December 2022, 496,859 (2021: 355,898) of RSUs granted in 2020 (2021: 2019) to the five highest paid individuals had vested.

During the year ended 31 December 2022 and 2021, no director and none 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 as a director of the Company or any of its subsidiaries, or any other office in connection with the management of the affairs of the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**10. 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 2022 and 2021 fell within the following bands are as follows:

	2022	2021
HK\$6,000,001 to HK\$6,500,000	–	1
HK\$7,000,001 to HK\$7,500,000	1	2
HK\$8,000,001 to HK\$8,500,000	1	–
HK\$9,500,001 to HK\$10,000,000	1	–
HK\$14,000,001 to HK\$14,500,000	1	1
HK\$15,500,001 to HK\$16,000,000	–	1
HK\$16,000,001 to HK\$16,500,000	1	–
HK\$32,500,001 to HK\$33,000,000	1	–
HK\$35,000,001 to HK\$35,500,000	–	1

During the year ended 31 December 2022, 397,558 (2021: 275,650) of RSUs granted in 2020 (2021: 2019) to the senior management had vested.

**11. Other operating expenses**

	2022 US\$'000	Group 2021 US\$'000
General office expenses	8,023	6,174
Operating lease expenses	495	423
Technical services expenses	42,727	57,394
Professional fees	7,031	5,236
Amortisation of lease transaction closing costs	342	239
Auditors' remuneration	389	438
Net foreign exchange losses <sup>1</sup>	822	150
Other taxes and expenses	9,961	11,181
	<b>69,790</b>	<b>81,235</b>

Technical services expenses include net provisions for repair, maintenance, transition and repossession costs of aircraft.

<sup>1</sup> Included foreign exchange gain of US\$12.1 million (2021: loss of US\$26.1 million) in revaluation of financial liabilities which was offset by fair value loss of US\$12.1 million (2021: gain of US\$26.1 million) in derivative financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**12. Income tax expense**

The major components of income tax expense for the year ended 31 December 2022 and 2021 were:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current income tax</b>		
Singapore	–	–
Foreign	<b>8,018</b>	4,723
Under/(Over) provision in respect of prior years	<b>512</b>	(449)
	<b>8,530</b>	4,274
<b>Deferred income tax</b>		
Singapore	<b>18,558</b>	15,708
Foreign	<b>(14,533)</b>	55,308
(Over)/Under provision in respect of prior years	<b>(3,119)</b>	2,060
	<b>906</b>	73,076
	<b>9,436</b>	77,350

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2022 and 2021 is as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Profit before income tax	<b>29,496</b>	638,668
Tax at the Singapore tax rate of 17% (2021:17%)	<b>5,014</b>	108,574
Adjustments:		
Different tax rates in foreign jurisdictions	<b>22,763</b>	4,063
Effects of Aircraft Leasing Scheme incentive on the Company's results	<b>(13,823)</b>	(24,083)
Income not subject to tax	<b>(16,224)</b>	(26,145)
Expenses not deductible for tax purposes	<b>14,313</b>	13,330
(Over)/Under provision in respect of prior years, net	<b>(2,607)</b>	1,611
Income tax expense	<b>9,436</b>	77,350

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**13. Property, plant and equipment**

<b>Group</b>	<b>Aircraft US\$'000</b>	<b>Aircraft pre-delivery payments US\$'000</b>	<b>Office renovations US\$'000</b>	<b>Furniture, fittings and office equipment US\$'000</b>	<b>Right-of-use assets US\$'000</b>	<b>Total US\$'000</b>
<b>Cost:</b>						
At 1 January 2021	21,610,032	3,300,130	1,890	15,730	12,778	24,940,560
Additions	1,751,714	144,099	32	494	—	1,896,339
Disposals	(593,774)	—	—	—	—	(593,774)
Transfers	726,465	(726,465)	—	—	—	—
Transfer to assets held for sale	(460,729)	—	—	—	—	(460,729)
Remeasurement	—	—	—	—	(4,298)	(4,298)
Adjustments	2,561	—	—	64	—	2,625
At 31 December 2021 and 1 January 2022	23,036,269	2,717,764	1,922	16,288	8,480	25,780,723
Additions/(Reductions)	1,618,750	(490,375)	2,889	750	16,350	1,148,364
Disposals	(1,367,073)	—	(1,549)	(11,971)	(5,208)	(1,385,801)
Transfers	722,772	(722,772)	—	—	—	—
Transfer to assets held for sale	(77,517)	—	—	—	—	(77,517)
Adjustments	3,062	—	—	—	(3)	3,059
<b>At 31 December 2022</b>	<b>23,936,263</b>	<b>1,504,617</b>	<b>3,262</b>	<b>5,067</b>	<b>19,619</b>	<b>25,468,828</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

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

<b>Group</b>	<b>Aircraft US\$'000</b>	<b>Aircraft pre-delivery payments US\$'000</b>	<b>Office renovations US\$'000</b>	<b>Furniture, fittings and office equipment US\$'000</b>	<b>Right-of-use assets US\$'000</b>	<b>Total US\$'000</b>
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2021	2,759,515	–	1,665	14,573	4,014	2,779,767
Charge for the year	761,986	–	191	1,271	2,113	765,561
Disposals	(129,496)	–	–	–	–	(129,496)
Impairment of aircraft	145,800	–	–	–	–	145,800
Transfer to assets held for sale	(144,526)	–	–	–	–	(144,526)
At 31 December 2021 and 1 January 2022	3,393,279	–	1,856	15,844	6,127	3,417,106
Charge for the year	782,777	–	265	494	2,548	786,084
Disposals	(175,484)	–	(1,549)	(11,971)	(5,208)	(194,212)
Impairment of aircraft	855,991	–	–	–	–	855,991
Transfer to assets held for sale	(24,711)	–	–	–	–	(24,711)
<b>At 31 December 2022</b>	<b>4,831,852</b>	<b>–</b>	<b>572</b>	<b>4,367</b>	<b>3,467</b>	<b>4,840,258</b>
<b>Net book value:</b>						
At 31 December 2021	19,642,990	2,717,764	66	444	2,353	22,363,617
<b>At 31 December 2022</b>	<b>19,104,411</b>	<b>1,504,617</b>	<b>2,690</b>	<b>700</b>	<b>16,152</b>	<b>20,628,570</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

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

<b>Company</b>	<b>Aircraft US\$'000</b>	<b>Aircraft pre-delivery payments US\$'000</b>	<b>Office renovations US\$'000</b>	<b>Furniture, fittings and office equipment US\$'000</b>	<b>Right-of-use assets (Aircraft) US\$'000</b>	<b>Right-of-use assets (Others) US\$'000</b>	<b>Total US\$'000</b>
<b>Cost:</b>							
At 1 January 2021	12,152,024	780,009	1,563	15,165	1,085,881	9,420	14,044,062
Additions	907,244	115,807	32	439	—	—	1,023,522
Disposals	(226,414)	—	—	—	—	—	(226,414)
Transfer from right-of-use assets (aircraft)	120,291	—	—	—	—	—	120,291
Transfer to aircraft	—	—	—	—	(120,291)	—	(120,291)
Adjustments	1,688	—	—	64	—	—	1,752
Remeasurement	—	—	—	—	—	(4,298)	(4,298)
<b>At 31 December 2021 and 1 January 2022</b>	<b>12,954,833</b>	<b>895,816</b>	<b>1,595</b>	<b>15,668</b>	<b>965,590</b>	<b>5,122</b>	<b>14,838,624</b>
Additions/(Reductions)	797,714	(94,502)	2,504	674	—	14,600	720,990
Disposals	(529,000)	(447,194)	(1,548)	(11,649)	—	(4,756)	(994,147)
Transfer from right-of-use assets (aircraft)	355,500	—	—	—	—	—	355,500
Transfer to aircraft	—	—	—	—	(355,500)	—	(355,500)
Adjustments	138	—	—	—	—	—	138
<b>At 31 December 2022</b>	<b>13,579,185</b>	<b>354,120</b>	<b>2,551</b>	<b>4,693</b>	<b>610,090</b>	<b>14,966</b>	<b>14,565,605</b>



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

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

<b>Company</b>	<b>Aircraft US\$'000</b>	<b>Aircraft pre-delivery payments US\$'000</b>	<b>Office renovations US\$'000</b>	<b>Furniture, fittings and office equipment US\$'000</b>	<b>Right-of-use assets (Aircraft) US\$'000</b>	<b>Right-of-use assets (Others) US\$'000</b>	<b>Total US\$'000</b>
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2021	1,531,666	–	1,416	14,015	249,982	3,013	1,800,092
Charge for the year	426,658	–	147	1,263	35,543	1,464	465,075
Impairment of aircraft	100,000	–	–	–	33,200	–	133,200
Disposals	(53,651)	–	–	–	–	–	(53,651)
Transfer from right-of-use assets (aircraft)	30,102	–	–	–	–	–	30,102
Transfer to aircraft	–	–	–	–	(30,102)	–	(30,102)
<b>At 31 December 2021 and 1 January 2022</b>	<b>2,034,775</b>	<b>–</b>	<b>1,563</b>	<b>15,278</b>	<b>288,623</b>	<b>4,477</b>	<b>2,344,716</b>
Charge for the year	449,887	–	201	402	23,883	1,869	476,242
Impairment of aircraft	248,515	–	–	–	3,800	–	252,315
Disposals	(194,884)	–	(1,548)	(11,649)	–	(4,756)	(212,837)
Transfer from right-of-use assets (aircraft)	94,498	–	–	–	–	–	94,498
Transfer to aircraft	–	–	–	–	(94,498)	–	(94,498)
<b>At 31 December 2022</b>	<b>2,632,791</b>	<b>–</b>	<b>216</b>	<b>4,031</b>	<b>221,808</b>	<b>1,590</b>	<b>2,860,436</b>
<b>Net book value:</b>							
At 31 December 2021	10,920,058	895,816	32	390	676,967	645	12,493,908
<b>At 31 December 2022</b>	<b>10,946,394</b>	<b>354,120</b>	<b>2,335</b>	<b>662</b>	<b>388,282</b>	<b>13,376</b>	<b>11,705,169</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**13. Property, plant and equipment (cont'd)****(a) Impairment of assets**

As at 31 December 2022, the accumulated impairment loss on the Group's and the Company's property, plant and equipment was US\$1,106.0 million (2021: US\$253.6 million) and US\$421.7 million (2021: US\$231.8 million) respectively. The weighted average discount rate applied to the forecast cash flows was 4.7% (2021:2.8%) per annum.

Movement of accumulated impairment loss provision:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January	<b>253,600</b>	108,600	<b>231,800</b>	98,600
Impairment loss	<b>868,286</b>	145,800	<b>252,315</b>	133,200
Reversal of impairment loss	<b>(12,295)</b>	—	—	—
Utilised	<b>(3,600)</b>	(800)	<b>(62,400)</b>	—
At 31 December	<b>1,105,991</b>	253,600	<b>421,715</b>	231,800

The impairment loss for year ended 31 December 2022 represented the write-down of the book value of certain aircraft to their recoverable amounts. The recoverable amount was determined based on management's best estimate of each aircraft value from appraisers' valuation and its value in use as at 31 December 2022 less costs of disposal. The reversal of impairment loss for year ended 31 December 2022 represented the recovery of the written down value of certain aircraft to their recoverable amount.

**Russia exposure**

Due to the military activity in Ukraine that began in February 2022, the European Union (EU), the USA, the UK, Singapore and certain other countries imposed sanctions that affect commercial relations with businesses in Russia. As at 31 December 2022, 17 of the Group's owned aircraft whose leases were terminated in March 2022 in compliance with the sanctions remain in Russia and the Group believes that it is unlikely to be able to recover those aircraft from Russia in the foreseeable future, if ever. During the year ended 31 December 2022, the Group recognised an asset write-down of US\$791.3 million in respect of the net book value of 17 aircraft in Russia as at 31 December 2022. The write-down was partially offset by cash collateral in respect of these 17 aircraft held by the Group in the form of maintenance reserves and security deposits amounting to US\$200.4 million and US\$22.5 million respectively, recorded as income arising from termination of leases in the statement of profit or loss. This results in a net pre-tax write-down of US\$568.4 million for the year ended 31 December 2022. As at 31 December 2022, the Group had made claims under insurance policies related to the aircraft in Russia and had commenced litigation in the Irish High Court against the insurers under certain of those policies.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**13. Property, plant and equipment (cont'd)****(b) Right-of-use assets**

The Group and the Company have lease contracts for its offices and facilities spaces. The Company also has lease contracts for aircraft as a lessee with its subsidiary companies.

The Group has certain leases that are of low value. The Group applies the exemption under IFRS16/SFRS(I) 16 *Leases* not to recognise right-of-use assets and liabilities for these leases.

**(c) Reconciliation of capital expenditure in property, plant and equipment to net cash flows from/(used in) investing activities**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<u>Extract from Consolidated Statement of Cash Flows</u>		
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	<b>(1,207,989)</b>	(2,124,352)
Proceeds from sale of property, plant and equipment	<b>1,309,190</b>	825,257
Refund of pre-delivery payments by airlines	<b>91,835</b>	243,735
<b>Total capital expenditure in property, plant and equipment</b>	<b>193,036</b>	(1,055,360)
<b>Net cash flows from/(used in) investing activities in the consolidated statement of cash flows</b>	<b>193,036</b>	(1,055,360)
<b>Reconciliation:</b>		
Additions of aircraft	<b>(1,618,750)</b>	(1,751,714)
Reductions/(Additions) of aircraft pre-delivery payments	<b>398,340</b>	(387,834)
Additions of other property, plant and equipment	<b>(3,639)</b>	(526)
Proceeds from sale of aircraft	<b>1,309,190</b>	825,257
Refund of pre-delivery payments by airlines	<b>91,835</b>	243,735
Adjustments for capitalised borrowing costs	<b>16,060</b>	15,722
<b>Total capital expenditure in property, plant and equipment</b>	<b>193,036</b>	(1,055,360)

**(d) Assets pledged as security**

The net book value of aircraft and aircraft held for sale (Note 19) owned by the Group and the Company, including aircraft held under lease arrangements (Note 32), that have been charged for loan facilities granted (Note 22 and Note 32) 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 34) amounted to US\$688.1 million (2021: US\$1,566.7 million) and US\$496.8 million (2021: US\$1,078.4 million), respectively.

**(e) Capitalisation of borrowing costs**

The borrowing costs capitalised as cost of aircraft by the Group and the Company amounted to US\$16.1 million (2021: US\$15.7 million) and US\$10.4 million (2021: US\$13.6 million) respectively. The interest rates used to determine the amount of borrowing costs for capitalisation ranged from 2.5% to 3.6% (2021: 2.5% to 3.6%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**14. Derivative financial instruments**

	Outstanding notional amounts US\$'000	2022		Group and Company		2021	
		Assets US\$'000	Liabilities US\$'000	Outstanding notional amounts US\$'000		Assets US\$'000	Liabilities US\$'000
<b>Current:</b>							
Cross-currency interest rate swaps	–	–	–	48,301		–	(1,158)
Interest rate swaps	860,000	10,724	–	745,000		–	(10,663)
		<b>10,724</b>	<b>–</b>			<b>–</b>	<b>(11,821)</b>
<b>Non-current:</b>							
Cross-currency interest rate swaps	459,020	1,687	(19,949)	459,020		–	(12,222)
Interest rate swaps	350,000	10,880	–	1,960,000		–	(70,195)
		<b>12,567</b>	<b>(19,949)</b>			<b>–</b>	<b>(82,417)</b>

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 based on valuation techniques that use data from observable markets.

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. Hedge ineffectiveness arises from the difference in timing of cash flows of hedged items and hedging instruments, but it was negligible for 2022 and 2021.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**14. Derivative financial instruments (cont'd)**

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

	Outstanding notional amounts US\$'000	Assets/ (Liabilities) US\$'000	USD interest rates (p.a.)	Hedge rates Foreign currency rates	Maturity (Year)
<b>Group and Company</b>					
<b>2022</b>					
<b>Fair value hedge</b>					
Cross-currency interest rate swaps <sup>1</sup>					
- Chinese Yuan	49,710	(6,246)	6-month LIBOR + Margin ranging from 2.26% to 2.28%	US\$1 : CNY6.04	2024
<b>Cash flow hedge</b>					
Cross-currency interest rate swaps <sup>2</sup>					
- Australian Dollar	140,590	(11,925)	3.43%	US\$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(1,778)	3.72% to 4.13%	US\$1 : HK\$7.81 to HK\$7.84	2026 to 2027
- Singapore Dollar	108,883	1,687	4.00%	US\$1 : SGD1.33	2025
Interest rate swaps <sup>3</sup>					
- United States Dollar	1,210,000	21,604	3.595% to 4.242%	—	2023 to 2025
<b>2021</b>					
<b>Fair value hedge</b>					
Cross-currency interest rate swaps <sup>1</sup>					
- Chinese Yuan	98,011	(3,836)	6-month LIBOR + Margin ranging from 1.45% to 2.28%	US\$1 : CNY6.04 to CNY6.21	2022 to 2024
<b>Cash flow hedge</b>					
Cross-currency interest rate swaps <sup>2</sup>					
- Australian Dollar	140,590	(5,276)	3.43%	US\$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(2,885)	3.72% to 4.13%	US\$1 : HK\$7.81 to HK\$7.84	2026 to 2027
- Singapore Dollar	108,883	(1,383)	4.00%	US\$1 : SGD1.33	2025
Interest rate swaps <sup>3</sup>					
- United States Dollar	2,705,000	(80,858)	2.612% to 4.242%	—	2022 to 2025

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**14. Derivative financial instruments (cont'd)**

- <sup>1</sup> The Group uses these cross-currency interest rate swaps to hedge against the exposure to exchange rates and interest rates arising from the Group's non-US Dollar loans and borrowings which are liabilities designated as hedged items in fair value hedges. 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.
- <sup>2</sup> The Group uses these cross-currency interest rate swaps to hedge against the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest, and pays US Dollar principal and fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these cross-currency interest rate swaps are recognised in hedging reserve.
- <sup>3</sup> The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from the related loans and 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.

**15. Trade receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade receivables – gross carrying amount				
Current	<b>64,933</b>	67,238	<b>57,851</b>	53,536
Non-current	<b>109,684</b>	135,116	<b>25,553</b>	46,552
	<b>174,617</b>	202,354	<b>83,404</b>	100,088
Less: Allowance for expected credit losses	<b>(11,350)</b>	(20,137)	<b>(4,356)</b>	(20,137)
	<b>163,267</b>	182,217	<b>79,048</b>	79,951
Trade receivables – net of allowance for expected credit losses				
Current	<b>64,933</b>	47,101	<b>57,851</b>	33,399
Non-current	<b>98,334</b>	135,116	<b>21,197</b>	46,552
	<b>163,267</b>	182,217	<b>79,048</b>	79,951

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**15. Trade receivables (cont'd)**

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables are generally secured by cash security deposits (Note 40(e)) or letters of credit (Note 25).

As at 31 December 2022, included in the Group's current and non-current portion of trade receivables was an amount of US\$44.7 million and US\$98.3 million (2021: US\$40.4 million and US\$135.1 million), respectively, that was contractually deferred by mutual agreement, not overdue and was generally interest bearing.

As at 31 December 2022, included in the Company's current and non-current portion of trade receivables was an amount of US\$41.4 million and US\$21.2 million (2021: US\$28.9 million and US\$46.6 million), respectively, that was contractually deferred by mutual agreement, not overdue and was generally interest bearing.

*Impairment of financial assets – trade receivables*

The Group and the Company apply the IFRS 9/SFRS(I) 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The cash security deposits and letters of credit that the Group and the Company hold on behalf of its lessees are considered in the calculation of the loss allowance.

As at 31 December 2022 and 31 December 2021, the aging of trade receivables based on the receivables due date was as follows:

	Group						Total
	Deferred	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	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2022</b>							
Gross carrying amount	154,361	6,397	3,158	7,887	789	2,025	174,617
Allowance for expected credit losses	(11,350)	–	–	–	–	–	(11,350)
<b>2021</b>							
Gross carrying amount	175,505	–	646	3,236	646	22,321	202,354
Allowance for expected credit losses	–	–	–	–	–	(20,137)	(20,137)



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**15. Trade receivables (cont'd)***Impairment of financial assets – trade receivables (cont'd)*

For the financial year ended 31 December 2022, the allowance for expected credit loss rate for the Group was assessed to be immaterial for current, less than 30 days past due, 30 to 60 days past due, 61 to 90 days past due and more than 90 days past due as the outstanding exposure is secured by cash security deposits (Note 40(e)) (2021: immaterial for deferred, current, less than 30 days past due, 30 to 60 days past due and 61 to 90 days past due). The allowance for expected credit loss rate for the gross carrying amounts which are deferred and not yet due was 7% (2021: more than 90 days past due was 90%).

	Company						
	Deferred	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	US\$'000
<b>2022</b>							
Gross carrying amount	66,983	3,742	2,848	7,137	669	2,025	83,404
Allowance for expected credit losses	(4,356)	–	–	–	–	–	(4,356)
<b>2021</b>							
Gross carrying amount	75,466	–	646	2,156	646	21,174	100,088
Allowance for expected credit losses	–	–	–	–	–	(20,137)	(20,137)

For the financial year ended 31 December 2022, the allowance for expected credit loss rate for the Company was assessed to be immaterial for current, less than 30 days past due, 30 to 60 days past due, 61 to 90 days past due and more than 90 days past due as the outstanding exposure is secured by cash security deposits (Note 40(e)) (2021: immaterial for deferred, current, less than 30 days past due, 30 to 60 days past due and 61 to 90 days past due). The allowance for expected credit loss rate for the gross carrying amounts which are deferred and not yet due was 7% (2021: more than 90 days past due was 95%).

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**15. Trade receivables (cont'd)***Impairment of financial assets – trade receivables (cont'd)*

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
At beginning of year	<b>20,137</b>	68,047	<b>20,137</b>	27,424
Charged/(Credited) to profit or loss	<b>1,235</b>	(7,921)	<b>(6,708)</b>	8,078
Write-off*	<b>(10,022)</b>	(39,989)	<b>(9,073)</b>	(15,365)
At end of year	<b>11,350</b>	20,137	<b>4,356</b>	20,137

\* Trade receivables of the Group with a contractual amount of US\$0.2 million (2021: US\$2.4 million) written off during the year are still subject to enforcement activities.

**16. Other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
<b>Current:</b>				
Deposits	<b>704</b>	1,509	<b>597</b>	1,144
Interest receivables	<b>1,700</b>	1,399	<b>717</b>	880
Sundry receivables	<b>2,143</b>	5,704	<b>258</b>	132
Receivables from manufacturers	<b>109,629</b>	92,350	<b>–</b>	–
Accrued receivables	<b>18,589</b>	3,179	<b>11,223</b>	4,953
Amounts due from subsidiary companies	<b>–</b>	–	<b>8,707</b>	19,438
	<b>132,765</b>	104,141	<b>21,502</b>	26,547
<b>Non-current:</b>				
Receivables from airlines	<b>18,000</b>	18,000	<b>–</b>	–
Accrued receivables	<b>42,762</b>	33,448	<b>7,682</b>	7,998
Interest receivables	<b>1,536</b>	1,727	<b>149</b>	200
Amounts due from subsidiary companies	<b>–</b>	–	<b>–</b>	33,758
	<b>62,298</b>	53,175	<b>7,831</b>	41,956

The sundry receivables of the Group and the Company are non-trade related, unsecured and non-interest bearing.

As at 31 December 2022, included in the Group's receivables was an amount of US\$109.6 million (2021: US\$90.2 million) due from a manufacturer which was deferred by agreement in return for a fee.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**16. Other receivables (cont'd)**

The Group's receivables from airlines are non-trade related, secured by letter of credit, fee bearing and are repayable based on agreed repayment schedule.

Accrued receivables relate to future receipts for revenues and other income for which services have been rendered.

The amounts due from subsidiary companies are non-trade related, unsecured and interest free.

As there has been no significant increase in the risk of default of these other receivables since initial recognition, the Group and the Company assess that there is no material expected credit losses and accordingly no allowance for expected credit losses is required.

**17. Short-term deposits**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Unencumbered	31	<b>306,707</b>	248,224	<b>38,577</b>	62,239

Short-term deposits consist of investments in money market funds and fixed deposits (maturing between one day and three months) which are placed depending on cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates for money market funds and fixed deposits were 1.9% (2021: 0.04%) and 2.3% (2021: 0.1%) per annum, respectively.

As at 31 December 2022, the Group and the Company have no short-term deposits (2021: US\$50 million) placed with the intermediate holding company.

As at 31 December 2022, the Group's short-term deposits included an amount of US\$52 million (2021: US\$87 million) placed with a related party.

**18. Cash and bank balances**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Encumbered		<b>4,953</b>	1,211	<b>2,310</b>	632
Unencumbered	31	<b>85,206</b>	236,661	<b>38,459</b>	64,783
		<b>90,159</b>	237,872	<b>40,769</b>	65,415

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations (Note 22) and contingency provisions under such obligations.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**18. Cash and bank balances (cont'd)**

The Group's and Company's cash and bank balances included an amount of US\$40.3 million (2021: US\$125.6 million) and US\$36.5 million (2021: US\$55.1 million), respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2022, the Group's cash and bank balances included an amount of US\$18.4 million (2021: US\$16.9 million) placed with the intermediate holding company.

Cash and bank balances were denominated in US Dollar except for the following:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Australian Dollar	<b>84</b>	90	—	—
Chinese Yuan	<b>7,219</b>	8,378	—	—
Euro	<b>618</b>	2,417	<b>240</b>	1,049
Hong Kong Dollar	<b>722</b>	736	<b>722</b>	736
Japanese Yen	<b>925</b>	5,169	—	—
Sterling Pound	<b>1,324</b>	534	—	—
Singapore Dollar	<b>149</b>	883	<b>149</b>	883
	<b>11,041</b>	18,207	<b>1,111</b>	2,668

**19. Assets held for sale**

As at 31 December 2022 and 31 December 2021, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Property, plant and equipment – aircraft				
At beginning of year	—	—	—	—
Additions	<b>52,806</b>	316,203	—	—
Disposals	<b>(52,806)</b>	(316,203)	—	—
At end of year	—	—	—	—

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**20. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade payables	<b>27</b>	2,436	<b>27</b>	135
Sundry payables	<b>5,417</b>	20,023	<b>1,309</b>	6,562
Accrued finance expenses	<b>95,951</b>	95,150	<b>79,816</b>	87,443
Accrued maintenance reserve payables	<b>444</b>	10,278	<b>444</b>	8,730
Accrued technical expenses	<b>11,383</b>	33,550	<b>6,965</b>	26,477
Staff costs related accruals	<b>28,396</b>	32,597	<b>23,143</b>	26,237
Other accruals and liabilities	<b>4,780</b>	6,056	<b>1,495</b>	2,130
Amounts due to subsidiary companies	<b>—</b>	—	<b>37,208</b>	1,458
	<b>146,398</b>	200,090	<b>150,407</b>	159,172

The trade payables and sundry payables of the Group and the Company are substantially denominated in US Dollar (2021: US Dollar), non-interest bearing, current in nature and are normally contracted between 30 and 45 days credit terms.

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

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Current	<b>20</b>	1,758	<b>20</b>	127
1 – 30 days	<b>7</b>	85	<b>7</b>	8
31 – 60 days	<b>—</b>	593	<b>—</b>	—
	<b>27</b>	2,436	<b>27</b>	135

**21. 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 advance receipts for lease income for which services have not yet been rendered and the difference between the nominal value of the security deposits (Note 25) and their amortised value using the effective interest method. The deferred income is recognised in profit or loss on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current:</b>				
Medium term notes	<b>1,890,000</b>	1,048,301	<b>1,890,000</b>	1,048,301
Loans	<b>534,432</b>	808,577	<b>124,882</b>	58,228
Medium term notes discount (net of premium)	<b>(482)</b>	(630)	<b>(482)</b>	(630)
Fair value and revaluation adjustments	<b>—</b>	(1,158)	<b>—</b>	(1,158)
Deferred debt issue costs	<b>(3,770)</b>	(5,336)	<b>(1,319)</b>	(956)
	<b>2,420,180</b>	1,849,754	<b>2,013,081</b>	1,103,785
<b>Non-current:</b>				
Medium term notes	<b>8,109,020</b>	9,999,020	<b>7,109,020</b>	8,999,020
Loans	<b>4,663,546</b>	4,950,756	<b>2,170,000</b>	1,947,268
Medium term notes discount (net of premium)	<b>(16,456)</b>	(22,872)	<b>(15,664)</b>	(21,495)
Fair value and revaluation adjustments	<b>(12,973)</b>	(112)	<b>(12,973)</b>	(112)
Deferred debt issue costs	<b>(41,652)</b>	(61,165)	<b>(28,519)</b>	(39,443)
	<b>12,701,485</b>	14,865,627	<b>9,221,864</b>	10,885,238
<b>Total loans and borrowings</b>	<b>15,121,665</b>	16,715,381	<b>11,234,945</b>	11,989,023

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings (cont'd)**

The deferred debt issue costs relating to obtaining loans and borrowings are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cost:</b>				
At beginning of year	<b>151,402</b>	166,949	<b>71,175</b>	64,145
Additions	<b>4,852</b>	21,174	<b>1,167</b>	12,953
Fully amortised costs written off	<b>(41,219)</b>	(36,687)	<b>(8,658)</b>	(5,897)
Adjustments	<b>684</b>	(34)	<b>339</b>	(26)
At end of year	<b>115,719</b>	151,402	<b>64,023</b>	71,175
<b>Accumulated amortisation:</b>				
At beginning of year	<b>84,901</b>	96,597	<b>30,776</b>	25,189
Charge for the year	<b>26,615</b>	24,991	<b>12,067</b>	11,484
Fully amortised costs written off	<b>(41,219)</b>	(36,687)	<b>(8,658)</b>	(5,897)
At end of year	<b>70,297</b>	84,901	<b>34,185</b>	30,776
<b>Net book value:</b>				
At end of year	<b>45,422</b>	66,501	<b>29,838</b>	40,399
Deferred debt issue costs, net	<b>45,422</b>	66,501	<b>29,838</b>	40,399
Less: Current portion	<b>(3,770)</b>	(5,336)	<b>(1,319)</b>	(956)
Non-current portion	<b>41,652</b>	61,165	<b>28,519</b>	39,443

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings (cont'd)**

The table below summarises the maturity profile of the loans and borrowings at the end of each year for the Group and the 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
<b>2022</b>					
Medium term notes	1,888,414	2,286,997	4,251,552	1,523,808	9,950,771
Loans	531,766	1,025,565	3,574,376	39,187	5,170,894
<b>Total loans and borrowings</b>	<b>2,420,180</b>	<b>3,312,562</b>	<b>7,825,928</b>	<b>1,562,995</b>	<b>15,121,665</b>
<b>2021</b>					
Medium term notes	1,045,991	2,186,053	5,432,033	2,332,814	10,996,891
Loans	803,763	658,400	4,217,461	38,866	5,718,490
<b>Total loans and borrowings</b>	<b>1,849,754</b>	<b>2,844,453</b>	<b>9,649,494</b>	<b>2,371,680</b>	<b>16,715,381</b>
	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
<b>2022</b>					
Medium term notes	1,888,413	1,289,710	4,251,552	1,523,809	8,953,484
Loans	124,668	193,476	1,963,317	–	2,281,461
<b>Total loans and borrowings</b>	<b>2,013,081</b>	<b>1,483,186</b>	<b>6,214,869</b>	<b>1,523,809</b>	<b>11,234,945</b>
<b>2021</b>					
Medium term notes	1,045,991	2,186,053	4,436,558	2,332,814	10,001,416
Loans	57,794	230,386	1,699,427	–	1,987,607
<b>Total loans and borrowings</b>	<b>1,103,785</b>	<b>2,416,439</b>	<b>6,135,985</b>	<b>2,332,814</b>	<b>11,989,023</b>



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings (cont'd)**

As at 31 December 2022, secured loans amounted to US\$223.0 million (2021: US\$609.3 million) and US\$54.9 million (2021: US\$225.5 million) for the Group and the Company, respectively. These amounts are secured by the related aircraft (Note 13), certain cash and bank balances and designated bank accounts (Note 18) and/or a pledge of the shares in certain subsidiary companies (Note 34) that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges prohibiting the creation of any encumbrance on its 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 were:

			Group 2022		
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
Maturity (Year)					
<b>Fixed Coupon Rate</b>					
<b>Currency</b>	<b>(p.a.)</b>				
Australian Dollar	3.15%	2029	140,590	—	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	—
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	1.625% to 4.375%	2023 to 2030	8,600,000	—	—
			<b>9,059,020</b>	<b>49,710</b>	<b>409,310</b>
<b>Floating Rate</b>					
<b>Currency</b>	<b>(p.a.)</b>				
	3-month LIBOR +				
	Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	—	840,000
			<b>9,999,020</b>	<b>49,710</b>	<b>1,249,310</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings (cont'd)****(a) Medium term notes (cont'd)**

			Company 2022		
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
			Maturity (Year)		
Fixed Coupon Rate					
Currency	(p.a.)				
Australian Dollar	3.15%	2029	140,590	—	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	—
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	1.75% to 4.375%	2023 to 2030	7,600,000	—	—
			8,059,020	49,710	409,310
Floating Rate					
Currency	(p.a.)				
	3-month LIBOR +				
	Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	—	840,000
			8,999,020	49,710	1,249,310
Group 2021					
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
			Maturity (Year)		
Fixed Coupon Rate					
Currency	(p.a.)				
Australian Dollar	3.15%	2029	140,590	—	140,590
Chinese Yuan	4.7% to 5.5%	2022 to 2024	98,011	98,011	—
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	1.625% to 4.375%	2022 to 2030	9,600,000	—	—
			10,107,321	98,011	409,310
Floating Rate					
Currency	(p.a.)				
	3-month LIBOR +				
	Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	—	840,000
			11,047,321	98,011	1,249,310

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings (cont'd)****(a) Medium term notes (cont'd)**

			Company 2021		
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
Currency	Fixed Coupon Rate (p.a.)	Maturity (Year)			
Australian Dollar	3.15%	2029	140,590	—	140,590
Chinese Yuan	4.7% to 5.5%	2022 to 2024	98,011	98,011	—
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	1.75% to 4.375%	2022 to 2030	8,600,000	—	—
			9,107,321	98,011	409,310
Currency	Floating Rate (p.a.)				
	3-month LIBOR + Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	—	840,000
			10,047,321	98,011	1,249,310

As at 31 December 2022, an amount of US\$49.7 million (2021: US\$98.0 million) in medium term notes of the Group and the Company has been swapped to floating rate liabilities and US Dollars (for non-US Dollar denominated notes) via cross-currency interest rate swap contracts. The carrying amount of the medium term note was US\$43.4 million (2021: US\$94.1 million). The note is a liability designated as a hedged item in fair value hedges and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 1.6% to 3.1% (2021: 1.6% to 2.6%) per annum during the year.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings (cont'd)****(a) Medium term notes (cont'd)**

Effects of fair value hedges on the notes in 2022 and 2021 were as follows:

	Group and Company 2022			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value adjustments	Carrying amounts of liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Fair value hedge</b>				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	49,710	(20)	(6,246)	43,444
	Group and Company 2021			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value adjustments	Carrying amounts of liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Fair value hedge</b>				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	98,011	(47)	(3,836)	94,128

As at 31 December 2022, an amount of US\$409.3 million (2021: US\$409.3 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 Dollars and at fixed rates via cross-currency interest rate swap contracts to hedge the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. The net fair value gain of US\$6.4 million (2021: loss of US\$6.9 million) on these cross-currency interest rate swaps was recognised in hedging reserve.

As at 31 December 2022, an amount of US\$840 million (2021: US\$840 million) 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 borrowings which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value gain of US\$50.5 million (2021: US\$39.9 million) 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 or Secured Overnight Financing Rate ("SOFR"). Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 2.8% (2021: 1.1%) 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 are between 2023 and 2028 (2021: 2022 and 2028).

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**22. Loans and borrowings (cont'd)****(c) Loans (cont'd)**

As at 31 December 2022, the loans due to the intermediate holding company for the Group and the Company amounted to US\$695 million (2021: US\$785 million) and US\$695 million (2021: US\$695 million), respectively and the loans due to other related parties for the Group and the Company amounted to US\$1,887.6 million (2021: US\$1,623.2 million) and US\$300.3 million (2021: US\$300.3 million), respectively.

As at 31 December 2022, loans outstanding amounting to US\$370 million (2021: US\$1,865 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 gain of US\$42.9 million (2021: US\$53.2 million) was accounted for in hedging reserve.

As at 31 December 2022, the Group and the Company had unutilised unsecured committed revolving credit facilities of US\$4,705 million (2021: US\$4,575 million) and US\$4,465 million (2021: US\$4,480 million), respectively. These facilities included US\$3,500 million (2021: US\$3,410 million) available under a committed revolving credit facility provided by the intermediate holding company that matures in 2026 (2021: 2026). The unutilised committed revolving credit facilities provided by other related parties to the Group totalled US\$82.4 million (2021: US\$46.8 million) that mature in 2024 (2021: 2024) and to the Company amounted to US\$35.7 million (2021: US\$35.7 million) that matures in 2024 (2021: 2024).

As at 31 December 2022, unutilised unsecured committed term loan facilities available to the Group totalled US\$225 million (2021: US\$985 million) and available to the Company amounted to US\$125 million (2021: US\$485 million). For the Group, these facilities include an amount of US\$100 million (2021: US\$500 million) which was provided by other related parties.

**23. Lease liabilities**

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of year	2,757	9,448	953	6,834
Additions	16,464	–	14,600	–
Accretion of interest	337	229	256	164
Payments	(2,902)	(2,371)	(2,296)	(1,626)
Remeasurement	–	(4,308)	–	(4,308)
Revaluation adjustments	(2)	(241)	291	(111)
At end of year	16,654	2,757	13,804	953
Current	2,516	1,490	1,818	953
Non-current	14,138	1,267	11,986	–
	16,654	2,757	13,804	953

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**23. Lease liabilities (cont'd)**

The following amounts were recognised in profit or loss:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Depreciation expense of right-of-use assets	<b>2,548</b>	2,113
Interest expense on lease liabilities	<b>337</b>	229
Expense relating to leases of low-value assets	<b>13</b>	–
	<b>2,898</b>	2,342

Interest rates on the leases ranged from 2.0% to 3.4% (2021: 2.0% to 3.4%) per annum for the Group and 2.0% to 2.9% (2021: 2.0% to 2.9%) per annum for the Company.

**24. Reconciliation of movement of financial liabilities to net cash flows from financing activities**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<u>Extract from Consolidated Statement of Cash Flows</u>		
<b>Cash flows from financing activities:</b>		
Proceeds from loans and borrowings	<b>1,685,000</b>	2,170,000
Repayment of loans and borrowings	<b>(3,108,391)</b>	(1,948,953)
Decrease in borrowings from revolving credit facilities, net	<b>(185,000)</b>	(225,000)
Repayment of lease liabilities	<b>(2,902)</b>	(2,371)
Finance expenses paid	<b>(492,019)</b>	(477,681)
Debt issue costs paid	<b>(5,536)</b>	(28,856)
<b>Total financial liabilities</b>	<b>(2,108,848)</b>	(512,861)
Cash flows used in other financing activities	<b>(185,712)</b>	(158,819)
<b>Net cash flows used in financing activities in consolidated statement of cash flows</b>	<b>(2,294,560)</b>	(671,680)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

Group	Note	Non-cash changes						2022 US\$'000
		2021 US\$'000	Cash flows US\$'000	Fair value and revaluation adjustments US\$'000	Future lease payments US\$'000	Amortisation /accretion US\$'000	Re- classification US\$'000	
<b>Loans and borrowings</b>								
Medium term notes								
- current		1,047,143	(1,048,301)	1,158	-	-	1,890,000	1,890,000
- non-current		9,998,908	-	(12,861)	-	-	(1,890,000)	8,096,047
Medium term notes discount (net of premium)								
- current		(630)	-	-	-	630	(482)	(482)
- non-current		(22,872)	-	-	-	5,934	482	(16,456)
Loans								
- current		808,577	(808,315)	(262)	-	-	534,432	534,432
- non-current		4,950,756	248,225	(1,003)	-	-	(534,432)	4,663,546
Deferred debt issue costs								
- current		(5,336)	-	-	-	5,336	(3,770)	(3,770)
- non-current		(61,165)	(5,536)	-	-	21,279	3,770	(41,652)
	22	16,715,381	(1,613,927)	(12,968)	-	33,179	-	15,121,665
<b>Lease liabilities</b>								
- current		1,490	(2,902)	-	3,185	337	406	2,516
- non-current		1,267	-	(2)	13,279	-	(406)	14,138
	23	2,757	(2,902)	(2)	16,464	337	-	16,654
<b>Trade and other payables</b>								
Accrued finance expenses								
		95,150	(492,019)	-	-	492,820	-	95,951
	20	95,150	(492,019)	-	-	492,820	-	95,951
<b>Total</b>		<b>16,813,288</b>	<b>(2,108,848)</b>	<b>(12,970)</b>	<b>16,464</b>	<b>526,336</b>	<b>-</b>	<b>15,234,270</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

Group	Note	Non-cash changes						2021 US\$'000
		Cash flows US\$'000	Fair value and revaluation adjustments US\$'000	Future lease payments US\$'000	Amortisation /accretion US\$'000	Re- classification US\$'000		
<b>Loans and borrowings</b>								
Medium term notes								
- current		1,159,054	(1,185,873)	-	-	-	1,048,301	1,047,143
- non-current		9,555,504	1,500,000	-	-	-	(1,048,301)	9,998,908
Medium term notes discount (net of premium)								
- current		(400)	-	-	-	400	(630)	(630)
- non-current		(22,882)	(7,234)	-	-	6,614	630	(22,872)
Loans								
- current		595,371	(595,371)	-	-	-	808,577	808,577
- non-current		5,482,042	277,291	-	-	-	(808,577)	4,950,756
Deferred debt issue costs								
- current		(8,337)	-	-	-	8,337	(5,336)	(5,336)
- non-current		(62,015)	(21,140)	-	-	16,654	5,336	(61,165)
	22	16,698,337	(32,327)	17,366	-	32,005	-	16,715,381
<b>Lease liabilities</b>								
- current		2,209	(2,371)	-	(4,308)	229	5,731	1,490
- non-current		7,239	(482)	241	-	-	(5,731)	1,267
	23	9,448	(2,853)	241	(4,308)	229	-	2,757
<b>Trade and other payables</b>								
Accrued finance expenses								
		99,065	(477,681)	-	-	473,766	-	95,150
	20	99,065	(477,681)	-	-	473,766	-	95,150
<b>Total</b>		16,806,850	(512,861)	17,607	(4,308)	506,000	-	16,813,288



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**25. Security deposits**

In addition to the cash security deposits recorded in 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\$187.2 million (2021: US\$208.7 million) and US\$67.0 million (2021: US\$75.2 million), respectively.

**26. Maintenance reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
At beginning of year	<b>672,110</b>	698,062	<b>326,509</b>	327,757
Contributions	<b>175,989</b>	153,758	<b>67,387</b>	60,406
Utilisation	<b>(31,812)</b>	(83,991)	<b>(18,814)</b>	(65,617)
Transfer (to)/from accrued maintenance reserve payables	<b>(444)</b>	14,161	<b>(444)</b>	10,668
Transfer to buyers	<b>(16,211)</b>	(21,149)	<b>(3,843)</b>	(6,705)
Transfer to liabilities associated with assets held for sale	–	(88,731)	–	–
Transfer from subsidiary company	–	–	<b>(2,282)</b>	–
Release to profit or loss upon termination of leases	<b>(154,516)</b>	–	<b>(29,025)</b>	–
At end of year	<b>645,116</b>	672,110	<b>339,488</b>	326,509

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\$249.8 million (2021: US\$345.0 million) and US\$73.5 million (2021: US\$151.0 million), respectively.

**27. Deferred income tax assets and liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Deferred income tax liabilities, net	<b>557,596</b>	547,208	<b>160,956</b>	141,066
Deferred income tax assets, net	<b>(159)</b>	(153)	–	–
	<b>557,437</b>	547,055	<b>160,956</b>	141,066

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are grouped separately.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**27. Deferred income tax assets and liabilities (cont'd)**

The gross deferred income tax assets and liabilities were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Gross deferred tax liabilities	<b>1,016,570</b>	996,115	<b>189,679</b>	163,732
Gross deferred tax assets	<b>(459,133)</b>	(449,060)	<b>(28,723)</b>	(22,666)
Net deferred tax liabilities	<b>557,437</b>	547,055	<b>160,956</b>	141,066

The unrecognised deferred tax liabilities are as disclosed in Note 3.1(c).

Movements in the Group's and Company's deferred tax assets and liabilities during the year were as follows:

	<b>Group</b>			
	<b>Differences in depreciation</b>	<b>Unremitted overseas income</b>	<b>Others</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Deferred tax liabilities arising from:				
At 1 January 2021	861,092	5,818	313	867,223
Charged/(Credited) to profit or loss	129,298	(544)	138	128,892
At 31 December 2021 and 1 January 2022	<b>990,390</b>	<b>5,274</b>	<b>451</b>	<b>996,115</b>
Charged to profit or loss	<b>14,577</b>	<b>1,955</b>	<b>3,923</b>	<b>20,455</b>
<b>At 31 December 2022</b>	<b>1,004,967</b>	<b>7,229</b>	<b>4,374</b>	<b>1,016,570</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**27. 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 2021	(373,799)	(7,325)	(21,389)	(402,513)
(Credited)/Charged to profit or loss	(55,951)	471	(336)	(55,816)
Charged to other comprehensive income	—	—	9,269	9,269
At 31 December 2021 and 1 January 2022	(429,750)	(6,854)	(12,456)	(449,060)
(Credited)/Charged to profit or loss	(19,379)	2,771	(2,941)	(19,549)
Charged to other comprehensive income	—	—	9,476	9,476
<b>At 31 December 2022</b>	<b>(449,129)</b>	<b>(4,083)</b>	<b>(5,921)</b>	<b>(459,133)</b>

	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 2021	145,168	5,818	283	151,269
Charged/(Credited) to profit or loss	12,866	(544)	141	12,463
At 31 December 2021 and 1 January 2022	158,034	5,274	424	163,732
Charged to profit or loss	20,042	1,955	3,950	25,947
<b>At 31 December 2022</b>	<b>178,076</b>	<b>7,229</b>	<b>4,374</b>	<b>189,679</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**27. Deferred income tax assets and liabilities (cont'd)**

	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 2021	(10,814)	(5,127)	(6,003)	(21,944)
(Credited)/Charged to profit or loss	(3,410)	451	(196)	(3,155)
Charged to other comprehensive income	—	—	2,433	2,433
At 31 December 2021 and 1 January 2022	(14,224)	(4,676)	(3,766)	(22,666)
(Credited)/Charged to profit or loss	(12,092)	2,206	(35)	(9,921)
Charged to other comprehensive income	—	—	3,864	3,864
<b>At 31 December 2022</b>	<b>(26,316)</b>	<b>(2,470)</b>	<b>63</b>	<b>(28,723)</b>

The unabsorbed capital allowances and unutilised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements applying to the Company and its relevant subsidiaries in their respective countries of incorporation. The unabsorbed capital allowances and unutilised tax losses have no expiry date.

**28. 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 from 2024 to 2025 (2021: 2023 to 2025).

**29. Share capital**

	Group and Company			
	2022		2021	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
<b>Issued and fully paid ordinary shares:</b>				
At beginning and end of year	<b>694,010</b>	<b>1,157,791</b>	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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**30. 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.

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Interest rate and foreign currency risk:</b>				
At beginning of year	<b>(84,596)</b>	(170,789)	<b>(46,982)</b>	(85,102)
Effective portion of changes in fair value of cash flow hedges, net of tax:				
- Interest rate swaps	<b>87,249</b>	23,367	<b>44,303</b>	12,250
- Cross-currency interest rate swaps	<b>(4,168)</b>	(7,534)	<b>(4,168)</b>	(7,534)
	<b>83,081</b>	15,833	<b>40,135</b>	4,716
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:				
- Interest rate swaps	<b>6,148</b>	69,715	<b>9,816</b>	32,759
- Cross-currency interest rate swaps	<b>10,579</b>	645	<b>10,579</b>	645
	<b>16,727</b>	70,360	<b>20,395</b>	33,404
	<b>99,808</b>	86,193	<b>60,530</b>	38,120
At end of year	<b>15,212</b>	(84,596)	<b>13,548</b>	(46,982)

**31. Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<b>Note</b>	<b>Group</b>	
		<b>2022</b>	<b>2021</b>
		<b>US\$'000</b>	<b>US\$'000</b>
Short-term deposits	17	<b>306,707</b>	248,224
Cash and bank balances	18	<b>85,206</b>	236,661
		<b>391,913</b>	484,885

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**32. Lease liabilities to subsidiary companies**

	<b>Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current:</b>		
Lease liabilities to subsidiary companies	<b>47,293</b>	65,965
Deferred debt issue costs	<b>(1,866)</b>	(2,899)
Lease liabilities to subsidiary companies, net	<b>45,427</b>	63,066
<b>Non-current:</b>		
Lease liabilities to subsidiary companies	<b>31,842</b>	117,683
Deferred debt issue costs	<b>(1,084)</b>	(5,039)
Lease liabilities to subsidiary companies, net	<b>30,758</b>	112,644
Total lease liabilities to subsidiary companies, net	<b>76,185</b>	175,710

	<b>Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
At beginning of year	<b>175,710</b>	254,266
Accretion of interest	<b>7,773</b>	5,985
Payments	<b>(107,298)</b>	(84,541)
At end of year	<b>76,185</b>	175,710

Current	<b>45,427</b>	63,066
Non-current	<b>30,758</b>	112,644
	<b>76,185</b>	175,710

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**32. Lease liabilities to subsidiary companies (cont'd)**

The lease liabilities to subsidiary companies are secured by a charge over leased assets (Note 13). Interest rates on the leases ranged from 0.3% to 6.1% (2021: 0.3% to 1.5%) per annum.

The deferred debt issue costs relating to lease liabilities to subsidiary companies are analysed as follows:

	<b>Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cost:</b>		
At beginning of year	<b>38,756</b>	42,732
Fully amortised cost written off	<b>(15,381)</b>	(3,976)
At end of year	<b>23,375</b>	38,756
<b>Accumulated amortisation:</b>		
At beginning of year	<b>30,818</b>	31,271
Charge for the year	<b>4,988</b>	3,523
Fully amortised cost written off	<b>(15,381)</b>	(3,976)
At end of year	<b>20,425</b>	30,818
<b>Net book value:</b>		
At end of year	<b>2,950</b>	7,938
Deferred debt issue costs, net	<b>2,950</b>	7,938
Less: Current portion	<b>(1,866)</b>	(2,899)
Non-current portion	<b>1,084</b>	5,039

**33. Amounts due from subsidiary companies**

The amounts due from subsidiary companies of US\$2,293.6 million (2021: US\$2,235.9 million) are interest bearing, non-trade related and unsecured. The interest rate ranged from 2.9% to 6.3% (2021: 0.9% to 3.4%) per annum.

**34. Investments in subsidiary companies**

	<b>Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Equity investments at cost:		
At beginning of year	<b>747,140</b>	747,140
Dissolutions	<b>—*</b>	—
At end of year	<b>747,140</b>	747,140

\* The decrease in cost of investment is less than US\$1,000.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

### 34. Investments in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
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 <sup>#</sup>	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
	BOC Aviation Capital Limited	Cayman Islands	Dissolved	–	–	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
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

<sup>#</sup> Company type: Limited liability company (solely invested by a foreign legal person)



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**34. Investments in subsidiary companies (cont'd)**

	<b>Name</b>	<b>Country of incorporation/ principal country of operation</b>	<b>Principal activities</b>	<b>Paid up capital as at 31 December 2022</b>	<b>Percentage of equity held 2022 %</b>	<b>Percentage of equity held 2021 %</b>
	Vanda Leasing Seven Limited	Cayman Islands	Dissolved	–	–	100
	Vanda Leasing Eight Limited	Cayman Islands	Dissolved	–	–	100
<sup>2</sup>	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
<sup>2</sup>	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
<sup>2</sup>	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
<sup>2</sup>	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**34. Investments in subsidiary companies (cont'd)**

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
	<b>Consolidated structured entities*</b>					
2,3	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US\$250	—	—
2	Gawain Leasing Limited	Cayman Islands	In dissolution process	US\$250	—	—
2	Green Knight Leasing Limited	Cayman Islands	In dissolution process	US\$250	—	—
2,3	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US\$250	—	—
1,3	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US\$1	—	—
1,3	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US\$1	—	—
2,3	Chilli Leasing LLC	United States	Leasing of aircraft	US\$1,000	—	—
2,3	Laylya Leasing LLC	United States	Leasing of aircraft	US\$1,000	—	—
2,3	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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 34. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
	<b>Held by ARCU Aircraft Holdings Pte. Ltd.:</b>					
2,3	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US\$250	—	—
	<b>Held by Pacific Triangle Holdings Pte. Ltd.:</b>					
2	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US\$250	—	—
2	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US\$250	—	—
2	<b>Held by BOC Aviation (Ireland) Limited:</b>					
	BOC Aviation (France) SARL	France	Dormant	€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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**34. Investments in subsidiary companies (cont'd)**

Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
<i>Held by BOC Aviation Leasing (Tianjin) Limited:</i>					
<sup>2</sup> 博加阿尔法航空租赁 (天津) 有限公司 (BOCA Alpha Leasing (TJ) Limited) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100
<sup>2</sup> 博加布拉沃航空租赁 (天津) 有限公司 (BOCA Bravo Leasing (TJ) Limited) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100
<sup>2</sup> 博加查理航空租赁 (天津) 有限公司 (BOCA Charlie Leasing (TJ) Limited) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100
<sup>2</sup> 博加德达航空租赁 (天津) 有限公司 (BOCA Delta Leasing (TJ) Limited) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100
<sup>2</sup> 博加易科航空租赁 (天津) 有限公司 (BOCA Echo Leasing (TJ) Limited) <sup>^</sup>	People's Republic of China	Leasing of aircraft	CNY100,000	100	100

<sup>^</sup> Company type: Limited liability company (solely invested by a foreign-invested enterprise)

All subsidiary companies and all consolidated structured entities are incorporated as limited liability entities.

<sup>1</sup> Audited by PricewaterhouseCoopers LLP, Singapore or member firms of PricewaterhouseCoopers.<sup>2</sup> Not required to be audited by law in its country of incorporation.<sup>3</sup> The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**35. Dividends**

	<b>Group and Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b><i>Declared and paid during the year:</i></b>		
Final dividend for 2021: US\$0.1733 (2020: US\$0.1173) per share	<b>120,272</b>	81,407
Interim dividend for 2022: US\$0.0889 (2021: US\$0.1098) per share	<b>61,698</b>	76,202
	<b>181,970</b>	157,609
<b><i>Proposed as at 31 December:</i></b>		
Final dividend for 2022: US\$0.1770 (2021: US\$0.1733) per share	<b>122,840</b>	120,272

On 9 March 2023, the directors proposed to recommend to the Annual General Meeting on 30 May 2023 a final dividend of US\$0.1770 per ordinary share for the year ended 31 December 2022 amounting to approximately US\$122.8 million, bringing the total dividend for 2022 to US\$184.5 million (2021: US\$196.5 million) or US\$0.2659 (2021: US\$0.2831) 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 2023.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**36. 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 of the PRC Government 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, borrowing and other transactions with certain state-owned or state-controlled entities mentioned above in the normal course of business and on commercial terms.

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

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:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b><i>Costs and expenses</i></b>		
(a) Intermediate holding company:		
Interest expense	<b>19,269</b>	12,029
(b) Other related parties:		
Interest expense	<b>54,175</b>	16,339
Debt issue costs	<b>1,525</b>	3,850
<b><i>Dividend paid to immediate holding company</i></b>	<b>127,379</b>	110,327

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**36. Related party transactions (cont'd)**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b><i>Directors' and key executives' remuneration paid during the year</i></b>		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	<b>5,827</b>	5,838
CPF and other defined contributions	<b>3</b>	3
	<b>5,830</b>	5,841
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	<b>7,617</b>	8,175
CPF and other defined contributions	<b>154</b>	156
	<b>7,771</b>	8,331

During the year ended 31 December 2022, the share-based compensation expense for directors of the Company and key executives of the Group amounted to US\$1.3 million (2021: US\$1.4 million) and US\$1.5 million (2021: US\$1.4 million), respectively.

As at 31 December 2022, US\$8.9 million (2021: US\$11.5 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

During the year ended 31 December 2022, 450,403 (2021: 315,774) of RSUs granted in 2020 (2021: 2019) to the directors of the Company and key executives of the Group had vested.

As at 31 December 2022, 727,674 (2021: 746,615) of RSUs had been granted to directors of the Company and key executives of the Group but had not vested.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**37. Commitments****(a) Operating lease commitments***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:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>US\$ million</b>	US\$ million	<b>US\$ million</b>	US\$ million
Within one year	<b>1,887</b>	1,747	<b>1,128</b>	1,005
Between one and two years	<b>1,857</b>	1,815	<b>1,119</b>	1,141
Between two and three years	<b>1,716</b>	1,729	<b>1,044</b>	1,094
Between three and four years	<b>1,608</b>	1,577	<b>969</b>	1,016
Between four and five years	<b>1,500</b>	1,469	<b>930</b>	943
After five years	<b>5,759</b>	6,122	<b>3,368</b>	3,877
	<b>14,327</b>	14,459	<b>8,558</b>	9,076

Future net minimum lease receivables committed for aircraft yet to be delivered are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>US\$ million</b>	US\$ million	<b>US\$ million</b>	US\$ million
Within one year	<b>73</b>	114	<b>27</b>	27
Between one and two years	<b>200</b>	248	<b>80</b>	40
Between two and three years	<b>232</b>	270	<b>98</b>	40
Between three and four years	<b>232</b>	269	<b>98</b>	40
Between four and five years	<b>232</b>	268	<b>98</b>	40
After five years	<b>1,567</b>	1,705	<b>771</b>	289
	<b>2,536</b>	2,874	<b>1,172</b>	476



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**37. Commitments (cont'd)****(b) Finance lease commitments***Finance lease commitments - As lessor*

	<b>Group and Company Minimum lease payments 2022 US\$'000</b>	<b>Minimum lease payments 2021 US\$'000</b>
Within one year	<b>262,892</b>	62,496
Between one and two years	<b>234,132</b>	262,892
Between two and three years	<b>204,774</b>	234,132
Between three and four years	<b>—</b>	204,774
Total minimum lease payments	<b>701,798</b>	764,294
Less: Amounts representing finance charges	<b>(58,695)</b>	(99,341)
	<b>643,103</b>	664,953

The scheduled finance lease receivables are as follows:

	<b>2022 US\$'000</b>	<b>2021 US\$'000</b>
Finance lease receivables	<b>643,103</b>	664,953
Less: Current portion	<b>(229,909)</b>	(21,849)
Non-current portion	<b>413,194</b>	643,104

The effective interest rates on the finance lease receivables ranged from 6.1% to 6.3% per annum for the year ended 31 December 2022 and 2021.

As there has been no significant increase in the risk of default of these finance lease receivables since initial recognition, the Group and the Company assess that there is no material expected credit loss and accordingly no loss allowance is required.

**(c) Capital expenditure commitments**

As at 31 December 2022, the Group had committed to purchase various aircraft delivering between 2023 and 2029. The amount of future commitments under purchase agreements, including assumed escalation to delivery, was US\$11.1 billion to the end of 2029 (2021: US\$4.7 billion to the end of 2024). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 38. Contingent liabilities

#### *Guarantees of subsidiary companies' obligations*

The Company has provided 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 2022, the guarantees for loans to subsidiary companies amounted to approximately US\$3.9 billion (2021: US\$4.8 billion). The guarantees are callable on demand.

### 39. 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 15), other receivables (Note 16), short-term deposits<sup>1</sup> (Note 17), cash and bank balances (Note 18), amounts due from subsidiary companies (Note 33) and finance lease receivables (Note 37(b)).

As at 31 December 2022, the financial assets measured at amortised cost for the Group and the Company were US\$1,180.1 million (2021: US\$1,479.9 million) and US\$3,105.9 million (2021: US\$3,172.2 million), respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 20), loans and borrowings (Note 22), security deposits (Note 25) and other non-current liabilities<sup>2</sup> (Note 28).

As at 31 December 2022, the financial liabilities measured at amortised cost for the Group and the Company were US\$15,441.0 million (2021: US\$17,121.6 million) and US\$11,468.8 million (2021: US\$12,236.3 million), respectively.

<sup>1</sup> Excluding investment in money market funds.

<sup>2</sup> Excluding bonuses and related employers' contributions payable and provided for under the staff cash incentive plans.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

#### **(a) Financial instruments carried at fair values**

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 14) and investment in money market funds classified as short-term deposits (Note 17).

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the derivative financial instruments and investment in money market funds under the Group are classified under Level 2 of the fair value hierarchy. The fair values of the derivative financial instruments are determined with reference to marked-to-market values based on valuation techniques that use data from observable markets. The fair values of investment in money market funds are determined by reference to marked-to-market values provided by counterparties. There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2022 and 2021.

#### **(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 values because these are repriced frequently.

Non-current loans and borrowings (excluding non-current medium term notes as disclosed in Note 39(c) below) and receivables from airlines (Note 16) 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.

Non-current finance lease receivables and trade receivables reasonably approximate their fair values as the implicit interest rate of each financial instrument approximates the market interest rate prevailing at the end of each year.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**39. 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 all of the Group's and Company's financial instruments not measured at fair value.

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Medium term notes :</b>				
Carrying amounts	<b>8,975,156</b>	10,462,290	<b>7,977,869</b>	10,462,290
Fair values	<b>8,429,804</b>	10,282,721	<b>7,480,334</b>	10,282,721

As at 31 December 2022, the fair value measurements 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\$159.6 million (2021: US\$159.6 million) with fair value of US\$148.3 million (2021: US\$168.9 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.

**40. 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 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 or SOFR and are contractually repriced at intervals of 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 rates under its borrowings.

The Group adopts a policy of managing its interest rate exposure by maintaining a debt portfolio with both fixed and floating interest rates.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(a) Interest rate risk (cont'd)**Interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates.

The Group has exposure to US Dollar LIBOR on its financial instruments and off-balance sheet items that will be replaced or reformed as part of these market-wide initiatives. US Dollar LIBOR settings (excluding the one week and two months tenors, to which the Group has no exposure beyond their cessation dates) would lose representativeness or discontinue after 30 June 2023.

The table below sets out the Group's exposure to US Dollar LIBOR as at 31 December 2022. These balances have not yet transitioned to an alternative benchmark rate and some of the balances will naturally expire before USD LIBOR ceases to be published in June 2023.

	<b>US\$'000</b>
<b>Group</b>	
<u>Assets</u>	
Derivative financial instruments	21,604
<u>Liabilities</u>	
Gross debt	5,637,978
Derivative financial instruments	6,246
<u>Off-balance sheet items</u>	
Operating lease commitments – as lessor	397,490
Unutilised committed credit facilities	4,405,000
	<b>US\$'000</b>
<b>Company</b>	
<u>Assets</u>	
Derivative financial instruments	21,604
<u>Liabilities</u>	
Gross debt	3,234,882
Derivative financial instruments	6,246
Amounts due to subsidiary companies	1,902
<u>Off-balance sheet items</u>	
Operating lease commitments – as lessor	292,004
Guarantees of loans to subsidiary companies	2,403,096
Unutilised committed credit facilities	4,115,000

As at 31 December 2022, the notional amount of the Group's and Company's derivative financial instruments exposed to US Dollar LIBOR is US\$1,259.7 million.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(a) Interest rate risk (cont'd)**

The Group's internal Funding Committee monitors and manages the Group's transition to alternative rates. This committee is chaired by the Deputy Managing Director and Chief Financial Officer of the Company. The Funding Committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of the reform and how to manage communication about the reform with counterparties. Management reports interest rate risk and risks arising from the reform to the Risk Committee quarterly. The Group has engaged with counterparties to transition its floating rate liabilities and hedging derivatives to the alternative interest rate benchmarks. Financial liabilities of the Group such as loans and unsecured revolving credit facilities where they were renewed or entered into during the financial year ended 31 December 2022 were based on floating interest rates pegged to SOFR.

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.

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 10 basis points (2021: 10 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.

		<b>Group</b>	
		<b>Increase/ (Decrease) on profit net of tax US\$'000</b>	<b>Increase/ (Decrease) on hedging reserve net of tax in equity US\$'000</b>
	<b>Basis points</b>		
<b>2022</b>			
Increase in interest rate	+10	(3,401)	848
Decrease in interest rate	-10	3,401	(850)
<b>2021</b>			
Increase in interest rate	+10	(2,364)	3,707
Decrease in interest rate	-10	2,364	(3,720)

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. 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 aircraft capital expenditures and borrowings to fund these expenditures 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 repayments typically spread over substantial periods of up to 10 years, and also to have available committed credit facilities from banks.

As at 31 December 2022, the Group had unutilised unsecured committed revolving credit facilities of US\$4,705 million (2021: US\$4,575 million) and unutilised unsecured committed term loan facilities of US\$225 million (2021: US\$985 million).

As at 31 December 2022, approximately 16% (2021: 11%) of the Group's gross debt was due to mature 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			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
<b>2022</b>				
<b>Financial liabilities:</b>				
Trade and other payables*	51,687	–	–	51,687
Loans and borrowings	2,424,432	11,192,353	1,580,213	15,196,998
Estimated interest and net swap payments*	583,652	1,103,528	108,419	1,795,599
Lease liabilities	2,954	9,684	5,751	18,389
Security deposits	24,798	40,798	137,934	203,530
Other non-current liabilities	–	18,101	–	18,101
Total undiscounted financial liabilities	3,087,523	12,364,464	1,832,317	17,284,304

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)****Analysis of financial liabilities by remaining contractual maturities (cont'd)**

	Group			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
<b>2021</b>				
<b>Financial liabilities:</b>				
Trade and other payables*	105,359	–	–	105,359
Loans and borrowings	1,856,878	12,560,496	2,389,280	16,806,654
Estimated interest and net swap payments*	445,243	887,595	181,201	1,514,039
Lease liabilities	1,540	1,318	–	2,858
Security deposits	36,808	41,564	156,718	235,090
Other non-current liabilities	–	34,783	–	34,783
Total undiscounted financial liabilities	2,445,828	13,525,756	2,727,199	18,698,783

	Company			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
<b>2022</b>				
<b>Financial liabilities:</b>				
Trade and other payables*	71,060	–	–	71,060
Loans and borrowings	2,014,882	7,738,430	1,540,590	11,293,902
Estimated interest and net swap payments*	335,170	824,507	107,841	1,267,518
Lease liabilities	2,185	8,232	4,859	15,276
Lease liabilities to subsidiary companies	47,293	31,842	–	79,135
Security deposits	–	22,883	78,029	100,912
Other non-current liabilities	–	15,043	–	15,043
Total undiscounted financial liabilities	2,470,590	8,640,937	1,731,319	12,842,846



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)****Analysis of financial liabilities by remaining contractual maturities (cont'd)**

	Company			Total
	One year or less	One to five years	Over five years	
2021	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities:</b>				
Trade and other payables*	71,975	—	—	71,975
Loans and borrowings	1,106,529	8,603,234	2,343,054	12,052,817
Estimated interest and net swap payments*	387,603	805,377	180,269	1,373,249
Lease liabilities	959	—	—	959
Lease liabilities to subsidiary companies	65,965	117,683	—	183,648
Security deposits	2,618	18,031	82,895	103,544
Other non-current liabilities	—	28,129	—	28,129
Total undiscounted financial liabilities	1,635,649	9,572,454	2,606,218	13,814,321

\* Accrued interest expenses of the Group and the Company of US\$94.7 million and US\$79.3 million (2021: US\$94.7 million and US\$87.2 million) respectively are excluded in trade and other payables and included in estimated interest and net swap payments.

**(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 continuous 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 at least annually. The Group also evaluates 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 an 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-".

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(c) Credit risk (cont'd)**

The Group recognises an allowance for expected credit losses of trade receivables and finance lease receivables when the overdue receivables of each lessee are in excess of any security deposit or the value of any collateral related to the lease.

**(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. In addition, the Company also has a credit risk exposure to certain subsidiary companies under guarantees provided by the Company in respect of loans to the subsidiary companies and in respect of certain lease agreements entered into by the subsidiary companies.

**(ii) Credit risk concentration profile**

The Group determines concentrations of credit risk by monitoring individual debtor and regional exposure to its trade receivables and finance lease receivables, net of allowance for impairment losses, 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:

	2022		2021	
	US\$'000	%	US\$'000	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	92,788	56.8	96,061	52.7
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	33,419	20.5	15,443	8.5
Americas	18,166	11.1	18,447	10.1
Europe	18,894	11.6	52,266	28.7
	<b>163,267</b>	<b>100.0</b>	<b>182,217</b>	<b>100.0</b>

The credit risk concentration profile of the Group's finance lease receivables was entirely from an airline customer in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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### 40. Financial risk management objectives and policies (cont'd)

#### (c) Credit risk (cont'd)

##### (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 were either past due or impaired

Information regarding financial assets that were either past due or impaired was disclosed in Note 15.

#### (d) Foreign currency risk

The Group's revenues and principal assets are denominated in United States Dollar, which is the functional currency of the Group. Foreign currency exposure arises from the Group's 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 to 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(e) Offsetting financial assets and financial liabilities**

The Group and the Company have the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

	Group					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		Net amount US\$'000
	Gross amounts- Financial assets US\$'000	Gross amounts- Financial liabilities US\$'000	Net amounts- presented in balance sheet US\$'000	Financial assets/ (liabilities) US\$'000	Financial collateral received US\$'000	
<b>At 31 December 2022</b>						
Derivative financial assets	23,291	–	23,291	(6,989)	–	16,302
Trade receivables	174,617	–	174,617	–	(90,485)	84,132
	<b>197,908</b>	<b>–</b>	<b>197,908</b>	<b>(6,989)</b>	<b>(90,485)</b>	<b>100,434</b>
Derivative financial liabilities	–	(19,949)	(19,949)	6,989	–	(12,960)
<b>At 31 December 2021</b>						
Derivative financial assets	–	–	–	–	–	–
Trade receivables	202,354	–	202,354	–	(96,035)	106,319
	<b>202,354</b>	<b>–</b>	<b>202,354</b>	<b>–</b>	<b>(96,035)</b>	<b>106,319</b>
Derivative financial liabilities	–	(94,238)	(94,238)	–	–	(94,238)

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(e) Offsetting financial assets and financial liabilities (cont'd)**

	Company					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		Net amount US\$'000
	Gross amounts- Financial assets US\$'000	Gross amounts- Financial liabilities US\$'000	Net amounts- presented in balance sheet US\$'000	Financial assets/ (liabilities) US\$'000	Financial collateral received US\$'000	
<b>At 31 December 2022</b>						
Derivative financial assets	23,291	–	23,291	(6,989)	–	16,302
Trade receivables	83,404	–	83,404	–	(55,098)	28,306
	<b>106,695</b>	<b>–</b>	<b>106,695</b>	<b>(6,989)</b>	<b>(55,098)</b>	<b>44,608</b>
Derivative financial liabilities	–	(19,949)	(19,949)	6,989	–	(12,960)
<b>At 31 December 2021</b>						
Derivative financial assets	–	–	–	–	–	–
Trade receivables	100,088	–	100,088	–	(41,583)	58,505
	<b>100,088</b>	<b>–</b>	<b>100,088</b>	<b>–</b>	<b>(41,583)</b>	<b>58,505</b>
Derivative financial liabilities	–	(94,238)	(94,238)	–	–	(94,238)

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**40. Financial risk management objectives and policies (cont'd)****(e) Offsetting financial assets and financial liabilities (cont'd)**

Agreements with derivative counterparties are based on an International Swap Derivatives Association Master Agreement. Under the terms of these arrangements, only upon the occurrence of certain credit events (such as default), the net position owing to/receivable from a single counterparty in the same currency are aggregated into a single net amount that is payable by one party to the other and all the relevant arrangements terminated.

Trade receivables are generally secured by cash security deposits (Note 25). In an event of default, based on contractual terms the Group can apply the security deposits against the trade receivables from the same lessee. As the Group does not presently have a legally enforceable right to set off, these amounts have not been offset in the balance sheet but have been presented separately in the table above.

**41. 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 gross debt to equity, which is gross debt divided by total equity, to ensure that it complies with the debt to equity covenants in its loan facilities and to maintain its investment grade credit rating. Gross debt comprises the Group's 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 owners of the Company.

There were no changes made in the objectives, policies and processes during the year ended 31 December 2022 and 2021.

During the year ended 31 December 2022, the Group issued US\$300 million (2021: US\$1,500 million) of notes under its Global Medium Term Note Program and utilised US\$1,385 million (2021: US\$670 million) in term loans. As at 31 December 2022, the Group had utilised US\$735 million (2021: US\$920 million) under its committed revolving credit facilities. The Group's gross debt to equity as at 31 December 2022 compared with 31 December 2021 decreased as set out in the table below.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Gross debt	<b>15,196,998</b>	16,806,654
Total equity	<b>5,202,099</b>	5,265,914
Gross debt to equity (times)	<b>2.9</b>	3.2

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**42. 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 2022 and 31 December 2021.

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

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
<b><i>Earnings</i></b>		
Earnings used in the computation of basic and diluted earnings per share (profit for the year attributable to owners of the Company) (US\$'000)	<b>20,060</b>	561,318
<b><i>Number of shares</i></b>		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	<b>694,010</b>	694,010
<b>Basic earnings per share (US\$)</b>	<b>0.03</b>	0.81
<b>Diluted earnings per share (US\$)</b>	<b>0.03</b>	0.81

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**43. Segmental analysis**

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management. Senior Management assesses the financial performance and position of the Group and uses the information to support strategic decisions.

All revenues are derived from the Group's principal activities of aircraft leasing, 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 on operating lease to various airline customers around the world. The distribution of lease rental income by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2022		2021	
	US\$ million	%	US\$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	421	23.6	370	19.8
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	473	26.5	510	27.4
Americas	311	17.4	287	15.4
Europe	363	20.4	485	26.0
Middle East and Africa	216	12.1	213	11.4
	<b>1,784</b>	<b>100.0</b>	<b>1,865</b>	<b>100.0</b>

The lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 26.5% and United States of America accounted for 13.0% of the total lease rental income for the year ended 31 December 2022 (2021: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 27.4% and United States of America accounted for 12.2%). Other than as disclosed above, there was no other country concentration in excess of 10% of the total lease rental income in either 2022 or 2021.



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**43. Segmental analysis (cont'd)****(b) Net book value of aircraft**

The distribution of net book value of aircraft by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2022		2021	
	US\$ million	%	US\$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	4,654	24.4	4,528	23.0
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	4,535	23.7	4,813	24.5
Americas	3,702	19.4	3,254	16.6
Europe	3,894	20.4	4,768	24.3
Middle East and Africa	2,319	12.1	2,280	11.6
	<b>19,104</b>	<b>100.0</b>	<b>19,643</b>	<b>100.0</b>

Note: Off-lease aircraft are allocated to the region of the prospective operator if a lease commitment is in place, or to the region of the prior operator if no lease commitment is in place

The net book value of aircraft leased to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 23.7% (2021: 24.5%) and United States of America accounted for 14.3% (2021: 13.3%) of the total net book value as at 31 December 2022. Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value in either 2022 or 2021.

During the year ended 31 December 2022, the impairment loss recognised on aircraft leased to airline customers in Europe was US\$792.9 million (2021: US\$30.0 million), Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) was US\$52.2 million (2021: US\$88.9 million), Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was US\$6.1 million (2021: US\$12.3 million), Americas was US\$4.8 million (2021: nil) and Middle East and Africa was nil (2021: US\$14.6 million). During the year ended 31 December 2022, the reversal of impairment loss of US\$12.3 million (2021: nil) was in respect of an engine of an aircraft previously leased to an airline customer in Europe.

**44. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors passed on 9 March 2023.

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