BOC AVIATION LIMITED
中銀航空租賃有限公司[1]
(Incorporated in the Republic of Singapore with limited liability)
Stock Code: 2588

2016 FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

Our financial highlights for the year ended 31 December 2016 are:

- Total revenues and other income rose 9% year-on-year, to US$1,193 million
- Net profit after tax was US$418 million, an increase of 22% over 2015
- Earnings per share of US$0.60, based on Shares outstanding[2] at 31 December 2016
- Total assets increased 8% year-on-year, to US$13.4 billion at 31 December 2016
- Maintained strong liquidity with US$558 million in total cash and fixed deposits, and more than US$4 billion in undrawn committed credit facilities at 31 December 2016
- Largest aircraft leasing company initial public offering in history
- Raised US$550 million from the sale of new Shares
- Portfolio utilisation of 99.9% and cash collection from airline customers of 99.8%
- Board recommended a final dividend for 2016 of US$0.119 per Share, pending approval at the AGM to be held on 31 May 2017. The final dividend will be payable to Shareholders registered at the close of business on the record date, being Monday, 12 June 2017, bringing the total dividend for 2016 to US$0.18[3] per Share

1 For identification purposes only.
2 Number of Shares outstanding at 31 December 2016 was 694,010,334 and at 31 December 2015 was 589,908,834.
3 Includes interim dividend of US$0.061 per Share paid to Shareholders registered at the close of business on 19 September 2016.

Definitions of capitalised terms used in this final results announcement are found in the final pages

Exhibit 1: NPAT, US$'m

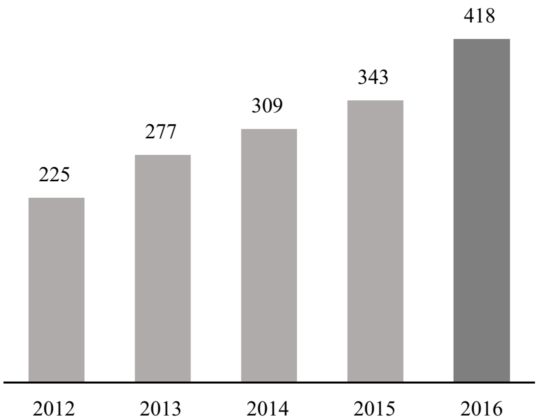


Exhibit 2: Total Assets, US$'b

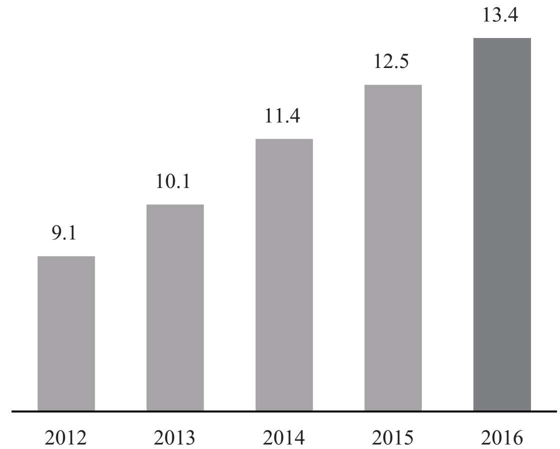


Exhibit 3: Financial highlights

	Year ended 31 December		
	2016	2015	Change[1]
	US$'m	*US$'m*	*%*
Statement of Profit or Loss			
Revenues and other income	**1,193**	1,091	9.4
Costs and expenses	**(719)**	(690)	4.4
Profit before income tax	**474**	401	18.0
Net profit after income tax	**418**	343	21.8
	As at 31 Dec 2016	As at 31 Dec 2015	Change[1]
	US$'m	*US$'m*	*%*
Statement of Financial Position			
Cash and fixed deposits	**558**	507	10.2
Total current assets	**820**	754	8.7
Total non-current assets	**12,625**	11,720	7.7
Total assets	**13,445**	12,474	7.8
Total current liabilities	**1,190**	1,215	(2.1)
Total non-current liabilities	**8,873**	8,819	0.6
Total liabilities	**10,063**	10,034	0.3
Net Assets	**3,382**	2,440	38.6
Key financial ratios			
Net assets per share (US$)[2]	**4.87**	4.14	
Debt to equity (times)	**2.6**	3.7	

1 Percentage change is calculated based on numbers in US$ thousands as shown in the consolidated financial statements.

2 Number of Shares outstanding at 31 December 2016 was 694,010,334 and at 31 December 2015 was 589,908,834.

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

As at 31 December 2016, BOC Aviation:

- Had a portfolio comprising 284 owned and managed aircraft, with an average aircraft age of 3.2 years and an average remaining lease term of 7.3 years for the owned aircraft fleet, in each case weighted by net book value ("**NBV**")
- Leased aircraft to 68 airlines in 32 countries and regions
- Took delivery of 67 aircraft (including 11 acquired by airline customers on delivery) during 2016, with 27 aircraft delivered in 4Q 2016 alone
- Signed 79 leases in 2016
- Sold 37 owned and one managed aircraft during 2016
- Had an orderbook of 199[1] aircraft
- Increased the number of new aircraft due for delivery in 2017 to 71

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

Exhibit 4: Aircraft Portfolio at 31 December 2016, by number of aircraft

Aircraft Type	**Owned Aircraft**	**Managed Aircraft**	**Aircraft on Order**[1]	**Total**
Airbus A320CEO family	122	13	27	162
Airbus A320NEO family	0	0	64	64
Airbus A330 family	11	7	2	20
Airbus A350-900	0	0	6	6
Boeing 737NG family	83	9	37	129
Boeing 737-MAX 8	0	0	61	61
Boeing 777-300ER	16	2	2	20
Boeing 777-300	0	1	0	1
Boeing 787	1	0	0	1
Embraer E190 family	11	2	0	13
Freighters	2	4	0	6
Total	**246**	**38**	**199**	**483**

Exhibit 5: NBV of aircraft by region[2, 3]

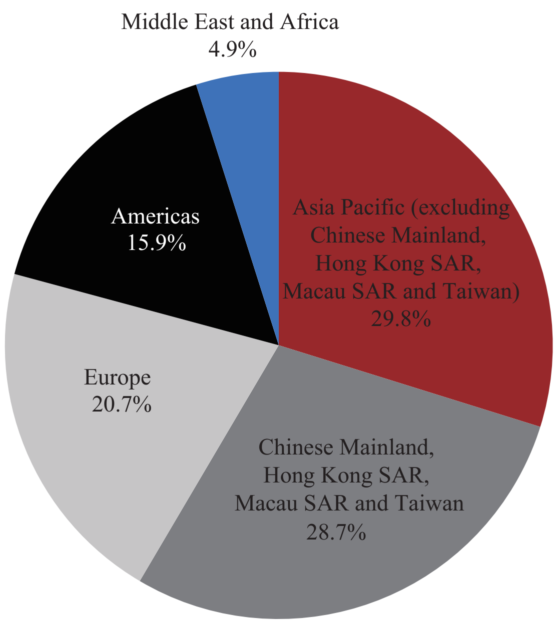
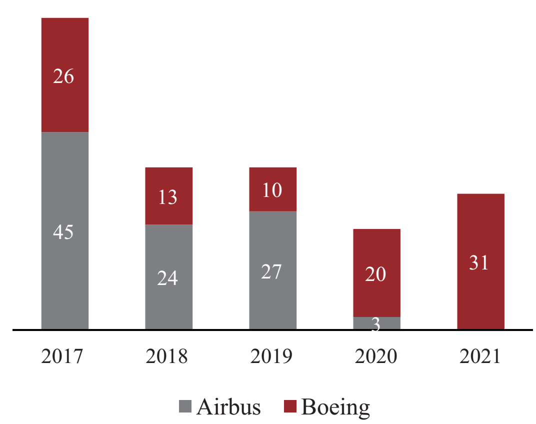


Exhibit 6: Committed aircraft deliveries by number of aircraft



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

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

3 Includes aircraft held for sale, but excludes aircraft off lease.

CHAIRMAN'S STATEMENT

2016 marked another year of growth and record earnings for BOC Aviation. As at end of 2016, our assets exceeded US$13 billion, total revenues and other income increased to US$1.2 billion, and net profit after tax rose 22% to a new record of US$418 million. Our board of directors has recommended a final dividend of US$0.119 per share, bringing the total dividend for 2016 to US$0.18 per share – a distribution of 30% of net profit after tax, pending approval at the AGM to be held on 31 May 2017.

2016 witnessed a significant breakthrough in product innovation by BOC Aviation. We have executed a successful initial public offering in June 2016, which was the world's largest for an aircraft operating lessor, raising US$550 million in primary equity to fund its fleet expansion programme. This is a notable milestone in the history of the company, enabling the company to diversify its funding sources by tapping the international capital markets, enhance its capital strength and provide strong support to the company's expanding its global markets and widening its lead. Bank of China continues to be BOC Aviation's largest single shareholder, with a 70% interest.

BOC Aviation has done an outstanding job diversifying in the key areas of aircraft assets and a broad client base. As at end of 2016, we leased our fleet of 284 owned and managed aircraft to 68 airlines in 32 countries and regions, including most of the world's leading airlines. During the year, the cumulative delivery of aircraft since inception surpassed 250 for Airbus and exceeded 190 for Boeing. BOC Aviation remains a Top 10 Airbus customer and was its largest globally by number of deliveries in 2016.

During the year, BOC Aviation has earned recognition from a wide range of industry bodies with awards that include APAC Overall Deal of the Year and APAC Lessor of the Year from Airline Economics.

Looking ahead to 2017, while the aircraft operating leasing industry remains competitive, sustained robust airline profitability and the growth in airline passenger numbers underpins the industry's requirement for new aircraft. By sticking to BOC Group's strategy of "Serving Society, Delivering Excellence," with access to BOC Group's financial strength and global reach, BOC Aviation will continue to improve its corporate governance, enhance its business performance, and strive to be the best aircraft leasing company. BOC Aviation's significant orderbook, its strong liquidity and access to capital positions it well to meet our customers' demand.

I would like to thank our customers and business partners for their ongoing support, and our shareholders, directors, management and employees for their contributions. I believe that with our joint efforts, BOC Aviation will achieve another year of record performance ahead, creating even greater value for its shareholders as well as for the society.

Chen Siqing
Chairman

CHIEF EXECUTIVE'S COMMENTS

2016 was an eventful year for BOC Aviation that included another year of record profitability, a successful initial public offering and milestone deliveries from our manufacturer partners. Our net profit after tax of US$418 million represented a 22% increase over 2015, itself a record year, and we generated a return on equity of 14.4% after the injection of US$550 million in new equity in conjunction with our IPO. Our pre-tax profit margin increased to 39.7% from 36.8% in the prior year.

The industry backdrop remains strong. The primary driver of our business is passenger demand and 2016 saw a global rise of 6.3% in passenger traffic according to the International Air Transport Association. This is the seventh consecutive year that the aviation industry has generated demand growth ahead of the 5% baseline that we feel is an achievable long-term growth rate. To keep pace with this growth, the global airline fleet in our target segment (being passenger jets with more than 100 seats) rose by 5.8% to 20,484 aircraft, with orders placed for another 1,314 planes, representing a 1.3% change in the global orderbook. We feel that the aggregate global supply/demand relationship remains in balance, with the ratio of global orderbook to installed fleet falling to 63% as at 31 December 2016, compared with 68% a year earlier. Airbus and Boeing accounted for 95% of deliveries to our market in 2016, retaining an effective duopoly that has a vested interest in maintaining production at sustainable levels.

We delivered 67 aircraft to airline customers in 2016 with 11 of these acquired by the airlines on delivery. In addition, we sold 37 owned and one managed aircraft as we continued our strategy of optimally diversifying our portfolio and owning a young and highly popular fleet, with a weighted average age of 3.2 years and a weighted average remaining lease term of 7.3 years, both as at year end. Key to achieving this young average age was the sale of the older aircraft. As at 31 December 2016, the Company's orderbook stood at 199 aircraft, all due to deliver before the end of 2021. These new aircraft are primarily popular, in-production single aisle models of the Airbus A320 and Boeing 737 families. We also have ten widebody aircraft delivering during 2017, all of which have committed long-term leases to strong airlines.

Revenue for 2016 increased more than 9% year-on-year, to US$1,193 million. This drove a 7% rise in our core lease rental contribution[1] to US$436 million, which reflects the overall growth of our fleet and balance sheet combined with a resilient net lease yield. Robust contributions were recorded by our aircraft sales team, with gains on sale rising 30% to US$91 million compared with US$70 million in 2015 as we focused on improving the asset quality of the portfolio, with no aircraft older than ten years now in the owned fleet. Our interest and fee income rose to US$48 million from US$40 million in 2015, reflecting a larger pool of managed aircraft and fees charged for funding pre-delivery payments. Our revenue base continues to grow strongly in Asia-Pacific and we were particularly pleased to add Air China to our customer list in 2016. Our transaction with Qatar Airways for the purchase and lease back of six new-technology Airbus A350 aircraft, signed in December, demonstrates that we will continue to focus on new technology products.

Operating margin[2] remained unchanged at 41.6%, despite a rise in interest rates towards the end of the year. Our average interest rate rose from 2% in 2015 to 2.5% in 2016, but much of this was offset by an increase in revenue from our floating rate leases, and our net lease yield demonstrated resilience, remaining at 8.2%.

---

1 Core lease rental contribution is defined as lease rental revenue less depreciation and finance expenses, amortisation of debt issue costs and lease transaction closing costs

2 Operating margin is defined as lease rental income less depreciation, amortisation of debt issue costs and lease transaction closing costs and finance expenses divided by total lease rental income

We were also very active in the capital markets during 2016. In addition to a US$750 million bond offering and our successful IPO in the first half of 2016, we issued a five-year US$500 million bond in September with a coupon of 2.375%. This bond offering was heavily over-subscribed and represented the lowest debt capital markets pricing for a financing of this tenor in the Company's history. We were also active in the bank markets in the second half of 2016, signing commitments from 29 banks for a new US$1.5 billion medium term revolving credit facility. We ended the year with over US$4 billion in undrawn lines of credit which positions the Company well for financing future investment opportunities.

Our net cash flow from operating activities was US$1.1 billion, with portfolio utilisation remaining high at 99.9% and cash collection at 99.8%. We ended 2016 with over US$4.7 billion in cash and undrawn, committed unsecured lines of credit, which we will use to fund our capital expenditure commitments and refinance maturing debt facilities.

Our available liquidity provides an ideal platform from which to opportunistically deploy capital in both deliveries directly from manufacturers and via Purchase and Lease-Back (PLB) transactions. While we remain active across the spectrum of aircraft leasing, we believe that recent PLB transactions with two major flag carriers demonstrate the competitive advantage that we enjoy when dealing in scale and complexity. We expect this advantage to continue in 2017, which is already anticipated to be our largest year of deliveries: 71 aircraft are already due to deliver in 2017 and we expect to build on this as the year progresses.

Our strategy is characterised by discipline and focus. This has produced another record earnings year culminating in 23 years of unbroken profitability. We intend to follow the same pattern of accretive investment in our fleet and growth in our balance sheet and in our profits in 2017. We anticipate another successful year ahead.

Robert Martin
Managing Director and Chief Executive Officer

BUSINESS AND FINANCIAL REVIEW

BOC Aviation Limited is one of the largest aircraft operating leasing companies in the world. Our primary source of revenue is from long term, US dollar-denominated leases contracted with our globally diversified customer base financed by US dollar denominated debt.

From our inception to 31 December 2016, we have:

- Purchased and committed to purchase more than 690 aircraft with an aggregate purchase price of more than US$34 billion

- Executed more than 670 leases with more than 130 airlines in 52 countries and regions

- Sold more than 250 owned and managed aircraft

We benefit from a low average cost of debt, which was 2.5% during 2016, supported by our strong investment grade corporate credit ratings of A- from both S&P Global Ratings and Fitch Ratings and by our access to diverse debt funding sources. Our primary sources of debt funding are unsecured bonds and unsecured and secured third-party commercial bank debt and we have raised more than US$19 billion in debt financing since 1 January 2007.

We have strong liquidity including access to more than US$4 billion in undrawn committed lines of credit as at 31 December 2016.

Our Senior Management team remains highly experienced, international and stable, with most of the team having extensive experience working in the aviation industry.

Revenue

Lease rental income continues to provide the majority of our total revenue, supplemented by gains on sale of aircraft and fee income. Part of the 7.5% rise in lease rental income reflected the impact of higher interest rates on our floating rate leases.

Exhibit 7: Revenue breakdown, % 2016

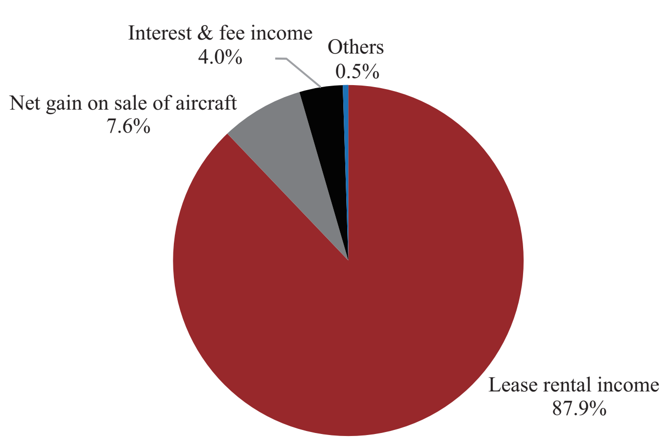
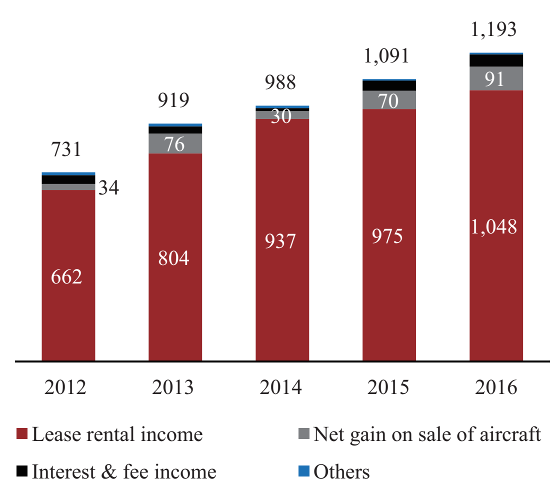
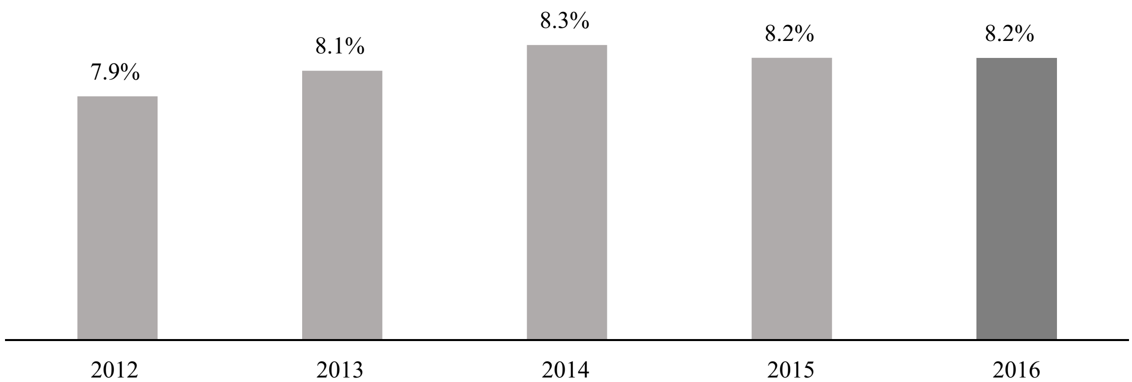


Exhibit 8: Revenue breakdown, US$'m



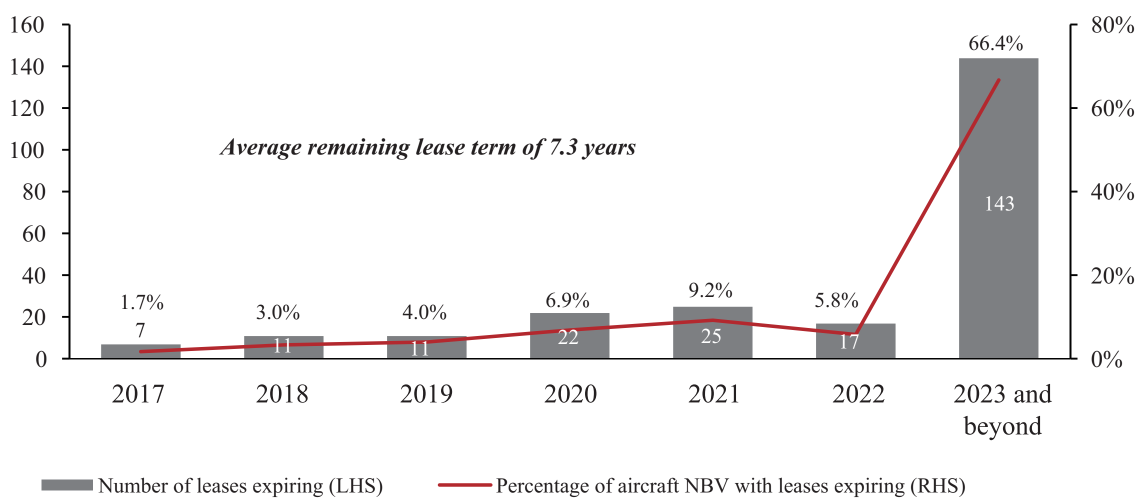
We maintained a net lease yield[1] in line with 2015.

Exhibit 9: Net lease yield, %



Our lease rental revenue is contracted on a long-term basis. Lease expiries on two thirds of our portfolio occur in 2023 or beyond, with leases on less than 2% of our portfolio expiring in 2017.

Exhibit 10: Lease expiries as % of portfolio[2,3] as at 31 December 2016



1 Net lease yield is defined as lease rental income less finance expenses divided by average NBV of aircraft.

2 Owned aircraft with leases expiring in each calendar year, weighted by NBV, excluding any aircraft for which BOC Aviation has sale or lease commitments and aircraft off lease

3 NBV includes aircraft off lease as at 31 December 2016

Operating Expenses

Aircraft costs and finance expenses remain the largest components of our operating costs and have consistently represented around 85% of our total operating costs. Depreciation of aircraft was broadly flat compared to the previous year while impairment charges fell considerably following the sale of all aircraft older than 10 years from the portfolio.

Exhibit 11: Cost breakdown, % 2016

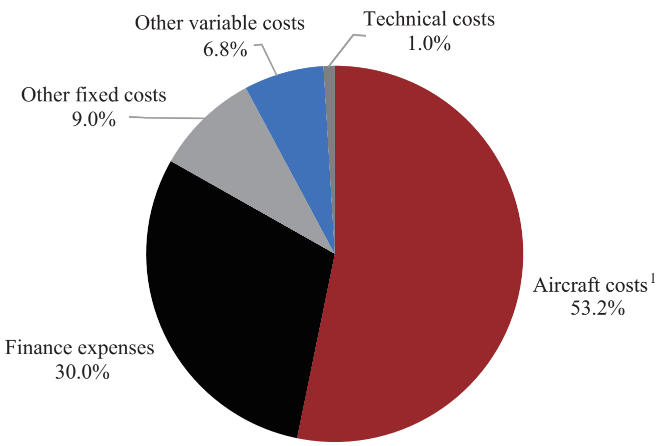
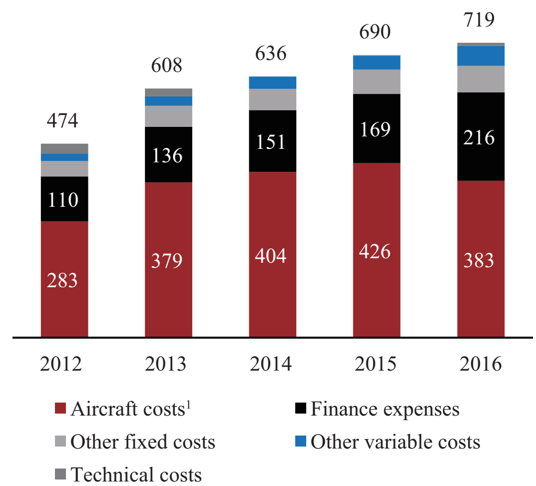
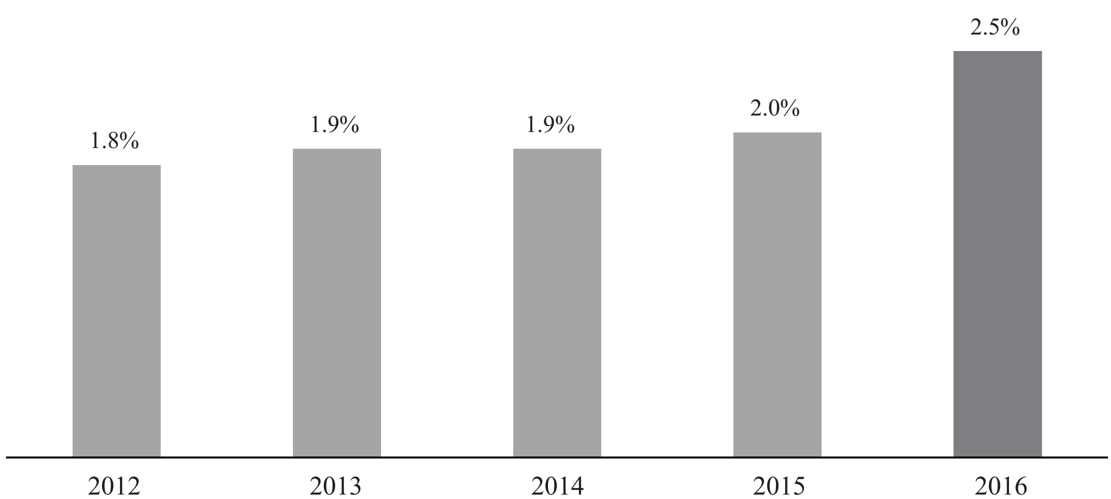


Exhibit 12: Cost breakdown, US$'m



Our average interest rate rose to 2.5% from 2% in 2015. This reflected the impact of higher base interest rates on the large part of our debt that is on floating rates, as well as the higher costs associated with fixed rate debt as we have increased the proportion of our borrowings that we raised in the debt capital markets.

Exhibit 13: Average interest rate, %



[1] Aircraft costs comprise depreciation and impairment charges

Net Profit After Tax

In 2016, our earnings of US$418 million rose 22%, continuing our pattern of producing consistent year on year improvements and marking 23 years of unbroken profitability.

Our effective tax rate for 2016 fell to 11.8% in 2016 from 14.5% in 2015, mainly due to a write-back of provisions in respect of prior years. Overseas tax provisions, principally in the United States, represent most of our tax charge.

Exhibit 14: Effective tax rate, %

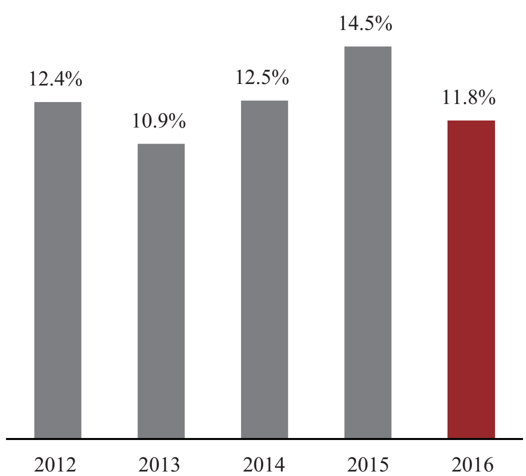
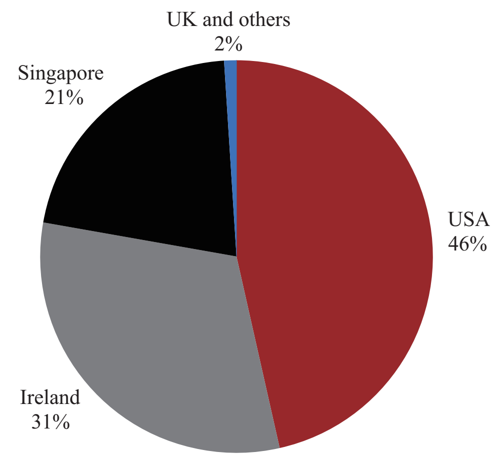


Exhibit 15: Income tax expense by jurisdiction, % 2016



Assets and Equity

Our asset base increased by over US$0.9 billion to US$13.4 billion, with aircraft representing the largest component. This was driven by the investment of retained earnings, IPO proceeds and asset sales proceeds into new aircraft as our owned fleet rose by a net 19 aircraft. The full life, current market appraised value of our fleet based on the average of five independent appraisers rose by 10%, with an excess of US$1.5 billion over its book value – representing a premium of more than 14%.

Exhibit 16:
Total Assets vs. Fleet NBV, US$'b

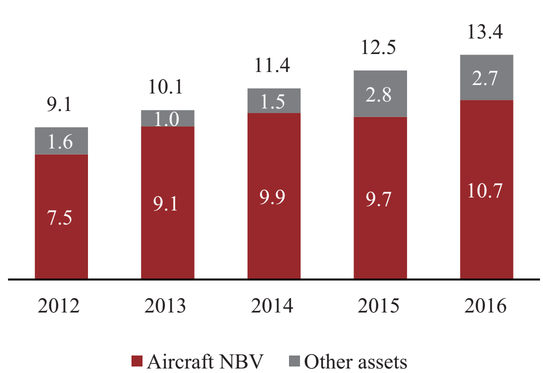
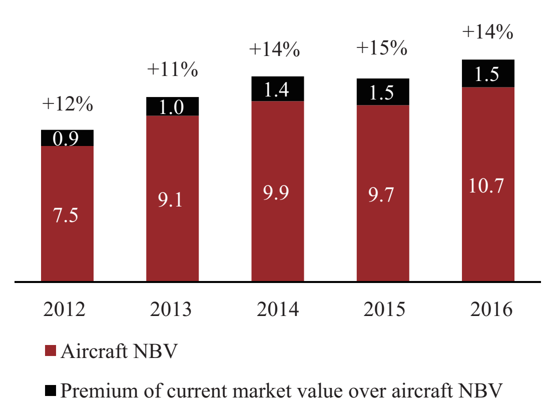


Exhibit 17:
Fleet NBV vs. appraised value[1], US$'b



[1] Percentages refer to premium of appraised current market value over aircraft NBV

The NBV of our fleet rose 10% to US$10.7 billion, reflecting the delivery of 56 new aircraft. Retained earnings and the US$550 million of primary proceeds from our IPO lifted our equity base by US$1 billion to US$3.4 billion. Due to the impact of receiving US$550 million of primary proceeds from our IPO, our gearing fell to 2.6 times as at 31 December 2016 from 3.7 times a year earlier, and our ROE was reduced slightly from 15.1% in 2015 to 14.4% in 2016.

Exhibit 18: 2016 fleet NBV evolution, US$'b

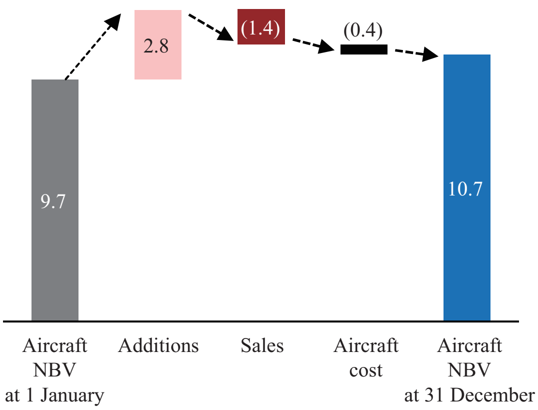
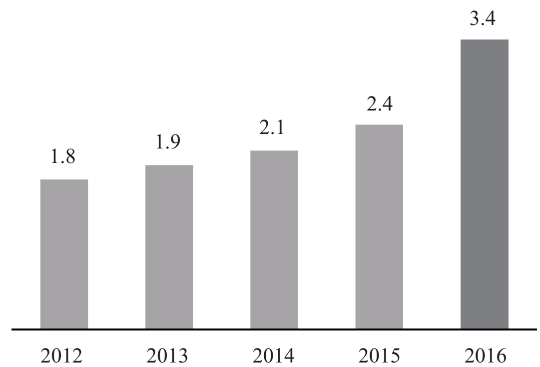


Exhibit 19: Total Equity, US$'b



Our balance sheet growth is driven by our capital expenditure programme, the vast majority of which comprises investment in aircraft. This accelerated in the second half of 2016 as we deployed all of the IPO proceeds. The orderbook of 199 aircraft as at 31 December 2016 accounted for over US$8.5 billion of future capital expenditure.

Liabilities

Total liabilities were stable in 2016, reflecting debt levels that edged modestly down, offset by an increase in trade and other payables. As at 31 December 2016, our borrowings totalled US$8.5 billion, down marginally from US$8.7 billion in the prior year.

Exhibit 20: Total liabilities, US$'b

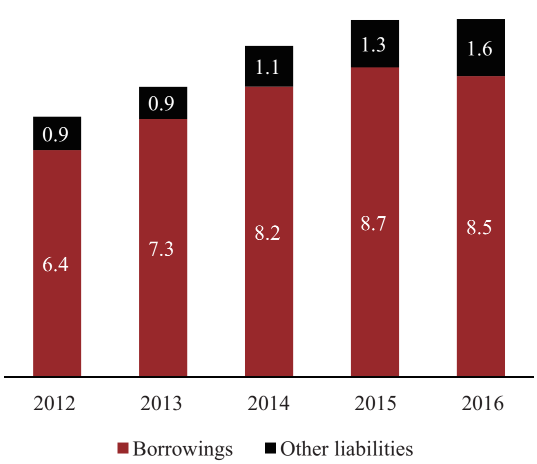
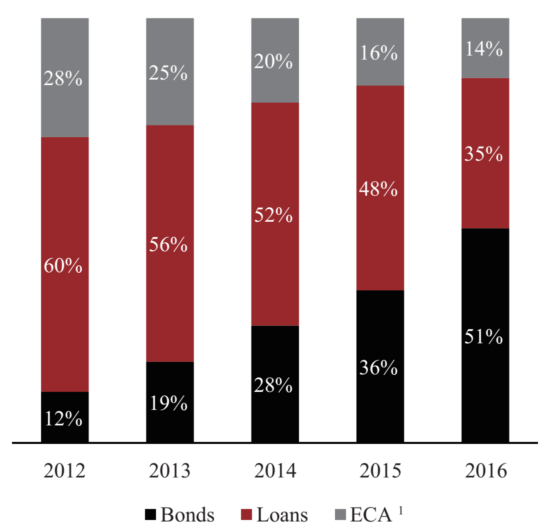


Exhibit 21: Sources of debt, %



[1] ECA refers to debt guaranteed by the export credit agencies of France, Germany, the United Kingdom and the United States.

The proportion of both our leases and our debt financing that is contracted on a fixed rate basis rose in 2016 as more of our airline customers sought certainty in a rising interest rate environment. We have reflected this fixed rate lease preference in our funding mix. A large proportion of our lease portfolio and corporate debt remains on floating rates. However, we manage any mismatch between the two through interest rate hedges[1], which limits the impact of interest rate movements on our earnings[2].

Exhibit 22: Fixed vs. floating rate leases[3], %

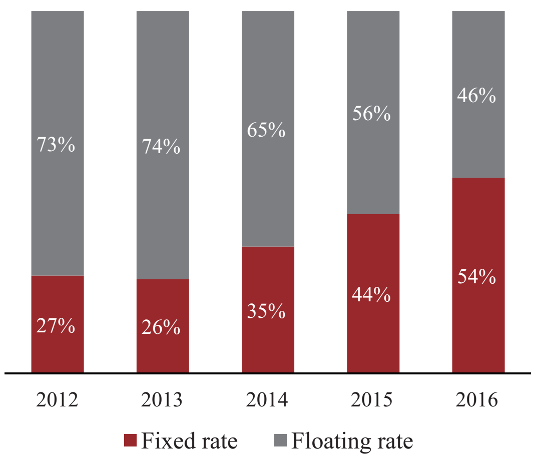
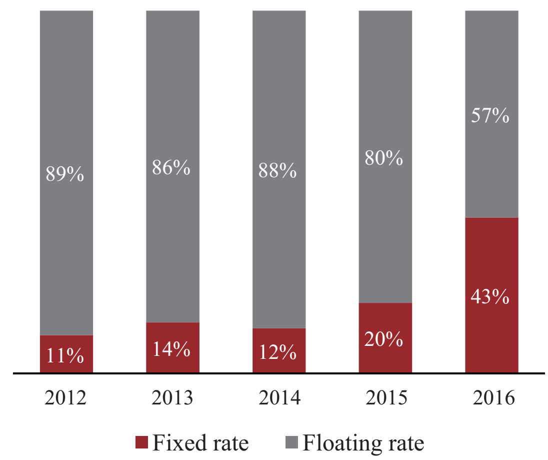


Exhibit 23: Fixed vs. floating rate debt, %



1 Approximately 80% of mismatched fixed interest rate exposure was hedged as at end December 2016

2 A 25 basis points increase in interest rates on our floating rate leases, deposits and debt, holding all other variables constant, would decrease our annual net profit after tax by approximately US$0.1 million based on the lease portfolio, deposits and debt composition as at 31 December 2016

3 By NBV excluding aircraft off lease

Significant Events after 31 December 2016

Subsequent to year-end, we successfully renewed the Aircraft Leasing Scheme (the "**ALS**") in Singapore for a five-year period from 1 July 2017. 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%.

Business Environment

Our revenues derive largely from two sources – leasing aircraft and selling aircraft.

Airline demand for leased aircraft is the primary driver of lease rental income. Demand for leased aircraft by airlines, in turn, is driven by growth in air travel. In 2016, passenger traffic is estimated by IATA to have grown a 6.3%, above the long-term average growth rate of 5.0%, and IATA is also projecting passenger traffic growth at or above average growth rates in 2017. Airline cashflows and profitability were very strong in 2016. While IATA is projecting lower global profit levels for airlines in 2017 and a strong financial performance bias toward North American carriers, IATA's global profit forecast for 2017 would make it one of the three best years in airline industry history. However, it is important to note that passenger travel demand can be sensitive to external shocks, through terrorism, pandemic or restrictions on travel or trade flows. We mitigate these risks by maintaining a young, in-demand portfolio of aircraft and an orderbook comprising the most popular single-aisle aircraft, and by focusing on our customer selection process. There are more than 800 airlines in the world, but fewer than 150 airlines meet our target customer criteria.

Investor demand for leased aircraft is a primary driver of our aircraft sales program and our ability to generate gains on sale. The availability and cost of financing is, in turn, one of the key drivers for investor demand for leased aircraft. The aircraft leasing industry continues to be characterised by high levels of US dollar liquidity. While interest rates in the second half of 2016 increased somewhat, and there are expectations for further upward pressure in 2017, financing remains generally available for aircraft investors from a number of sources, including banks and the capital markets. This supports asset values, and contributes to investor demand for our aircraft; however, it also puts upward pressure on financing costs and puts greater pressure on lease margins, risks we address through our mix of floating-rate and fixed-rate leases and our hedging policy. External shocks to the financial system, or an unexpectedly rapid increase in interest rates, could adversely affect the cost or availability of financing to potential buyers of leased aircraft and affect our ability to generate gains on sale.

The aircraft operating lease industry remains highly competitive. New entrants increasingly compete for PLB transactions where barriers to entry are low, especially in a market environment in which debt financing for leased aircraft is available on relatively attractive terms. Under our business model, we build our balance sheet and grow our lease rental income through direct orders from the manufacturers as well as PLB transactions. With strong competition and multiple new entrants, we may find it more difficult to grow our balance sheet and our revenue base by winning PLB transactions. Our margins and our returns may also come under pressure. However, a competitive environment characterized by high demand for leased aircraft should also provide good opportunities for selling aircraft.

Aircraft supply also has an important impact on aircraft values and lease rates. Supply in our addressable market, being aircraft with 100 or more seats, has remained relatively stable. In part, this can be attributed to the fact that this market remains effectively an Airbus and Boeing duopoly. In the single-aisle market, Boeing and Airbus are in the early part of the production cycle for new technology aircraft and are increasing production rates. At current production levels, the supply and demand environment for single-aisle aircraft remains in good balance, and it remains to be seen whether the supply chain will be able to support all of the planned increases. As both Boeing and Airbus began deliveries of new technology twin-aisle aircraft, and with larger new technology variants on the horizon, the market experienced an oversupply of the current technology models. Both Boeing and Airbus have scaled back their production rates on the current technology models in response to market conditions. Should either the single-aisle or twin-aisle markets experience oversupply, we could see downward pressure on lease rates and aircraft values, which could have an adverse impact on our ability to grow our lease rental income and sell aircraft.

Environmental Policy and Performance

BOC Aviation commits to use resources efficiently and reduce unnecessary waste. Our efforts are reflected in our sustainable business model and our electronic communications efforts. While we do not operate the aircraft that we own and cannot directly control the greenhouse gas emissions of aircraft operated by our airline customers, our business model centred around a portfolio of new technology, fuel efficient aircraft contributes to reductions in carbon emission. In addition, we promote a sustainable environment by using electronic communication (where possible) to distribute corporate communications to our shareholders who have consented not to receive printed materials. For more information, please refer to pages 59 to 65 in the Environmental, Social and Governance Report in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

In the year ended 31 December 2016, we achieved a profit after tax of US$418 million representing a year-on-year increase of 21.8%.

The selected financial data of our consolidated statement of profit and loss are set out below:

	Year ended 31 December			
	2016	2015	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Lease rental income	**1,048,413**	975,485	72,928	7.5
Interest and fee income	**47,676**	39,844	7,832	19.7
Other income:				
Net gain on sale of aircraft	**90,927**	70,144	20,783	29.6
Other income	**6,069**	5,249	820	15.6
Total revenues and other income	**1,193,085**	1,090,722	102,363	9.4
Depreciation of plant and equipment	**377,948**	381,951	(4,003)	(1.0)
Impairment of aircraft	**4,800**	43,900	(39,100)	(89.1)
Finance expenses	**215,737**	168,771	46,966	27.8
Staff costs	**74,579**	58,689	15,890	27.1
Other operating costs and expenses	**46,214**	35,978	10,236	28.5
Total costs and expenses	**(719,278)**	(689,289)	29,989	4.4
Profit before income tax	**473,807**	401,433	72,374	18.0
Income tax expense	**(55,727)**	(58,126)	(2,399)	(4.1)
Profit for the year	**418,080**	343,307	74,773	21.8

Revenues and other income

Total revenues and other income increased 9.4% to US$1,193 million from US$1,091 million in 2015 due to an across the board increase in revenue streams, as described below.

Lease rental income

Our lease rental income increased by 7.5% to US$1,048 million as compared to US$975 million in 2015 due to the growth in fleet size, the higher proportion of leases at fixed rates and the increase in US dollar LIBOR which resulted in higher rents for floating rate leases, offset by the reduction in rental income from the 37 aircraft sold in 2016.

Interest and fee income

Our interest and fee income increased 19.7% to US$48 million compared to US$40 million in 2015, due to a combination of a rise in interest income from an increase in cash and bank balances following our IPO in June 2016 and fee income from providing services in relation to managed aircraft and from PDP transactions.

Net gain on sale of aircraft

Net gain on sale of aircraft increased by 29.6% to US$91 million from US$70 million in 2015, despite selling fewer aircraft in 2016, 37 aircraft as compared with 43 in 2015. The net gain on sale of aircraft in 2015 was lower on account of the sale of older aircraft than in 2016.

Costs and expenses

Costs and expenses increased by 4.4% to US$719 million from US$689 million mainly due to higher finance expenses, staff costs and other operating expenses, partially offset by a decline in impairment of aircraft.

Depreciation

Although our fleet grew to 246 from 227 in 2015, depreciation of plant and equipment decreased by 1.0% to US$378 million due to a combination of a greater number of aircraft sold in the first half of 2016 and a greater number of aircraft deliveries occurring in the second half of 2016.

Impairment of aircraft

Impairment of aircraft declined significantly by 89.1% to US$5 million, principally because we sold all aircraft older than ten years old and all out-of-production aircraft by the first half of 2016.

Finance expenses

Our finance expenses increased by 27.8% to US$216 million from US$169 million in 2015 largely due to higher US dollar LIBOR rates affecting the floating rate debt and an increase in the proportion of longer tenor fixed rate debt and floating to fixed interest rate swaps put in place during 2016. The additional fixed rate debt and floating to fixed interest rate swaps were put in place with the intention of hedging the interest rate exposure for funding in relation to the higher proportion of leases at fixed rate rent added in 2016 and to be added in 2017. These are the main factors which contributed to a rise in our average cost of funds to 2.5%, up from 2.0% in 2015.

Staff costs

Staff costs increased by 27.1% to US$75 million from US$59 million in 2015 due to a combination of an increase in headcount as our business grew, higher provisions for bonuses attributable to operational and financial performance, and annual salary increases.

Other operating costs and expenses

Other operating costs and expenses increased by 28.5% to US$46 million primarily due to provision for costs associated with the repossession of two aircraft and IPO expenses in 2016.

Profit before income tax and pre-tax profit margin

As a result of the foregoing, our profit before income tax increased by 18% to US$474 million up from US$401 million in 2015. Our pre-tax profit margin increased to 39.7% in 2016 from 36.8% in 2015.

Income tax expense

Income tax expense reduced by 4.1% to US$56 million from US$58 million in 2015, largely due to a US$9 million write-back of tax in respect of prior years in 2016. As a result, the effective tax rate decreased to 11.8% in 2016 from 14.5% in 2015.

Profit for the year and net profit margin

With revenues and other income increasing more than costs and expenses, and a lower income tax expense, net profit after tax for 2016 increased by 21.8% to US$418 million from US$343 million in 2015. Our net profit margin increased to 35.0% for 2016 from 31.5% for 2015.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 7.8% to US$13.4 billion as at 31 December 2016 from US$12.5 billion as at 31 December 2015, largely due to an increase in plant and equipment. Our total equity increased by 38.6% to US$3.4 billion as at 31 December 2016, reflecting IPO proceeds of US$0.55 billion and retained earnings.

The selected financial data of our consolidated financial position are set out below:

	31 December 2016	31 December 2015	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Plant and equipment and assets held for sale	**12,855,173**	11,939,658	915,515	7.7
Cash and fixed deposits	**558,483**	506,832	51,651	10.2
Derivative financial instruments	**16,649**	2,011	14,638	727.9
Other assets	**14,250**	25,404	(11,154)	(43.9)
Total assets	**13,444,555**	12,473,905	970,650	7.8
Loans and borrowings and finance lease payables	**8,526,852**	8,715,481	(188,629)	(2.2)
Maintenance reserves	**470,020**	432,897	37,123	8.6
Security deposits and non-current deferred income	**256,142**	237,574	18,568	7.8
Derivative financial instruments	**207,257**	146,609	60,648	41.4
Trade and other payables	**119,186**	106,104	13,082	12.3
Other liabilities	**482,930**	395,522	87,408	22.1
Total liabilities	**10,062,387**	10,034,187	28,200	0.3
Net assets	**3,382,168**	2,439,718	942,450	38.6
Share capital	**1,157,791**	607,601	550,190	90.6
Retained earnings	**2,207,855**	1,832,117	375,738	20.5
Statutory and hedging reserves	**16,522**	–	16,522	n.m.
Total equity	**3,382,168**	2,439,718	942,450	38.6

Plant and equipment and assets held for sale

We had plant and equipment and assets held for sale of US$12.9 billion and US$11.9 billion as at 31 December 2016 and 31 December 2015, respectively. The increase of 7.7% was mainly due to a net increase of 19 aircraft following a delivery of 56 aircraft and sale of 37 aircraft in 2016.

Aircraft assets constituted the largest component in plant and equipment and assets held for sale, amounting to US$10.7 billion (83.1%) and US$9.7 billion (81.2%) as at 31 December 2016 and 31 December 2015, respectively. The other main component was aircraft pre-delivery payments which constituted 16.9% and 18.8% of our total plant and equipment and assets held for sale as at 31 December 2016 and 31 December 2015, respectively.

Trade receivables

There were no overdue trade receivables from airline customers as at 31 December 2016 and 31 December 2015.

Cash and fixed deposits

Our cash and fixed deposits increased by 10.2% to US$558 million, primarily due to strong cashflow from operations and from our debt capital markets activities.

Derivative financial instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, that were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we entered into as at 31 December 2016 and 31 December 2015. Derivative financial instrument liabilities increased by US$61 million to US$207 million while derivative financial instrument assets showed a US$15 million increase. The movements in derivative financial assets and liabilities were due to changes in mark-to-market values of the derivative financial instruments.

Trade and other payables

Our trade and other payables increased by 12.3% to US$119 million from US$106 million compared to 2015 mainly due to increase in accrued interest and provision for costs associated with the repossession of two aircraft.

Loans and borrowings and finance lease payables

Our loans and borrowings and finance lease payables (after adjustments for debt issue costs, fair values and discounts/premiums to medium term notes) showed a 2.2% decrease from 2015 to US$8.5 billion mainly due to repayment of US$2.1 billion in debt, offset by proceeds from new financing of US$2.0 billion including the issuance of medium term notes of US$1.25 billion.

Share Capital

The net proceeds from the IPO contributed to the increase in share capital by US$550 million to US$1.2 billion. Proceeds from the IPO were used to purchase new aircraft.

Total Equity

Total equity increased to US$3.4 billion from US$2.4 billion due to an increase in share capital and retained earnings net of the interim dividend.

OTHER INFORMATION

Liquidity and Capital Resources

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

In the first half of the year, we raised US$550 million in net proceeds from the issue of 104 million Shares in our IPO. We also raised long term debt including the issue of a US$750 million 10-year bond together with a US$500 million syndicated loan. In the second half of the year, we issued a US$500 million five-year bond. The proceeds from our IPO reduced the gearing as at 31 December 2016, as demonstrated in the table below:

	31 December 2016	31 December 2015
	US$'m	*US$'m*
Gross debt	**8,836**	8,956
Total equity	**3,382**	2,440
Gearing (times)	**2.6**	3.7

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

Our objective is to return to a gearing between 3.5 and 4.0 to 1 in the medium term.

Our liquidity remains strong, with cash and fixed deposits of US$558 million as at 31 December 2016 with over US$4 billion undrawn, unsecured, committed revolving credit facilities. We will continue to focus on maintaining competitive funding costs by adopting a proactive approach to debt financing and by maintaining a diverse range of financing sources and well-dispersed refinancing requirements.

Details of our indebtedness are set out below:

Indebtedness

	31 December 2016	31 December 2015
	US$'m	*US$'m*
Secured		
Loans (including finance lease payables)	**1,809**	3,305
Export credit agency supported financing	**1,250**	1,428
Total secured debt	**3,059**	4,733
Unsecured		
Medium term notes	**4,463**	3,213
Loans	**1,314**	790
Revolving credit facilities	**–**	220
Total unsecured debt	**5,777**	4,223
Total indebtedness	**8,836**	8,956
Less: adjustments for debt issue costs, fair values and discounts/premiums to medium term notes	**(309)**	(241)
Total debt	**8,527**	8,715
Number of aircraft pledged as security	**107**	145
Net book value of aircraft pledged as security	**4,599**	6,410
Percentage of number of aircraft pledged as security	**43.5%**	63.9%

Of the total indebtedness, debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to US$3.8 billion (31 December 2015: US$1.7 billion). Collateral for secured debt includes mortgages over aircraft, assignments of operating leases and pledges of bank accounts and/or the shares in certain subsidiary companies.

In line with our Company's strategy to reduce secured debt as a proportion of total assets and of total indebtedness, these proportion have come down in 2016 as set out in the table below:

	31 December 2016	31 December 2015
Secured Debt/Total Assets	**22.8%**	37.9%
Secured Debt/Total Indebtedness	**34.6%**	52.8%

Debt repayment profile

	31 December 2016 *US$'m*
2017	**937**
2018	**1,351**
2019	**1,229**
2020	**1,566**
2021	**1,295**
2022 and beyond	**2,458**
Total	**8,836**

Credit Ratings

Our credit ratings remain unchanged, at A- for S&P Global Ratings and Fitch Ratings.

Foreign currency risk management

Our transactional currency exposures mainly arise from borrowings that are denominated in a currency other than United States dollar, our functional currency.

All loans and borrowings that are denominated in Australian dollar, Chinese Yuan and Singapore dollar are swapped into United States dollar liabilities. Foreign currency exposure arises when we collect United States dollar revenues in our business to repay the Australian dollar, Chinese Yuan or Singapore dollar borrowings. We primarily utilise cross-currency interest rate swap contracts to hedge our Australian dollar, Chinese Yuan and Singapore dollar denominated financial liabilities.

Future Plans for Material Investments and Sources of Funding

As at 31 December 2016, we had 199 aircraft on order from the manufacturers amounting to total capital expenditure of over US$8.5 billion. We intend to continue to grow our investment pipeline of aircraft.

	Aircraft capital expenditure commitment as at 31 December 2016, US$'m[1]
2017	2,835
2018	1,300
2019	1,650
2020	1,168
2021	1,618
Thereafter	0
Total	8,571

1 Amount of future commitments under purchase agreements including assumed escalation to delivery.

We benefit from our strong investment grade corporate credit ratings of A- from both S&P Global Ratings and Fitch Ratings and by our access to diverse debt funding sources. Our primary sources of debt funding are unsecured bonds and unsecured and secured loan facilities. We have been an issuer of bonds since 2000 and continue to regularly issue bonds as needed for funding under our US$5 billion Global Medium Term Note Program.

We enjoy access to and continued support from a large group of lenders which totalled 88 financial institutions as at 31 December 2016. We have over US$4 billion in committed unsecured revolving credit facilities. This includes a US$2 billion facility from Bank of China which matures in April 2022 and a US$1.5 billion facility from a syndicate of banks that was put in place in October 2016. This latter facility is comprised of two US$750 million tranches that mature in October 2019 and October 2021 respectively. Our unsecured revolving credit facilities were fully unutilised as at 31 December 2016.

Aircraft Purchase Mandate

Under the terms of the Aircraft Purchase Mandate, the Directors are authorised to purchase from Airbus not more than 50 single-aisle or single-aisle equivalent aircraft of certain aircraft types with an aggregate aircraft list price of not more than US$6.2 billion. The directors are also authorised to purchase from Boeing not more than 50 single-aisle or single-aisle equivalent aircraft of certain aircraft types with an aggregate aircraft list price of not more than US$6.3 billion.

As at the date of this announcement, the Company has committed to purchase a cumulative number of 12 single-aisle or single-aisle equivalent aircraft from Airbus with an aggregate 2016 list price of approximately US$1.3 billion and 17 single-aisle equivalent aircraft from Boeing with an aggregate 2016 list price of approximately US$1.8 billion pursuant to the Aircraft Purchase Mandate since 12 May 2016, being the date on which the Aircraft Purchase Mandate was granted.

Business Environment, Uncertainties and Development

Please refer to "Chairman's Statement", "Chief Executive's Comments" and "Business and Financial Review" sections for a review of the principal risks and uncertainties facing the Company, and the likely future development of the Company's business.

Employees

As at 31 December 2016 and 31 December 2015, we had 152 and 137 employees, respectively, who were engaged in the operation and management of our business.

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

We set targets for our employees based on their position and team and periodically assess their performance. The results of such assessments are used in their salary reviews, bonus awards and promotion appraisals. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our staff bonuses include two staff incentive plans, which are settled in cash and implemented as follows: (i) our short term incentive plan, under the terms of which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive plan, under the terms of which a bonus is payable to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period. Following our IPO, the Company has taken the opportunity to further align the interests of shareholders and management, with the introduction of a new employee compensation scheme. As part of the new long term incentive plan, which will be administered by an independent trustee, half of all discretionary awards made to participants will be invested in BOC Aviation shares purchased in the secondary market.

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

For the year ended 31 December 2016 and 31 December 2015, our staff costs were approximately US$75 million and US$59 million representing approximately 6.3% and 5.4% of our total revenues and other income of each year.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2016, there was no material acquisition or disposal of subsidiaries or associates by the Company.

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Directors

Mr. CHEN Siqing

Chairman, Non-executive Director and Chairman of the Nomination Committee, aged 56. Mr. Chen has been serving as the Chairman of the Board of Directors of the Company since December 2011.

Mr. Chen is currently the Vice Chairman, Executive Director and President of BOC and the Vice Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited. Mr. Chen joined BOC in 1990 and worked in the Hunan Branch before he was seconded to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Mr. Chen held various positions in BOC from June 2000 to May 2008, including Assistant General Manager, Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of BOC and General Manager of the Guangdong Branch. He served as Executive Vice President of BOC from June 2008 to February 2014. Mr. Chen graduated from Hubei Institute of Finance and Economics in 1982 and obtained an MBA from Murdoch University, Australia in 1999. He is a Certified Public Accountant and holds the title of Senior Economist.

Mr. WANG Genshan

Vice Chairman, Deputy Managing Director, Executive Director and a member of the Strategy and Budget Committee, aged 60. Mr. Wang joined the Company in 2006 as the Vice-Chairman and a Non-executive Director. Since January 2008, he has served as Vice-Chairman and an Executive Director.

Mr. Wang was appointed as a Deputy Managing Director in 2008. Mr. Wang joined BOC in 1978 and he was Deputy Head of the Aircraft Leasing Preparatory Team in BOC in 2006 prior to BOC's acquisition of the Company. Mr. Wang graduated from East China Normal University in the PRC with a Diploma in English Linguistics in October 1978.

Mr. Robert James MARTIN

Managing Director, Chief Executive Officer, Executive Director and a member of the Strategy and Budget Committee, aged 52.

Mr. Martin was appointed as a Director and the Managing Director in 1998. Mr. Martin joined the Company in 1998 and has more than 28 years of experience in the aircraft and leasing business. Mr. Martin graduated from Cambridge University in the United Kingdom with a Master of Arts degree in Economics in March 1991.

Mr. GAO Zhaogang

Non-executive Director, a member of the Nomination Committee and the Remuneration Committee, aged 47. Mr. Gao was appointed as a Non-Executive Director in December 2016.

Mr. Gao, is currently an Employee Supervisor and the General Manager of the Human Resources Department of Bank of China. Mr. Gao graduated from Xi'an Shiyou Institute in 1992 and obtained a doctorate degree in management science and engineering from Beijing University of Technology in 2012. He has served as an Employee Supervisor of Bank of China since April 2016.

Mr. LI Mang

Non-executive Director and a member of the Risk Committee and the Strategy and Budget Committee, aged 49. Mr. Li was appointed as a Non-Executive Director in December 2015.

Mr. Li joined BOC in July 1990 and he is currently the General Manager of Global Trade Services Department of BOC. Mr. Li graduated from Central University of Finance and Economics in the PRC in June 1990 with a Bachelor's degree in Economics. He received a Master's degree in Economics from the Chinese Academy of Social Sciences in the PRC in July 2002.

Mr. LIU Chenggang

Non-executive Director, Chairman of Strategy and Budget Committee and a member of the Audit Committee, aged 44. Mr. Liu was appointed as a Non-Executive Director in September 2016.

Mr. Liu joined Bank of China in 1994 and he is currently the General Manager of Financial Management Department of BOC. Mr. Liu graduated from Renmin University of China in July 1994 with a Bachelor's degree in Economics. He then obtained a master's degree in Economics from the People's Bank of China Research Institute of Finance in April 1999, and was awarded a master's degree in Applied Finance by Macquarie University in November 2003. Mr. Liu is a chartered financial analyst.

Ms. ZHU Lin

Non-executive Director, a member of Audit Committee and the Risk Committee, aged 43. Ms. Zhu was appointed as a Non-Executive Director in January 2014.

Ms. Zhu joined BOC in July 1997 and is currently the Deputy General Manager of Credit Management Department of BOC. Ms. Zhu graduated from Peking University in the PRC in July 1994 with a Bachelor's degree in Economics and received a Master's degree in Economics from Guanghua School of Management, Peking University in July 1997. Ms. Zhu has been a member of the Chinese Institute of Certified Public Accountants since July 1997.

Mr. DAI Deming

Independent Non-executive Director, Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee, aged 54. Mr. Dai was appointed as an Independent Non-executive Director in May 2016.

Mr. Dai is an independent non-executive director of China Zheshang Bank Co., Ltd. (stock code: 02016) (which is listed on the Stock Exchange), Qingdao Haier Co. Ltd. (stock code: 600690), Beijing Capital Development Co. Ltd. (stock code: 600376) (which is listed on the Shanghai Stock Exchange) and CSC Financial Co. Ltd. (stock code: 6066) (which is listed on the Stock Exchange).

Mr. Dai was an independent non-executive director of CSR Corporation Limited (which merged with China CNR Corporation Limited in 2015 to form CRRC Corporation Limited and is listed on the Shanghai Stock Exchange (stock code: 601766) and the Stock Exchange (stock code: 01766)) and chairman of its audit and risk management committee from August 2008 to June 2014. Mr. Dai was also an independent director of Shanxi Taigang Stainless Steel Co., Ltd. (stock code: 000825) (which is listed on the Shenzhen Stock Exchange) from May 2011 to October 2016. He was also an independent director of Beijing Xinwei Telecom Technology Group Co., Ltd. (stock code: 600485) (which is listed on the Shanghai Stock Exchange) from September 2014 to August 2016.

Mr. Dai has served as the dean of the Accounting Department of the School of Business of Renmin University of China from October 2001 to September 2010, professor of the Accounting Department at that university since July 1996 and associate professor of the Accounting Department of that university from July 1993 to June 1996. Mr. Dai graduated from Hunan College of Finance & Economics in the PRC with a Bachelor's degree in Economics with a major in Industrial Financial Accounting in July 1983, graduated with an Accounting major in July 1986 and obtained a Master's degree in Economics in October 1986 from Zhongnan University of Finance & Economics in the PRC, and obtained a Doctorate degree in Economics with a major in Accounting at Renmin University of China in June 1991.

Mr. FU Shula

Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee, aged 61. Mr. Fu was appointed as an independent Director in February 2011 and redesignated as an Independent Non-Executive Director in March 2016.

From 1984 to 2015, Mr. Fu held various senior positions in Aviation Industry Corporation of China ("**AVIC**"), including President of China National Aero-Technology Import & Export Corporation, President of AVIC International Holding Corporation, Deputy Chief Economist of AVIC, Chairman of the Board of AVIC International Holding Corporation, Chairman of the Board of AVIC Aero-Engine Holding Corporation and Chairman of the Board of AVIC Economy & Technology Research Institute. Mr. Fu graduated with a Master's degree in Aero Engine Design from Northwestern Polytechnical University in the PRC in July 1984.

Mr. Antony Nigel TYLER

Independent Non-executive Director, Chairman of the Risk Committee, a member of the Audit Committee and the Strategy and Budget Committee, aged 61. Mr. Tyler was appointed as an Independent Non-executive Director in May 2016.

Mr. Tyler had been the Director General and Chief Executive Officer of the International Air Transport Association ("**IATA**") from 1 July 2011 to September 2016. Prior to joining IATA, Mr. Tyler was an executive director of Cathay Pacific Airways Limited (which is listed on the Stock Exchange (stock code: 00293)) from December 1996 to March 2011 and the Chief Executive from July 2007 to March 2011. He was a non-executive director of Hong Kong Aircraft Engineering Company Limited (stock code: 00044) from December 1996 to September 2008 and an executive director of Swire Pacific Limited (stock code: 00019) (which are listed on the Stock Exchange) from January 2008 to March 2011. Mr. Tyler was also a member of the Board of Governors of IATA and served as its Chairman from June 2009 to June 2010. Mr. Tyler 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 63. Dr. Yeung was appointed as an Independent Non-executive Director in December 2016. Dr. Yeung has been the Dean and Stephen Riady Distinguished Professor at National University of Singapore ("**NUS**") Business School since 2008. Dr. Yeung has more than 30 years of research and teaching experience in finance, economics and business.

Dr. Yeung has various major public appointments. He is a member of Social Science Research Council in Singapore, the President of Asia Bureau of Finance and Economics Research, a member of 3rd Advisory Board of Antai College of Economics and Management of Shanghai Jiao Tong University, a council member of Advisory Council of Economics and Management School of Wuhan University and a panel member of International Academic Panel of Singapore Institute of Management. Dr. Yeung was the president of Association of Asia-Pacific Business Schools from 2009 to 2010. He was also a member of the main & 1st sub-committee of Singapore Economic Strategies Committee in 2009.

Dr. Yeung graduated from University of Western Ontario in 1979 with a Bachelor's degree in Economics and Mathematics. He then was awarded a Master of Business Administration and a Doctor of Philosophy by The University of Chicago in December 1981 and 1984 respectively.

Senior Management

Mr. PHANG Thim Fatt

Deputy Managing Director and Chief Financial Officer, aged 60. Mr. Phang was initially seconded to the Company as the Chief Financial Officer from a former shareholder of the Company, Singapore Airlines Limited, in January 1996. He formally joined the Company in March 1999 in the same role. Mr. Phang was appointed as the Deputy Managing Director of the Company in July 2001. Mr. Phang has been with the Company for 20 years. Mr. Phang graduated from the University of Malaya in Malaysia with a Bachelor's Degree in Economics (First Class Honours) in June 1979.

Mr. David WALTON

Chief Operating Officer, aged 56. Mr. Walton joined the Company in November 2014 as the Chief Operating Officer and has responsibility for legal and transaction management, portfolio planning and management, technical, strategy and market research, compliance and corporate affairs, and investor relations and corporate communications. Prior to joining the Company, he served as a general counsel for both privately held and publicly listed companies, with primary responsibility for structuring and documenting capital raising, joint venture and leasing activities. Mr. Walton graduated from Stanford University in the United States with a Bachelor of Arts (Honours) degree in March 1983 and received a law degree from the University of California, Berkeley (Boalt Hall) in the United States in May 1986.

Mr. Steven TOWNEND

Chief Commercial Officer (Europe, Americas and Africa), aged 47. Mr. Townend joined the Company in January 2001 as Structured Finance Director and was appointed as the Chief Commercial Officer in July 2004. He is currently based in London and oversees all revenue activities in Europe, Americas and Africa and is primarily responsible for airline leasing and sales within the region. Mr. Townend graduated from Loughborough University in the United Kingdom with a Bachelor's Degree in Banking and Finance (Second Class Honours) in July 1991.

Mr. GAO Jinyue

Chief Commercial Officer (Asia Pacific and the Middle East), aged 59. Mr. Gao joined the Company as a board director in December 2006 and was appointed Chief Commercial Officer in December 2014. He is responsible for overseeing all revenue activities within the Asia Pacific and the Middle East and is primarily responsible for airline leasing and sales within the region. He joined BOC in July 1986 and held various senior positions in BOC Head Office including Vice General Manager of Global Finance Department. Mr. Gao was also the General Manager of BOC, Hong Kong branch. Mr. Gao graduated with a postgraduate degree in International Finance from Wuhan University in the PRC in October 1986 and a Master in Public Administration degree from the John F. Kennedy School of Government in Harvard University in the United States in June 2003.

Company Secretary

Mr. CHAN Victor Sun Ho

Company Secretary, aged 35. Mr. Chan was appointed Company Secretary and an authorised representative of the Company on 7 September 2016. Mr. Chan joined the Company in June 2016 as the Vice President of Corporate Affairs overseeing the function of corporate affairs (including company secretarial matters). Prior to joining the Company, he was the company secretary and legal counsel of CBA International Financial Services Limited, a wholly-owned subsidiary of Commonwealth Bank of Australia. Mr. Chan graduated from City University of Hong Kong with a Bachelor of Laws (Honours) degree in 2004 and a Master of Laws degree in International Business Law in 2005. Mr. Chan also obtained a Master of Science degree in Finance from The Chinese University of Hong Kong in 2009 and a Bachelor of Science degree in Aviation Management from Coventry University in 2013. He was admitted as a Solicitor of the High Court of Hong Kong in July 2009.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE POLICY

The Company is committed to enhancing shareholder value by achieving high standards of corporate ethics, conduct, transparency and accountability, and its corporate governance policy is intended to provide guidance for the Company's directors, officers and employees to ensure proper governance, appropriate internal controls and avoidance of conflicts of interests. The Company abides strictly by the relevant laws and regulations in Hong Kong and in Singapore, and observes the Constitution, and the rules and guidelines issued by regulatory authorities including the SFC and the Stock Exchange. The Company from time to time reviews its corporate governance practices against these laws, regulations, rules and guidelines.

The Company has applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code since the Listing Date. The Company will continue to maintain sound corporate governance standards and procedures to ensure the completeness, transparency and quality of our information disclosure. This report sets out a detailed discussion of the corporate governance practices adopted and observed by the Company since the Listing Date.

CORPORATE GOVERNANCE PRACTICE

Corporate Governance Functions

The Board is responsible for performing the functions set out in provision D.3.1 of the Corporate Governance Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of director and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Dealing Policy by the Directors and the staff of the Company, and the Company's compliance with Appendix 14 of the Listing Rules and disclosure in this Corporate Governance Report.

Constitutional Documents

The Constitution is a document containing important corporate governance related information relating to, among other things, the rights and responsibilities of the Shareholders, the Board, the Board Committees, and the Chief Executive Officer. The Constitution also regulates the process of general meetings and meetings of the Board. Since the adoption of the constitution of the Company on 12 May 2016 which became effective on the Listing Date, no changes were made in the Constitution. An up-to-date version of the Constitution is also available on the Company's website and the Stock Exchange's website.

Shareholders Rights

Shareholder(s) representing not less than 10% of the total voting rights of all shareholders may request the Board to convene a shareholders meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance section of the Company's website.

Shareholders who would like to make enquiries to the Board or put forward proposals at a general meeting are requested to follow the requirements and procedures set out in the Corporate Governance section of the Company's website.

If a Shareholder wishes to propose a person other than a retiring Director for election as Director at a general meeting, he or she should deliver written notice of nomination to the Company's registered office within the seven-day period commencing on and including the day after dispatch of notice of the meeting. The procedures for nominating candidates to stand for election as Directors are set out in the Corporate Governance section of the Company's website.

Shareholders Meetings

The Company is required to seek Shareholders' approval according to the requirements under the Listing Rules, the Singapore Companies Act (Cap 50), the Constitution and other relevant and applicable rules and regulations.

The Company is required to hold its annual general meeting every year to transact certain routine business being (a) declaring a dividend, (b) receiving and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached to the financial statements, (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement by rotation or otherwise, (d) appointing or re-appointing the Auditor; (e) fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed, (f) fixing the remuneration of the Directors proposed to be paid in respect of their office as such under article 81 and/or article 82, (g) granting of any mandate or authority to the Directors to allot and issue shares or grant options over or issue warrants convertible into or otherwise dispose of shares representing not more than 20 per cent. (or such percentage as may from time to time be specified in the rules and regulations of the Designated Stock Exchange) of the total number of the then existing number of issued shares and the number of any shares repurchased pursuant to article 54(h); and (h) granting of any mandate or authority to the Directors to repurchase shares. At its annual general meeting, the Company may transact business other than routine business such as granting any mandate or authority to the Directors to purchase aircraft directly from Airbus and Boeing.

Since the Listing Date, the Company has not held any general meeting.

Roles of the Board and Management

The Company is governed by the Board, which is responsible for strategic leadership and control of the Company. There is a clear division of responsibilities between the Board and management. The Board is responsible for providing high-level guidance and effective oversight of management, and for, among other things:

- formulating the Company's long-term strategy and monitoring its implementation
- reviewing and approving business plan and annual budgets
- reviewing operational and financial performance
- reviewing and approving interim and annual results and results announcements
- setting dividend policy
- reviewing and monitoring the Company's risk management and internal controls
- approving appointments to the Board
- approving remuneration and benefit programmes
- formulating environmental, social and governance ("**ESG**") strategy and approving the ESG report
- ensuring good corporate governance and effective compliance

The Board authorises management to implement the strategies as approved by the Board, and management is responsible for achieving the Company's objectives. Management is responsible for the day-to-day operations of the Company and reports to the Board. The Board has formulated clear written guidelines which stipulate the circumstances in which management reports to and obtains prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board conducts a regular review on this authorisation and guidelines.

The Chairman and the Chief Executive

The positions of the Chairman and the Chief Executive of the Company are held by two different individuals and their roles are distinct and clearly established.

Mr. Chen Siqing is the Chairman and is responsible for leadership of the Board and for ensuring that the Board functions effectively and performs its responsibilities and acts in the best interests of the Company. In particular, the Chairman:

- sets the Board's agenda and taking into account any proposal by other Directors to include items in the Board's agenda
- ensures that all Directors are properly briefed on issues arising at Board meetings
- ensures that all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable

- ensures that all key and appropriate issues are discussed by the Board in a timely manner
- leads the Board in establishing good corporate governance practices and procedures for the Company
- encourages efficient and constructive deliberation of issues within the Board
- promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors to the Company's matters and ensures constructive relations between executive and non-executive directors

Mr. Robert Martin is the Managing Director and Chief Executive Officer of the Company, and is responsible for implementing the strategies set by the Board and for leading the successful day-to-day operation of the Company and the achievement of its financial and operational objectives.

Board Composition

The Board comprises the Chairman, four Non-executive Directors, four Independent Non-executive Directors and two Executive Directors. Their biographical details are set out on pages 26 to 29 of this announcement. A list of Directors is set out on page 41 of this announcement.

The Directors do not have financial, business, family or other material/relevant relationships with one another.

Board Diversity

The Company has adopted a board diversity policy. In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, geographical locations, professional experience, skills, knowledge, length of service, regulatory requirements and the legitimate interests of the Company's principal shareholders.

After annual assessment by the Nomination Committee before the date of this announcement, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategy.

Independent Non-executive Directors

From the Listing Date to 31 December 2016, the Board at all times met the requirements of Rule 3.10 of the Listing Rules.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that each Independent Non-executive Director fulfills the independence guidelines set out in Rule 3.13 of the Listing Rules.

Changes in Composition of the Board and Board Committees

From 1 January 2016 to the date of this announcement, the changes in composition of the Board and Board Committees are listed below:

Effective Date	Director	Change
12 May 2016	Mr. Gao Jinyue Ms. Ren Li Dr. Xiao Wei	resigned as a Director
12 May 2016	Mr. Dai Deming	appointed as an Independent Non-executive Director, the chairman of the Audit Committee, a member of Nomination Committee and a member of the Remuneration Committee
12 May 2016	Mr. Antony Nigel Tyler	appointed as an Independent Non-executive Director, the chairman of the Risk Committee, a member of Strategy and Budget Committee and a member of the Audit Committee
7 September 2016	Mr. Zhuo Chengwen	resigned as a Non-executive Director and ceased to be the chairman of the Strategy and Budget Committee and a member of the Audit Committee
7 September 2016	Mr. Liu Chenggang	appointed as a Non-executive Director, the chairman of the Strategy and Budget Committee and a member of the Audit Committee
13 December 2016	Mr. Gao Zhaogang	appointed as a Non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee
13 December 2016	Dr. Yeung Yin Bernard	appointed as an Independent Non-executive Director, a member of the Strategy and Budget Committee and a member of the Nomination Committee
13 December 2016	Mr. Li Mang	ceased to be a member of the Remuneration Committee
23 February 2017	Mr. Robert James Martin	ceased to be a member of the Risk Committee
23 February 2017	Mr. Li Mang	appointed as a member of the Risk Committee

Save as disclosed above, there were no other changes to the composition of the Board and Board Committees from the Listing Date to the date of this announcement.

Appointment and Re-election of Directors

All the existing Non-executive Directors and Independent Non-executive Directors of the Company have been appointed for a fixed term of approximately 3 years, with formal letters of appointment setting out the key terms and conditions of their appointment. In accordance with Article 97 of the Constitution and pursuant to code provision A.4.2 of the Corporate Governance Code, any Director appointed by the Board during the year shall hold office only until the next following general meeting or the next following annual general meeting of the Company, and shall then be eligible for re-election at such meeting. Accordingly, the terms of office of Mr. Gao Zhaogang, Mr. Liu Chenggang and Dr. Yeung Yin Bernard will expire at the forthcoming AGM. Each of the three retiring Directors, Mr. Gao Zhaogang, Mr. Liu Chenggang and Dr. Yeung Yin Bernard being eligible, offers himself for re-election.

Further, pursuant to Article 90 of the Constitution and code provision A.4.2 of the Corporate Governance Code, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and every Director (including those appointed for a specific term) should be subject to retirement by rotation at least once every three years. Accordingly, the terms of office of Mr. Chen Siqing, Mr. Robert James Martin, Mr. Wang Genshan and Mr. Fu Shula will expire at the forthcoming AGM. Each of Mr. Chen Siqing, Mr. Robert James Martin and Mr. Fu Shula, being eligible, offers himself for re-election. Mr. Wang Genshan will not offer himself for re-election at the AGM as he will retire this year by reason of his age.

Board Meeting Process and Attendance

As the Company was only listed on 1 June 2016, only three Board meetings were held since the Listing Date. Four regular Board meetings should be held annually in accordance with the Corporate Governance Code. In general, a regular meeting schedule for the year is prepared and approved by the Board, and ad hoc Board meetings are convened as appropriate. Formal notice of regular Board meetings is required to be sent to all Directors at least 14 days before the date of scheduled meetings and a Board agenda and meeting materials are despatched to all Board members for review at least three days prior to the scheduled meetings.

The Board agenda for each meeting is approved by the Chairman and the CEO following consultation with other Board members and Senior Management. In addition, in order to facilitate open discussion with all Non-executive Directors and at their request, the Chairman will meet with any Non-executive Directors (including Independent Non-executive Directors), in the absence of Executive Directors and the senior management, at least once annually before a regular Board meeting.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

A typical Board meeting would consist of:

- the presentation of papers to support decisions requiring Board approval
- a report by the chairman of each Board Committee on matters arising since the last Board meeting

- a management report by the Chief Executive Officer providing an update on the results since the last Board meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan

- the raising of new initiatives and ideas

- any declarations of interest

The following table provides relevant details concerning attendance at Board and Board Committee meetings for the period from the Listing Date to 31 December 2016, and other matters:

	Meetings Attended/Held							Continuous Professional Development
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Strategy & Budget Committee	2015 Annual General Meeting (Note 1)	Type of Training (Note)
Non-executive Directors								
Chen Siqing	2/2	N/A	N/A	0/1	N/A	N/A	N/A	Note 2
Gao Zhaogang	0/0 (Note 3)	N/A	0/0 (Note 3)	0/0 (Note 3)	N/A	N/A	N/A	Note 2
Li Mang	2/2	N/A	3/3 (Note 3)	N/A	N/A	2/2	N/A	Note 2
Liu Chenggang	1/1 (Note 3)	0/0 (Note 3)	N/A	N/A	N/A	1/1 (Note 3)	N/A	Note 2
Zhu Lin	2/2	1/1	N/A	N/A	2/2	N/A	N/A	Note 2
Zhuo Chengwen	1/1 (Note 3)	1/1	N/A	N/A	N/A	1/1 (Note 3)		
Executive Directors								
Robert James Martin	2/2	N/A	N/A	N/A	2/2	2/2	N/A	Note 2
Wang Genshan	2/2	N/A	N/A	N/A	N/A	2/2	N/A	Note 2
Independent Non-executive Directors								
Dai Deming	2/2	1/1	3/3	1/1	N/A	N/A	N/A	Note 2
Fu Shula	2/2	1/1	3/3	1/1	N/A	N/A	N/A	Note 2
Antony Nigel Tyler	2/2	1/1	N/A	N/A	2/2	2/2	N/A	Note 2
Yeung Yin Bernard	0/0 (Note 3)	N/A	N/A	0/0 (Note 3)	N/A	0/0 (Note 3)	N/A	Note 2
Average Attendance	100%	100%	100%	66.7%	100%	100%		

Notes:

1. The shares of the Company were listed on the Stock Exchange for trading on 1 June 2016. No annual general meeting of the Company was held according to the Listing Rules since the Listing Date.

2. All the Directors received training and training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

3. Attendance is stated by reference to the number of board meetings held during each Director's tenure. Please refer to the section headed "Changes in Composition of the Board and Board Committees" in this Corporate Governance Report on page 35 for details of Directors were appointed or resigned during the period from the Listing Date to 31 December 2016.

Training and Professional Development

All Directors named above have received the training referred to above and have been provided with "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills. Each Director has provided to the Company a record of the training they received. Please refer to the table above for details.

Board's Oversight over Risk Management and Internal Control

The Board is responsible for establishing, maintaining and reviewing the effectiveness of its risk management and internal controls systems. The Audit Committee oversees the establishment and maintenance and review the effectiveness of risk management and internal control systems on behalf of the Board.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against misstatement or loss.

Good governance begins with the culture of a company, and culture is more important than any process, policy or procedure. The Company strives to always act ethically and with integrity, and this culture begins with the Board and Senior Management and is consistently communicated to all employees, customers, suppliers and partners.

The Company has a Code of Conduct that is provided to all new employees, and all employees are required to review the Code of Conduct, and affirm their compliance with it at least annually. Regular training in compliance and ethical standards is provided to all employees.

The Company is also committed to developing and maintaining high professional standards. Opportunities for career development and training are provided to employees. Each department has developed, and regularly updates, policies and procedures to ensure that control systems are in place and are regularly reviewed for effectiveness. Self-reporting of any control deficiencies is encouraged, and departmental leaders provide monthly reports of any control issues to the Company's Internal Control Committee for discussion and action.

The Board and management each has responsibility to identify and analyse the risk underlying the achievement of business objectives and to determine how such risks should be monitored, evaluated, managed and mitigated.

Risk management and internal controls are the day-to-day responsibility of every employee. However, clear organisational structures have been established for risk management and internal control. At the Board level, the Audit Committee and Risk Committee have delegated authority from the Board and these Board Committees report regularly to the Board and make recommendations on Board action. The Risk Management Committee and Internal Control Committee have primary oversight of these matters in the day-to-day management of the Company.

The Company's day-to-day control environment is managed primarily by adherence to its policies and procedures. Each department's policies and procedures contain a detailed description of the key processes for which that department is responsible, and these processes may include clear approval procedures, verifications and review and segregation of duties. The Internal Audit Department undertakes audits for compliance with these policies. The Company has in place effective processes and procedures for the identification, documentation, verification and reporting of operational, financial and compliance-related information.

Detailed control guidelines have been set and made available to all employees of the Company about the handling and dissemination of corporate data which is price sensitive.

Systems and procedures are in place to identify, control and report on major risks, including business, safety, legal, financial, environmental and reputational risks. Exposures to these risks are monitored by the Board with the assistance of various committees and the Senior Management.

The Company conducts an annual review of the effectiveness of its risk management and internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review is coordinated by the Company's Internal Audit Department which, after management and various business departments have performed their self-assessment and management has confirmed the effectiveness of the relevant systems, then carries out an independent examination and other post assessment work on the review process and results. The review also considers the adequacy of resources, staff qualifications and experience and training of the Company's accounting, financial reporting and internal audit functions. The results of the 2016 review, which have been reported to the Audit Committee and the Board, revealed that the Company's risk management and internal control systems were effective and adequate.

Internal Audit

The Company has an Internal Audit Department. The Internal Audit Department performs regular independent reviews of key risk areas and monitors compliance with the Company's accounting, financial and operational procedures.

The Internal Audit Department assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The internal audit plan, which is prepared based on risk assessment methodology, is discussed and approved by Audit Committee every year. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. The Head of Internal Audit has direct access to the Audit Committee. Audit reports are sent to the Audit Committee and copied to the Managing Director and Chief Executive Officer, Senior Management in charge and the relevant management of audited departments. A summary of major audit findings and recommendations as well as the remediation plan status are reported to the Audit Committee on regular basis. As a key criterion of assessing the adequacy and effectiveness of the Group's risk management and internal control systems, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the Internal Audit Department and also the corrective actions taken by relevant departments.

Directors' Responsibility Statement in Relation to Financial Statement

The following statement should be read in conjunction with the auditor's statement of their responsibilities as set out in the auditor's report. The statement aims to distinguish the responsibilities of the Directors and the auditor in relation to the financial statements.

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50, applicable disclosure requirements of the Hong Kong Companies Ordinance, International Financial Reporting Standards and the Listing Rules. In addition, the Directors are responsible 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.

The Directors consider that in preparing the financial statements, the Company has adopted appropriate accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Board Delegation

Responsibility for delivering on the Company's strategies and objectives, as approved by the Board, and responsibility for day-to-day management is delegated to the Company's Management Committee under the direction of the Chief Executive Officer. The Management Committee has been given clear guidelines and directions as to its powers and in particular the circumstances in which the Chief Executive Officer must report back to, or obtain the prior approval of, the Board before making commitments on behalf of the Company. In addition, the Company has a well-established and developed committee and internal governance framework for managing the day-to-day business.

Board Committees

The Board has established five standing Board Committees to assist in performing its responsibilities. They are the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Committee, and the Strategy and Budget Committee. In addition, the Board will authorise an Independent Board Committee comprising all Independent Non-executive Directors as and when required to review, approve and monitor connected transactions (including continuing connected transactions).

Each of the Board Committees has a well-defined terms of reference and makes recommendations to the Board on relevant matters within its scope of responsibilities or makes decisions under appropriate circumstances in accordance with power delegated to it by the Board. In addition, the Board and each of the Board Committees evaluates and reviews its process and effectiveness annually, with a view to identifying areas for further improvements.

Details including the composition of the Board and each of the Board Committees, roles and functions of each of the Board Committees, terms of reference of each of Audit Committee, Remuneration Committee and Nomination Committee and Procedures for Shareholders to Propose a Person for Election as a Director are available on the Company's website.

The table below sets out the chairmen and members of each Board Committee as at the date of this announcement:

Director	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Strategy and Budget Committee
Mr. Chen Siqing			C		
Mr. Robert James Martin					M
Mr. Wang Genshan					M
Mr. Gao Zhaogang		M	M		
Mr. Li Mang				M	M
Mr. Liu Chenggang	M				C
Ms. Zhu Lin	M			M	
Mr. Fu Shula	M	C	M		
Mr. Antony Nigel Tyler	M			C	M
Mr. Dai Deming	C	M	M		
Dr. Yeung Yin Bernard			M		M

Explanatory Notes:

C means committee chairman
M means committee member

Audit Committee

The Audit Committee comprises five members, as set out in the above table, a majority of which are Independent Non-Executive Directors.

The Audit Committee's main duties include reviewing the following matters:

- the completeness, accuracy and integrity of the Company's financial statements and financial reporting process
- the Company's significant accounting policies and practices
- the Company's financial reporting system, risk management and internal control systems
- the relationship with, engagement of and remuneration of the Company's external auditors
- the effectiveness of the Company's internal audit function

The Audit Committee held one meeting during the period from the Listing Date to the end of 2016 and its main work included its:

- review, and recommendation to the Board for approval, of the Company's interim financial statements for the six-month period ended 30 June 2016
- recommendation to the Board for the approval of the 2016 external audit plan, and the remuneration of the Company's external auditor for its 2016 work

Nomination Committee

The Nomination Committee comprises five members, as set out in the table above, a majority of which are Independent Non-executive Directors.

The Nomination Committee's main duties include reviewing the following matters:

- the selection and nomination of Directors, Board Committee members and Senior Management
- the structure, size and composition of the Board and Board Committees
- the effectiveness of the Board and Board Committees

The Nomination Committee held one meeting during the period from the Listing Date to the end of 2016 and its main work included its:

- handling of matters in relation to the recruitment and appointment of Directors and the Company Secretary
- establishing and implementing the self-evaluation mechanism of the Board and Board Committees
- approval and adoption of the Board Diversity Policy

Remuneration Committee

The Remuneration Committee comprises three members, as set out in the above table, a majority of which are Independent Non-executive Directors.

The Remuneration Committee's main duties include the following matters:

- reviewing the Company's policy and structure for all Directors' and Senior Management remuneration and making recommendations to the Board with respect to such policy and structure
- determining, with delegated responsibility, regarding remuneration of Executive Directors or Senior Management members
- ensuring that no Director or any of his associates is involved in deciding his own remuneration
- reviewing and approving management's remuneration proposals with reference to the Board's goals and objectives

The Remuneration Committee held three meetings during the period from the Listing Date to the end of 2016 and its main work included its:

- providing input to the Strategy and Budget Committee and the Board with respect to the Company's third five year plan and its 2017 budget

- developing and recommending to the Board changes to the Company's remuneration plans for the Company's medium term, with effect for performance by the Company in years 2017-2021, including a new element of the long-term incentive plan under which half of discretionary awards made to participants will be invested in the Company's Shares in the secondary market that will vest over time

- recommending discretionary bonus amounts for Senior Management to the Board for approval

- reviewing remuneration competitiveness against comparable companies market benchmark

- recommending to the Board remuneration for new Independent Non-executive Director

- reviewing the proposed corporate scorecard for 2017 and providing input to the Strategy and Budget Committee

- reviewing the Remuneration Committee's terms of reference

No Director takes part in any discussion about his or her own remuneration. Full details of remuneration of the Directors and the Senior Management are provided in Note 10 to the financial statements.

Risk Committee

The Risk Committee comprises three members as set out in the above table. The primary duties of the Risk Committee include:

- conducting regular review of risk factors in the Company's business, including but not limited to customer credit and aircraft asset and portfolio risks, cashflow, liquidity, hedging and funding risks and procurement and technical risks, as well as enterprise risk matters

- regularly reviewing with management new and emerging risks and providing guidance on measures to be taken to mitigate these risks

- reviewing the adequacy of departmental resources, and policies and procedures, to mitigate current and potential future risks

- providing regular reports to the Board on the foregoing

- approving certain matters as delegated to it by the Board

Strategy and Budget Committee

The Strategy and Budget Committee comprises six members, as set out in the table above. The primary duties of the Strategy and Budget Committee include:

- guiding management in the preparation of the Company's medium to long-term strategic plan for approval by the Board
- reviewing the process for formulating the Company's strategy to ensure that it takes into account a range of alternatives
- reviewing the annual budget prior to board approval and monitoring performance against budgeted targets
- reviewing and monitoring the Company's business plan and financial budget
- setting corporate targets

Management Structure

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 Managing Director & Chief Executive Officer. The six senior 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 both parts of our balance sheet, 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 Managing Director & Chief Executive Officer.
- The **Operations Committee** brings together the main business functions involved 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, portfolio management, 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 finance, tax, risk, aircraft sales and treasury departments, including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Deputy Managing Director & Chief Financial Officer.
- The **Investment Committee** evaluates prospective aircraft acquisition, lease placement and sales activities on referral from the Revenue Committee. The committee is chaired by the Managing Director & Chief Executive Officer.

- The **Revenue Committee** provides guidance and planning for new PLB, lease placement and sales activities, and provides direction to the customer-facing airline leasing and sales and aircraft sales team for prospective new transactions. Approval of the Revenue Committee is typically obtained for proposals falling outside certain parameters. The committee is chaired by the Managing Director & Chief Executive Officer.

- The **Funding Committee** discusses funding requirements for the Company and debt markets. The committee is chaired by the Managing Director & Chief Executive 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 Chief Operating Officer.

- 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 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 and renewed, as appropriate, on a regular basis.

D&O liability insurance policy

The Company has arranged appropriate insurance cover in respect of potential actions against its Directors and officers.

Company Secretary

The Company Secretary is a full time employee of the Company based in Singapore and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary attended sufficient professional training for the year ended 31 December 2016 to update his skills and knowledge.

Directors' Securities Transactions

The Company has established and implemented the Directors'/Chief Executive Officer's Dealing Policy (the "**Dealing Policy**") to govern the Directors' dealings in securities of the Company. Terms of the Dealing Policy are not less exacting than the mandatory standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules (the "**Model Code**").

Upon specific enquiry by the Company, all Directors confirmed that they complied with the Dealing Policy for the period from the Listing Date to 31 December 2016.

External Auditors and Auditor's Remuneration

Independence of the Company's external auditors is very important to shareholders, the Board and the Audit Committee. The auditors confirm annually to the Audit Committee that they are independent accountants based on Institute of Singapore Chartered Accountants Code of Professional Conduct and Ethics/International Ethics Standards Board for Accountants (IESBA) and that they are not aware of any matters which could be reasonably thought to bear on their independence. The Audit Committee will assess the independence of the auditors at least annually.

The Board and the Audit Committee are satisfied with the independence, objectivity and effectiveness of Ernst & Young LLP ("**EY**"), the Company's external auditor, and the effectiveness of its audit procedures. Upon the recommendation of the Audit committee, the Board has proposed that EY be re-appointed as auditor of the Company at the AGM. Subject to shareholders' authorisation, the Board has authorised the Audit Committee to determine the remuneration of EY.

For 2016, the total fees charged by EY and its affiliates was US$1.3 million, of which US$1.0 million was for audit services (including fees paid in relation to the IPO) and US$0.3 million was for non-audit services (mainly internal controls review in relation to the IPO, services in relation to the Company's issuance of notes under its Global Medium Term Note Program, as well as tax compliance and advisory services). Non-audit service fees as a percentage of audit service fees charged by EY and its affiliates was approximately 30% and it did not affect the independence of EY. An amount of US$0.4 million was re-charged to the Company's majority shareholder in respect of the sale of a portion of its Shares during the IPO. The Audit Committee was satisfied that the non-audit services in 2016 did not affect the independence of EY.

Investor Relations

The Board and Senior Management recognise their responsibility to represent the interests of all shareholders. Frequent and regular communication with shareholders is a high priority of the Company.

The methods used to communicate with shareholders include the following:

- the Head of Investor Relations makes himself available for regular meetings with major shareholders, investors and analysts. Since the Listing Date, he and members of Senior Management have participated in numerous meetings, calls, conferences, in Hong Kong and overseas, with shareholders, investors and analysts

- the Company's website includes electronic copies of financial reports, call transcripts, audio webcasts of analyst presentations, presentation slides, latest news, public announcements and general information about the Company

- publication of interim and annual reports

- publication or filing of press releases and announcements

- the AGM

Putting Forward Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by post or email to information@bocaviation.com, timothy.ross@bocaviation.com or kelly.kang@bocaviation.com. The relevant contact details are set out in the Investors section of the Company's website.

DIRECTORS' STATEMENT

The Directors are pleased to present this statement and the audited consolidated financial statements of the Group for the year ended 31 December 2016. In our opinion:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(b) at the date of the statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Principal Activities

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 Company's subsidiaries, which are listed in Note 33 to the financial statements, are also primarily engaged in the leasing of aircraft and other activities.

Business Review

Please refer to "Chairman's Statement", "Chief Executive's Comments", "Business and Financial Review" and "Management's Discussion and Analysis" and "Environmental, Social and Governance Report" sections for a review of the Company's business for the year ended 31 December 2016.

All references above or herein to other sections of this announcement form part of this statement.

Annual General Meeting

The AGM will be held on Wednesday, 31 May 2017.

Results

The financial performance of the Company for the year ended 31 December 2016 and the financial position of the Company at that date are set out in the financial statements in the Appendix A to this announcement.

Dividends

The Board has recommended a final dividend of US$0.119 per share for the year ended 31 December 2016, amounting to approximately US$82.6 million, subject to the approval of Shareholders at the AGM. If approved, the final dividend will be paid on Monday, 19 June 2017 to Shareholders whose names appear on the Register of Members of the Company on the record date, being Monday, 12 June 2017. The final dividend will be paid in Hong Kong dollars, converted from US dollars at the prevailing market rate at least one week before the dividend payment date.

Together with the interim dividend of US$0.061 per Share declared in August 2016, the total dividend payout for the year ended 31 December 2016 would be US$0.18 per Share, and a total distribution to shareholders of US$124.9 million.

Closure of Register of Members – Annual General Meeting

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the AGM, from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 May 2017.

Closure of Register of Members – Final Dividend

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Thursday, 8 June 2017 to Monday, 12 June 2017 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 7 June 2017. Shares of the Company will be traded ex-dividend as from Tuesday, 6 June 2017.

Financial Summary

The shares of the Company are listed on the Main Board of the Stock Exchange since 1 June 2016. A five years financial summary of the Group is set out on page 67 of this announcement.

Plant and Equipment

Details of plant and equipment of the Group as at 31 December 2016 are set out in Note 13 to the financial statements.

Donations

On the Listing Date, the Company donated HK$1,000,000 to The Community Chest of Hong Kong to help those in need. For the year ended 31 December 2016, the Company donated a total of US$0.2 million for charitable purposes.

Pre-emptive Rights

Article 8(A) of the Constitution provides that subject to any direction to the contrary that may be given by the Company in general meeting, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. Save for the foregoing, there is no provision for pre-emptive rights under the Company's constitution or the laws of the Republic of Singapore applicable to Singapore companies generally which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

Share Capital

Details of the shares issued by the Company are set out in Note 28 to the financial statements. No other purchase, sale or redemption of Shares by the Company or any of its subsidiaries occurred from the Listing Date until 31 December 2016.

Public Float

Based on information that is publicly available and within the knowledge of the Directors, the Company maintained the prescribed public float of more than 25% of the total issued share capital required under the Listing Rules from the Listing Date to the date of this announcement.

Use of Proceeds

The Company used the net proceeds from the IPO to fund pre-delivery payments and other amounts for the purchase of aircraft to grow its owned aircraft portfolio and for general corporate purposes.

Bank Loans, Debentures Issued and Other Borrowings

Details of the Company's bank loans, debentures issued and other borrowings are set out in Notes 22 and 23 to the financial statements.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2016, calculated according to the Companies Act (Cap. 50 of the laws of Singapore), amounted to approximately US$1,122 million and are set out as retained earnings in the Company's statement of financial position in the financial statements.

Contingent Liabilities

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 37 to the financial statements, the Company had no material contingent liabilities as at 31 December 2016.

Directors

A list of Directors in office at the date of this statement is set out on page 41 of this announcement.

The changes in Board composition, and the biographical details of the Directors and their terms of office are set out on pages 26 to 29 and pages 34 to 36 of this announcement.

In accordance with Article 90 of the Constitution, Mr. Chen Siqing, Mr. Robert James Martin, Mr. Wang Genshan and Mr. Fu Shula shall retire at the forthcoming AGM. In addition, Mr. Liu Chenggang (who was appointed by the Board on 7 September 2016), Mr. Gao Zhaogang and Dr. Yeung Yin Bernard (who were appointed by the Board on 13 December 2016) shall hold office until the forthcoming AGM pursuant to Article 97 of the Constitution. Except for Mr. Wang Genshan, who will retire this year by reason of his age, each of the above retiring Directors, being eligible, will offer himself for re-election at the forthcoming AGM.

Directors' Service Contracts

No Director standing for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts

Saved as disclosed in the section headed "Continuing Connected Transactions" in this statement, none of the Directors or entities connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party subsisted during or at the end of the year.

During the year ended 31 December 2016 and as at 31 December 2016, none of the Directors has interests in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

The Constitution requires each Director to observe the provisions of the Singapore Companies Act in relation to the disclosure of his interest in transactions or proposed transactions with the Company or of any office held or property possessed by him which might create duties or interests in conflict with his duties or interests as a Director. The Constitution further provides that a Director shall not vote in respect of any contract or arrangement or any other proposal in which he or any of his close associates has any personal material interest, directly or indirectly, except in certain prescribed circumstances. Please refer to the Constitution available at the Company's website at www.bocaviation.com for further details.

At no time during the year or at the end of the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements whose objects are, or one of whose objects is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Remuneration of Directors and Senior Management

The following is a general description of the emolument policy of the Company and the basis of determining the emoluments payable to the Directors.

The remuneration of Directors is recommended to the Company's shareholders by the Board, which receives recommendations from the Remuneration Committee. The remuneration of Directors must be approved by general resolution at the annual general meeting of the shareholders of the Company. All of the Independent Non-executive Directors received directors' fees. The Executive Directors and the Non-executive Directors (other than Independent Non-executive Directors) are not entitled to receive any director's fees.

Under the Company's current compensation arrangements, the Executive Directors and Senior Management receive cash compensation in the form of salaries as well as annual bonuses that are subject to annual performance targets and other benefits.

Details of the remuneration of the Directors and a summary of the remuneration of Senior Management by band for the year ended 31 December 2016 are set out in Note 10 to the financial statements.

Directors' and Chief Executive's Interests in Shares and Debentures

As at 31 December 2016, none of the Directors holding office at the end of the year or the Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO and section 164 of the Singapore Companies Act, Cap. 50 as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2016, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

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

Notes:

1. BOCGI holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOCGI is deemed to have the same interests in the Company as Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.

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

3. Central Huijin Investment Limited holds the controlling stake in the equity capital of BOC. Accordingly, for the purpose of the SFO, Central Huijin Investment Limited is deemed to have the same interest in the Company as BOC.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2016, so far as the Directors are aware, no other persons or corporations had 5% or more interests or short positions in shares and underlying shares of the Company which were recorded in the register maintained by the Company under section 336 of the SFO.

Common Directors

As at 31 December 2016, Mr. Chen Siqing is a director of BOC and Mr. Gao Zhaogang is a supervisor of BOC. BOC has an interest in the Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Management Contracts

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

Permitted Indemnity

Pursuant to the Constitution, every Director shall be entitled to be indemnified by the Company against all liabilities incurred by him/her to the extent permitted by the Companies Act (Cap. 50 of Singapore). The Company has maintained insurance for the benefit of Directors against liability which may lawfully be insured by the Company.

Share Option Scheme

The Company has not adopted a share option scheme.

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Shares under Option

No options over unissued Shares of the Company or its subsidiaries were granted by the Company or its subsidiaries, or exercised, during the year or subsisted at the end of the year.

Major Customers

In the year of 2016, the five largest customers of the Group accounted for less than 30% of the total of lease rental income of the Group.

Major Suppliers

The largest suppliers of the Group in terms of capital expenditure are Airbus and Boeing which are aircraft suppliers. Aircraft purchases from Airbus and Boeing accounted for approximately 95% of total capital expenditure (excluding purchase and leaseback transactions) in 2016. Together with three other suppliers, the total purchases from the five largest suppliers of the Group accounted for approximately 97% of total capital expenditure of the Company (excluding purchase and leaseback transactions). Please refer to "Chairman's Statement" for details of the Group's relationship with Airbus and Boeing.

The five largest such suppliers to the Group are independent third parties and, to the best knowledge and belief of the Directors, none of the Directors or their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interest in any of the five largest such suppliers in 2016 (to the extent applicable with respect to such suppliers).

Continuing Connected Transactions

The following transactions constituted continuing connected transactions under the Listing Rules during the period from the Listing Date to 31 December 2016:

A. Bank Deposits

1. Bank Deposits with the BOC Group (other than the BOCHK Holdings Group)

The Company has fixed deposit accounts with the Macau, Singapore and Tianjin branches of BOC in the ordinary and usual course of its business and on normal commercial terms. The Company entered into a framework agreement with BOC (the "BOC Deposit Framework Agreement") on 12 May 2016 to govern all existing and future bank deposits with the BOC Group (other than the BOCHK Holdings Group) with effect from the Listing Date.

The maximum daily balance of deposit placed by the Company with the BOC Group (other than the BOCHK Holdings Group) (including interest accrued thereon) for the year ended 31 December 2016 was approximately US$497 million and it has not exceeded the cap of US$500 million during the year ended 31 December 2016.

2. Bank Deposits with the BOCHK Holdings Group

The Company has fixed deposit accounts with BOCHK in the ordinary and usual course of its business and on normal commercial terms. The Company entered into a framework agreement with BOCHK Holdings (the "BOCHK Deposit Framework Agreement") on 12 May 2016 to govern all existing and future bank deposits with the BOCHK Holdings Group with effect from the Listing Date.

The maximum daily balance of deposits placed by the Company with the BOCHK Holdings Group (including interest accrued thereon) for the year ended 31 December 2016 was US$335 million and it has not exceeded the cap of US$500 million during the year ended 31 December 2016.

Other Terms

The BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement provide that all deposit of funds with the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be) must be (i) in the ordinary and usual course of business of the Company and the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be), (ii) on an arm's length basis, (iii) on normal commercial terms and terms which are no less favourable than (a) those available to the Company from independent third parties and (b) those offered by the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be) to independent third parties for similar or comparable deposits and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

Each of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement expire on 31 December 2018 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the BOCHK Deposit Framework Agreement.

B. Secured Loans and Other Banking Services

1. Secured Loans and Other Banking Services from the BOC Group (other than the BOCHK Holdings Group)

In 2009, the Company entered into 15 secured loan agreements with certain branches of BOC and BOCHK on a club basis with an aggregate principal amount of US$595 million. BOCHK acted as facility agent, arranger and security trustee in respect of these loans. The loans were for the purpose of financing the acquisition of aircraft and were secured by interests in the aircraft and the related lease agreements. These secured loans were for a term of 10 years. As at 31 December 2016, all of these loans had been repaid in full.

In 2009, the Company entered into four secured loan agreements with BOC London Branch with an aggregate principal amount of US$440 million. The loans were for the purpose of financing the acquisition of aircraft and were secured by interests in the aircraft and the related lease agreements. These secured loans were for a term of seven years. As at 31 December 2016, all of these loans had been repaid in full.

In addition, the BOC Group (other than the BOCHK Holdings Group) may in the future provide services as facility agent, arranger and/or security trustee in respect of any credit facilities provided by the BOC Group (including the BOCHK Holdings Group) to the Group (the "Other Banking Services").

The Company entered into a framework agreement with BOC (the "BOC Loan Framework Agreement") on 12 May 2016 to govern all existing and future secured loans from the BOC Group (other than the BOCHK Holdings Group) and the provision of the Other Banking Services with effect from the Listing Date.

The aggregate of the outstanding principal amount of the secured loans from the BOC Group (other than the BOCHK Holdings Group) and the fees paid for the provision of the Other Banking Services by the BOC Group for the year ended 31 December 2016 was nil and it has not exceeded the cap of US$500 million for the year ended 31 December 2016.

2. Secured Loans and Other Banking Services from the BOCHK Holdings Group

The Company entered into five secured loan agreements with BOCHK with an aggregate principal amount of US$444 million in 2009, 2012 and 2013, respectively. The loans were for the purpose of financing the acquisition of aircraft and were secured by interests in the aircraft and the related lease agreements. The secured loans from BOCHK were for a term of between seven and 10 years. As at 31 December 2016, four of these secured loans had been repaid in full and the outstanding principal amount under the remaining loan was US$111 million which was scheduled to be repaid in 2023.

In addition, BOCHK has provided services as facility agent, arranger and security trustee in respect of the loans provided by various branches of BOC to the Group (the "Other Banking Services").

The Company entered into a framework agreement with BOCHK Holdings (the "BOCHK Loan Framework Agreement") on 12 May 2016 to govern all existing and future secured loans from the BOCHK Holdings Group and the provision of the Other Banking Services with effect from the Listing Date.

The aggregate of the outstanding principal amount of the secured loans from the BOCHK Holdings Group and the fees paid for the provision of the Other Banking Services by the BOCHK Holdings Group for the year ended 31 December 2016 was approximately US$111 million and it has not exceeded the cap for the year ended 31 December 2016 as disclosed in the prospectus of the Company dated 12 May 2016.

Other Terms

The BOC Loan Framework Agreement and the BOCHK Loan Framework Agreement provides that all loans from the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be) for which security over the assets of the Company is provided must be (i) in the ordinary and usual course of business of the Company and the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be), (ii) on an arm's length basis, (iii) on normal commercial terms and terms which are no less favourable than (a) those available to the Company from independent third parties and (b) those offered to independent third parties by the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be) for similar or comparable loans and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The BOC Loan Framework Agreement and the BOCHK Loan Framework Agreement provides that the relevant Other Banking Services provided must be (i) in the ordinary and usual course of business of the Company and the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be), (ii) on an arm's length basis, (iii) on normal commercial terms and terms which are no less favourable than (a) those available to the Company from independent third parties and (b) those charged by the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be) to independent third parties for similar or comparable services and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The BOC Loan Framework Agreement and the BOCHK Loan Framework Agreement also provides that all existing and future secured loan agreements (including in relation to the relevant Other Banking Services) which may from time to time be entered into between members of the Company and members of the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group (as the case may be) may be for a term of up to 10 years. The Company considers that it is normal business practice for aircraft financing agreements to be for a term of 10 years and the Company's secured loans obtained from other third party financial institutions are typically for a term of seven to 12 years.

Each of the BOC Loan Framework Agreement and the BOCHK Loan Framework Agreement expires on 31 December 2025 and is automatically renewable for successive periods of ten years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the BOC Loan Framework Agreement or the BOCHK Loan Framework Agreement (as the case may be).

C. Annual Review

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the Independent Non-Executive Directors, who confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraphs 14A.56 and 14A.71(6)(b) of the Listing Rules, the Board engaged the auditor of the Company to report on the Company's continuing connected transactions. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions and confirmed that nothing has come to their attention that cause them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this announcement;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) have exceeded their respective annual caps for the financial year ended 31 December 2016 set out in the previous announcements of the Company.

In accordance with paragraph 14A.57 of the Listing Rules, a copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirms that it has complied with the requirements of Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which any Group member was a party during the year ended 31 December 2016. Please refer to Note 35 to the financial statements for a summary of the related party transactions entered into by the members of the Group for the year ended 31 December 2016. Other than those transactions disclosed in the section headed "Continuing Connected Transactions" above, none of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

Debentures Issued

In 2016, the Company issued the following debentures to raise funds to fund capital expenditure and our general corporate expenses:

Class	Amount issued	Term
Senior Unsecured Notes	US$750,000,000	10 years
Senior Unsecured Notes	US$500,000,000	5 years

Please refer to Note 22 to the financial statements for details of debentures.

Events after 31 December 2016

Please refer to page 14 in the section headed "Business and Financial Review – Significant Events after 31 December 2016" for details.

Review by the Audit Committee

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Company and discussed auditing, internal controls and financial reporting matters. The Audit Committee has also reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Auditor

Ernst & Young LLP will retire and a resolution for their reappointment as the Company's auditor will be proposed for approval at the AGM.

On behalf of the Board
BOC Aviation Limited
CHEN Siqing *Chairman*
Robert James MARTIN *Executive Director*

Singapore, 24 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Overview

This Environmental, Social and Governance (ESG) report for 2016 demonstrates our efforts to report to Shareholders and other stakeholders the steps we are taking to achieve a more sustainable business model, contribute to a more sustainable environment and continue to build our strong governance culture. We will prepare this report annually as required under the Listing Rules.

BOC Aviation is a world-class aircraft operating lessor with a portfolio of young, fuel-efficient aircraft leased to a diversified global customer base. At 31 December 2016, our orderbook comprised 199 new aircraft, including the fuel-efficient new technology Airbus A320NEO family and Boeing 737-MAX 8 models.

From the Listing Date and to the end of 2016, we 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 by us that would have a material adverse effect on its business or financial condition taken as a whole.

Governance

The Board has overall responsibility for the Company's ESG strategy and reporting. The Board is responsible for evaluating and determining the Company's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Please refer to pages 31 to 47 under the section headed "Corporate Governance Report" in this announcement of the Company for details of the corporate governance policy and practices of the Company and our internal governance framework.

Environmental Policies and Practices

BOC Aviation commits to promoting efficient use of resources and reduction of unnecessary waste. Our efforts are reflected in our sustainable business model and our electronic communications efforts.

As a core part of the supply chain in the aviation industry, and as the owner of one of the youngest and most fuel-efficient operating lease portfolios, we offer leased aircraft solutions and we offer capital, through PLB transactions, to airlines around the world who wish to improve their fleet, including by reducing fuel consumption and reducing emissions and noise pollution from their operations. While we do not operate the aircraft that we own and cannot directly control the greenhouse gas emissions of aircraft operated by our airline customers, our business model contributes to reduction of carbon emission.

We are increasingly building a more efficient portfolio. For example, Airbus and Boeing are beginning to deliver the newest technology aircraft, the Airbus A320NEO and the Boeing 737-MAX 8, which are expected to deliver significant fuel efficiency improvements over the current technology models. As production ramps up for the new models, we are making the transition to the NEO and MAX aircraft types in a disciplined manner.

In addition, we promote a sustainable environment by using electronic communication (where possible) to distribute corporate communications to our shareholders who have consented not to receive printed materials. We implemented electronic communication of our 2016 interim report, which was the Company's first corporate communication after the Listing Date. In addition to saving costs, reducing waste of resources and increasing efficiency, the implementation of E-communication is also a way to support the environment by eliminating printed corporate communications. We are pleased to inform you that we have saved 1,528 copies of the printed Interim Report in 2016 by implementing electronic communication. The tree we saved will absorb approximately 576 pounds of carbon dioxide annually. We intend to continue our electronic communication in the future.

While we do not operate any of the aircraft that we own, we may be subject to and required to comply with applicable aircraft-related environmental laws and regulations if we repossess and so long as we retain possession of such aircraft. In addition, the Group's day-to-day operations are subject to a more limited set of environmental laws and regulations.

The Group has not received any material fines or penalties associated with the breach of any environmental laws or regulations since the commencement of the Group's operations.

Human Resources Policies and Practices

As a global aviation leasing company with offices in 5 countries, we are able to attract a diverse workforce and provide our global talent with opportunities to thrive in cross-cultural working environment. The Company offers competitive salaries and provides benefits to our employees including retirement, health, life, disability and accident insurance coverage. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination.

We set targets for employees based on their position and periodically assess their performance. The results of such assessments are used in their salary reviews, bonus awards and promotion appraisals. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our staff bonuses for year in review include two incentive plans, which are settled in cash and implemented as follows: (i) our short term incentive plan, under the terms of which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive plan, under the terms of which a bonus is payable to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period. None of our employees are represented by a union or collective bargaining agreement. We believe we have good employment relationships with our employees.

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 Directors believe that the Group is, and has been since the Listing Date, in compliance with:

- all general employment related requirements from the Listing Date until the end of 2016

- all local health and safety requirements

From the Listing Date until the end of 2016, there were no material violations of employment-related law or health and safety laws, and we received no complaints of any such violations and there were no material accidents relating to health and work safety in the course of our business operations.

The success of our business is substantially attributable to the contributions of our 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 countries and regions. Our future success depends significantly on the continued services of our employees and our ability to develop and nurture our employees to continue to contribute to the success of the Company.

All new employees receive a tailored induction briefing upon their arrival. We also provide internal trainings and external trainings to our employees throughout the year based on the respective business needs. In 2016, we conducted more than 40 external and internal training sessions to enhance our employees' competencies and business knowledge, and held one group-wide company offsite event to align all employees with the business strategy and to provide Company-wide training.

Labour Standards

We are aware of the provisions of the United Nations Framework and Guiding Principles on Business and Human Rights and its potential implications for our business. We prohibit the employment of child, forced or compulsory labour in any of our operations. In 2016, we have not identified any operation or supplier as having significant risks of child labour, young workers exposed to hazardous works, or forced or compulsory labour.

Compliance

The Company is firmly committed to a culture of transparency and compliance and we conduct our business affairs with honesty and integrity. One of our core values is our reputation for integrity and professionalism. We have policies and procedures against illegal and unethical behavior including bribery, fraud, extortion and money laundering.

We take a holistic approach to manage risks in relation to any illegal or unethical business behavior. To this end, each new hire is given a handbook to promote familiarity with the corporate governance of the Company. In addition, the Company has a code of conduct that specifies the expectations of the Company, and sets important guidelines to ensure that all employees understand, the rules regarding transparent, ethical, professional behavior. Every new hire is given a formal induction to ensure they are aware of these policies and these values are reiterated to all staff regularly. Every employee certifies annually that they have read, that they understand and that they will abide by the Company's code of conduct.

Our employees are made aware of anti-money laundering/counter-financing of terrorism risks as well as our commitment to data protection. We encourage transparency by providing a method for employees to report suspicious activity through a whistleblower hotline and a whistleblower web portal, and we have a clear non-retaliation policy, as described below.

Fraud Risk Management Framework

We 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. Our Internal Control Committee, chaired by the Chief Operating Officer, is responsible for oversight of the Group's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Group's business.

Anti-Bribery

We are committed to conducting our business with high standards of honesty and integrity. We have an anti-bribery policy which provides guidance to all directors, management, employees and consultants of the Company in conducting our business legally and ethically. No employee of the Group or Director may offer or promise gifts, gratuities or anything of value to an officer, director, employee, agent or attorney of a third party with the intent to influence or reward that person in connection with any business or transaction (proposed or actual) of that third party.

Sanctions

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

We have implemented and maintained policies and procedures that are designed to monitor and ensure compliance with international sanctions and other applicable laws and regulations. For example, our aircraft 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 before delivery or 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. However, in our Company's 23-year history, we have never had to terminate an aircraft lease for such a reason.

We have undertaken to the Stock Exchange that (i) we will not use the proceeds from our IPO or other funds raised through the Stock Exchange, (a) to finance or facilitate, directly or indirectly, any projects or businesses in Sanctioned Countries (as defined in the prospectus of the Company dated 19 May 2016) or with persons located in other countries who are subject to sanctions or (b) to pay any damages for terminating or transferring contracts relating to Sanctioned Countries or persons subject to sanctions (if any), to the extent that the Company is party to such contracts in the future (whether by reason of a change in sanctions law or otherwise), (ii) we will not enter into any transaction that, at the time of entry into such transaction, is prohibited by applicable sanctions law; and (iii) if we believe that the transactions we have entered into will put us and our investors and Shareholders at the risk of violating sanctions, we will disclose on the Stock Exchange's website, on our website, and in our annual and interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in Sanctioned Countries and our business intention relating to such Sanctioned Countries. If we are in breach of such undertaking to the Stock Exchange, we risk the possible delisting of the Shares from the

Stock Exchange. From the Listing Date until the end of 2016, there was no material violation of sanctions related laws or regulations and we received no complaints of any sanction related laws or regulations.

Anti-Money Laundering

We have an anti-money laundering policy prohibiting and actively pursuing the prevention of money laundering and any activity that facilitates money laundering or the funding of terrorist, criminal or other illegal activities. We are committed to anti-money laundering compliance in accordance with applicable laws and requires its staff to adhere to these standards in preventing any occurrence of money laundering activities in the course of its business. We therefore strive to have a clear understanding of all prospective customers before entering into any contractual relationship in order to avoid exposure to any customer who would use the Company resources for illegal or fraudulent purposes.

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 behaviour in their internal and external-facing activities as set out in our code of professional conduct, deed of undertaking and staff handbook.

Whistleblowing

We have a whistleblower policy in place to promote reporting of any improper, illegal or criminal activities by our staff. All reports made by whistleblowers are kept under strict confidentiality, to the extent permitted by law, and any whistleblower making a report in good faith is protected from reprisal. We have also launched a 24-hour whistleblower web portal and hotline for employees and counterparties to report concerns about bribery and corruption. The service is managed by a third party provider independent of BOC Aviation.

Personal Data Privacy

We comply with the Personal Data Protection Act in Singapore and any other relevant personal data protection legislations in jurisdiction where our employees and our customers are based. The Group has not received any material fines, penalties or complaints associated with the breach of any personal data privacy laws or regulations since the commencement of the Group's operations.

Product Responsibility

We observe and comply with relevant laws and regulatory requirements relating to health and safety, advertising labelling and privacy matters relating to services provided. The Group has not received any material fines, penalties or complaints associated with the breach of any products or services related laws or regulations since the commencement of the Group's operation.

Supply Chain Management

The Company strives to building up a global network of suppliers (to the extent that it is practicable) in order to support the business of the company and to diversify and manage the geographical, environmental and social risks that we face.

As a global aircraft operating leasing company focused on commercial airlines which operate aircraft for more than 100 passengers, BOC Aviation relies mainly on Airbus and Boeing for its aircraft, and GE, CFM, Pratt & Whitney and Rolls Royce for the aircraft engines powering the aircraft types we order.

The other key original equipment manufacturers (or "**OEMs**") that BOC Aviation does business with include aerospace support services providers such as BE Aerospace, Rockwell Collins, Honeywell, and Zodiac.

The Company also engages for third-party suppliers on a needed basis including (1) maintenance, repair and overhaul (or "**MRO**") services providers, (2) parts and material suppliers and (3) specialist service suppliers who provide services such as engineering design and ferry flight operation. 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.

Investment in the Community

We participate in various trade, business and industry associations to keep up with, and where possible, contribute to the growth and governance of the aviation leasing industry. We also made donations to various non-profit organisations for humanitarian and charitable purposes.

To mark our initial public offering in June 2016 on the Stock Exchange, the Company also made a HK$1 million donation to the Hong Kong Community Chest to help those who are in need in Hong Kong. Please visit the homepage of Hong Kong Community Chest at www.commchest.org for more information.

We support aviation-based organisations that provide humanitarian services. One such organization is the aviation industry charity Airlink, founded in 2010 by members of the International Society of Transport Aircraft Trading ("**ISTAT**") Foundation as a rapid-response humanitarian relief organization that links airlines with prequalified non-profit organisations. Please visit the homepage of Airlink at www.airlinkflight.org for more information.

We supported Airlink's humanitarian mission with a direct donation of US$10,000 for its Disaster Response Fund and committed to donate US$20,000 for 2017. We supported Airlink via the Airline Economics Gala Awards dinners in Dublin (January 2016) and Hong Kong (November 2016), the proceeds of which went to Airlink as well.

We also extended support to Orbis, which focuses on reducing blindness through training, advocacy and research. The Orbis Flying Eye Hospital is a training facility that reaches developing countries and regions that otherwise may lack access to training. Orbis has reached 92 countries and regions since 1982, and in 2015, had trained 30,326 personnel and conducted 2.13 million eye examinations. Please visit the homepage of Orbis at www.orbis.org for more information.

Contact for the ESG Report

Stakeholders may send their enquiries and concerns to the Company by post or email to information@bocaviation.com. The relevant contact details are set out in the Investors section of the Company's website.

FINANCIAL STATEMENTS

Please refer to the Appendix A for the auditors' report and audited financial statements of the Company for the year ended 31 December 2016.

FIVE YEARS FINANCIAL SUMMARY

The financial highlights of the Group for the financial years 2012 to 2016 are summarised below:

	2016 *US$'m*	2015 *US$'m*	2014 *US$'m*	2013 *US$'m*	2012 *US$'m*
Statement of Profit or Loss					
Revenues and other income	1,193	1,091	988	919	731
Costs and expenses	(719)	(690)	(636)	(608)	(474)
Profit before income tax	474	401	352	311	257
Net profit after income tax	**418**	**343**	**309**	**277**	**225**
Statement of Financial Position					
Cash and fixed deposits	558	507	367	538	664
Total current assets	820	754	386	553	706
Total non-current assets	12,625	11,720	11,017	9,596	8,370
Total assets	**13,445**	**12,474**	**11,403**	**10,149**	**9,076**
Total current liabilities	1,190	1,215	1,044	874	1,131
Total non-current liabilities	8,873	8,819	8,262	7,348	6,184
Total liabilities	**10,063**	**10,034**	**9,306**	**8,222**	**7,315**
Net assets	**3,382**	**2,440**	**2,097**	**1,927**	**1,761**
Key financial ratios					
Net assets per share (US$)	4.87	4.14	3.55	3.27	2.99
Gross debt to equity (times)	2.6	3.7	4.0	3.9	3.7

CORPORATE INFORMATION

Board of Directors
Chairman
CHEN Siqing*

Vice Chairman
WANG Genshan

Directors
Robert James MARTIN
GAO Zhaogang*
LI Mang*
LIU Chenggang*
ZHU Lin*
DAI Deming#
FU Shula#
Antony Nigel TYLER#
YEUNG Yin Bernard#

* Non-executive Directors
\# Independent Non-executive Directors

Senior Management
Managing Director and Chief Executive Officer
Robert James MARTIN

Deputy Managing Director
WANG Genshan

Deputy Managing Director and Chief Financial Officer
PHANG Thim Fatt

Chief Operating Officer
David WALTON

Chief Commercial Officer (Europe, Americas and Africa)
Steven TOWNEND

Chief Commercial Officer (Asia Pacific and the Middle East)
GAO Jinyue

Company Secretary
CHAN Victor Sun Ho

Principal Place of Business and Registered Office
8 Shenton Way
#18-01
Singapore 068811

Place of Business in Hong Kong
54th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditor
Ernst & Young LLP

Share Registrar in Hong Kong
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Credit Ratings
S&P Global Ratings
Fitch

Stock Codes
Ordinary shares:

The Stock Exchange of Hong Kong Limited	2588
Reuters	2588.HK
Bloomberg	2588 HK

Website
www.bocaviation.com

DEFINITIONS

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

Terms	Meanings
"AGM"	The annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statement for the financial year ended 31 December 2016. The meeting will be held on 31 May 2017
"Airbus"	Airbus S.A.S., a societe par actions simplifiee duly created and existing under French law
"Aircraft Purchase Mandate"	The general mandate granted to the Directors by way of written resolutions of the then sole shareholder of the Company on 12 May 2016 to purchase aircraft from Airbus and Boeing during the Mandate Period, the terms of which are set out in the Prospectus of the Company dated 19 May 2016
"Annual Report"	The annual report of the Company for the financial year ended 31 December 2016 which contains, among others, the audited financial statement for the financial year ended 31 December 2016 and the Directors' Statement
"Board"	The board of directors of the Company
"Board Committees"	The five sub-committees of the Board comprising the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy and Budget Committee and the Risk Committee
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-share and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively and the ultimate controlling shareholder of the Company
"BOC Group"	BOC and its subsidiaries (excluding the Group)
"BOCGI"	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, and a wholly-owned subsidiary of BOC and a controlling shareholder of the Company
"BOCHK"	Bank of China (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 16 October 1964, and a wholly-owned subsidiary of the BOCHK Holdings

"BOCHK Holdings"	BOC Hong Kong (Holdings) Limited (中銀香港(控股)有限公司), a company incorporated in Hong Kong with limited liability on 12 September 2001, the shares of which are listed on the Stock Exchange and a subsidiary of BOC
"BOCHK Holdings Group"	BOCHK Holdings and its subsidiaries
"Boeing"	The Boeing Company, a corporation organised and existing under the General Corporation Law of the State of Delaware, U.S.A., the principal activity of which is aircraft manufacturing.
"Constitution"	The constitution of the Company approved on 12 May 2016 which became effective on the Listing Date
"Company" or "BOC Aviation"	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related business
"Corporate Governance Code"	Appendix 14 Corporate Governance Code and Corporate Governance Report to the Listing Rules
"Dealing Policy"	The Directors'/Chief Executive Officer's Dealing Policy adopted by the Board on 12 May 2016
"Director(s)"	The director(s) of the Company
"Group"	The Company together with its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"IPO"	The initial public offering of the Company the details of which can be found in the prospectus of the Company dated 19 May 2016
"Listing Date"	1 June 2016, being the date on which the shares of the Company are first listed for trading on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Mandate Period"	The period from 12 May 2016 until the earliest of (a) the conclusion of the next annual general meeting of the Company, (b) the end of the period within which the Company is required by its constitution or any applicable laws to hold its next annual general meeting and (c) the date on which the Aircraft Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"PLB"	Purchase and leaseback of aircraft
"PDP"	Pre-delivery payment for aircraft
"Senior Management"	Chief Executive Officer, Deputy Managing Director, Chief Financial Officer, Chief Commercial Officer's and Chief Operating Officer
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder"	A holder of Shares
"Shares"	Ordinary shares in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD", "US$" or "US dollar"	The lawful currency of the United States of America
"US dollar LIBOR"	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US dollar

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND AGM

The final results announcement was published on the websites of the Company at www.bocaviation.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The AGM is scheduled to be held on 31 May 2017. The notice of the AGM and the 2016 Annual Report, including our audited financial statements for the year ended 31 December 2016, will be dispatched and made available to the Shareholders in due course.

By order of the Board
BOC Aviation Limited
CHAN, VICTOR SUN HO
Company Secretary

Hong Kong, 27 March 2017

As at the date of this announcement, the Board comprises Mr. Chen Siqing as Chairman and Non-executive Director, Mr. Robert James Martin and Mr. Wang Genshan as Executive Directors, Mr. Gao Zhaogang, Mr. Li Mang, Mr. Liu Chenggang and Ms. Zhu Lin as Non-executive Directors and Mr. Dai Deming, Mr. Fu Shula, Mr. Antony Nigel Tyler and Dr. Yeung Yin Bernard as Independent Non-executive Directors.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

Contents

The Directors present their report 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 2016.

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 present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this report are as follows:

Chen Siqing	Chairman
Wang Genshan	Vice-Chairman and Deputy Managing Director
Robert James Martin	Managing Director and Chief Executive Officer
Gao Zhaogang	Non-executive Director (Appointed on 13 December 2016)
Li Mang	Non-executive Director
Liu Chenggang	Non-executive Director (Appointed on 7 September 2016)
Zhu Lin	Non-executive Director
Dai Deming	Independent Non-executive Director (Appointed on 12 May 2016)
Fu Shula	Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director (Appointed on 12 May 2016)
Yeung Yin Bernard	Independent Non-executive Director (Appointed on 13 December 2016)

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, options and debentures of the Company or any other body corporate.

4. Directors' interests in shares and debentures

No Director who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interest in shares of the Company or of related companies, either at the beginning of the financial year or date of appointment, if later, or at the end of the financial year.

5. Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Dai Deming	Chairman, Independent Non-executive Director (Appointed on 12 May 2016)
Antony Nigel Tyler	Independent Non-executive Director (Appointed on 12 May 2016)
Fu Shula	Independent Non-executive Director
Liu Chenggang	Non-executive Director (Appointed on 7 September 2016)
Zhu Lin	Non-executive Director

The Audit Committee reviews the Group's statutory consolidated financial statements, and the Independent Auditor's Report thereon, with the auditor.

The Audit Committee may examine any aspect of the Group's financial affairs it deems appropriate and also reviews the Group's internal controls over its internal and external exposures to risks including operational, credit, market, legal and regulatory risks. It will keep under review the Group's system of accounting and internal financial controls, for which the Directors are responsible.

The Audit Committee has full access to, and the co-operation of, the Group's management and has full discretion to invite any Director or executive officer to its meetings. The Deputy Managing Director and Chief Financial Officer, the Chief Accounting Officer and the Head of Internal Audit will normally attend meetings and the auditor will have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources available to enable it to discharge its functions properly and may require the Company to appoint third parties to undertake independent audits of specific areas as it deems appropriate.

6. Auditor

Ernst & Young LLP has expressed its willingness to accept reappointment as auditor. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

On behalf of the Board of Directors:

Chen Siqing
Director

Robert James Martin
Director

Singapore
24 March 2017

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

Report on the financial statements

Opinion

We have audited the accompanying financial statements of BOC Aviation Limited (formerly known as BOC Aviation Pte. Ltd.) (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages A-8 to A-92, which comprise the statements of financial position of the Group and the Company as at 31 December 2016, the consolidated statement of changes in equity, consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards ("IFRS") 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 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA 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 IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Carrying value of plant and equipment – aircraft

The carrying value of plant and equipment – aircraft was significant to the audit because aircraft carrying value (including aircraft classified as held for sale) of US$10,688 million as at the end of the reporting period was material to the financial statements, representing over 79% of the Group's total assets. During the year ended 31 December 2016, the Group recognised an impairment loss of US$5 million on aircraft held for sale. The impairment loss represents the write-down of the aircraft book value to the recoverable amount.

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

Key Audit Matters (continued)

Carrying value of plant and equipment – aircraft (continued)

As disclosed in Note 3.1(a) to the financial statements, the Group follows the guidance provided by IAS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. Management exercises significant judgment in determining whether there is any indication that any aircraft may have been impaired. This exercise involves management to consider both internal and external sources of information which include but are not limited to: observable indications that the value of aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of the aircraft; technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence or physical damage of the aircraft; and worse than expected economic performance of the aircraft. We reviewed management's assessment of whether indicators of impairment were present and assessed the reasonableness of significant judgments used in this initial review.

In addition, our audit procedures included, amongst others:

- Attesting the information used in assessing the financial profitability of individual aircraft by comparing lease rental rates to depreciation and costs of financing for that aircraft;
- Validating the utilisation of aircraft;
- Assessing management's judgment on economic and technological relevance of aircraft and engine models in the current aviation demand and supply dynamics;
- Evaluating the competence and objectivity of the experts employed in the Group's methodology to assess whether the value of aircraft has declined significantly; and
- Performing sensitivity analyses on aircraft which were not identified as having indicators of impairment but have a higher risk of impairment due to lower excess when compared to their fair value, higher age of aircraft or the existence of operational circumstances which may indicate potential impairment.

Furthermore, we assessed the appropriateness of the Group's disclosures regarding the impairment of aircraft, which are disclosed in notes 3.2 and 13 to the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Evaluate the 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.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

24 March 2017

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial year ended 31 December 2016

	Note	Group 2016 US$'000	Group 2015 US$'000
Revenues			
Lease rental income	4	**1,048,413**	975,485
Interest and fee income	5	**47,676**	39,844
Other income:			
- Net gain on sale of aircraft	6	**90,927**	70,144
- Others		**6,069**	5,249
		1,193,085	1,090,722
Costs and expenses			
Depreciation of plant and equipment	13	**377,948**	381,951
Finance expenses	7	**215,737**	168,771
Amortisation of deferred debt issue costs	8	**18,757**	18,129
Amortisation of lease transaction closing costs		**183**	345
Staff costs	9	**74,579**	58,689
Marketing and travelling expenses		**5,116**	5,037
Other operating expenses	11	**22,158**	12,467
Impairment of aircraft	13	**4,800**	43,900
		(719,278)	(689,289)
Profit before income tax		**473,807**	401,433
Income tax expense	12	**(55,727)**	(58,126)
Profit for the year attributable to ordinary equity holders of the Company		**418,080**	343,307

Earnings per share attributed to ordinary equity holders of the Company

	Note	2016	2015
Basic earnings per share (US$)	41	**0.64**	0.58
Diluted earnings per share (US$)	41	**0.64**	0.58

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 OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2016

	Note	Group 2016 US$'000	2015 US$'000
Profit for the year		**418,080**	343,307
Other comprehensive income:			
Items that may be reclassified subsequently to statement of profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax	29	**16,515**	–
Other comprehensive income for the year, net of tax		**16,515**	–
Total comprehensive income for the year		**434,595**	343,307
Attributable to:			
Ordinary equity holders of the Company		**434,595**	343,307

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

		Group	
		2016	2015
	Note	**US$'000**	US$'000
Non-current assets			
Plant and equipment	13	**12,604,600**	11,717,436
Lease transaction closing costs		**652**	649
Derivative financial instruments	14	**16,649**	2,011
Trade receivables	15	**2,772**	–
Deferred income tax assets	26	**208**	–
		12,624,881	11,720,096
Current assets			
Trade receivables	15	**–**	400
Prepayments		**2,582**	1,542
Other receivables	16	**8,036**	22,813
Fixed deposits	17	**352,882**	237,415
Cash and bank balances	18	**205,601**	269,417
Assets held for sale	19	**250,573**	222,222
		819,674	753,809
Total assets		**13,444,555**	12,473,905
Current liabilities			
Derivative financial instruments	14	**–**	393
Trade and other payables	20	**119,186**	106,104
Deferred income	21	**89,702**	62,240
Income tax payables		**210**	874
Loans and borrowings	22	**902,245**	963,291
Finance lease payables	23	**9,537**	9,148
Security deposits	24	**50,088**	36,970
Liabilities associated with assets held for sale	19	**18,857**	36,299
		1,189,825	1,215,319
Net current liabilities		**(370,151)**	(461,510)
Total assets less current liabilities		**12,254,730**	11,258,586

	Note	Group 2016 US$'000	Group 2015 US$'000
Non-current liabilities			
Derivative financial instruments	14	**207,257**	146,216
Loans and borrowings	22	**7,541,989**	7,648,531
Finance lease payables	23	**58,118**	67,655
Security deposits	24	**168,797**	183,737
Deferred income	21	**37,257**	16,867
Maintenance reserves	25	**470,020**	432,897
Deferred income tax liabilities	26	**332,482**	277,010
Other non-current liabilities	27	**56,642**	45,955
		8,872,562	8,818,868
Total liabilities		**10,062,387**	10,034,187
Net assets		**3,382,168**	2,439,718
Equity attributable to ordinary equity holders of the Company			
Share capital	28	**1,157,791**	607,601
Retained earnings		**2,207,855**	1,832,117
Statutory reserves		**7**	–
Hedging reserves	29	**16,515**	–
Total equity		**3,382,168**	2,439,718
Total equity and liabilities		**13,444,555**	12,473,905

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 2016

	Note	Company 2016 US$'000	Company 2015 US$'000
Non-current assets			
Plant and equipment	13	**6,178,608**	5,309,578
Lease transaction closing costs		**780**	1,025
Derivative financial instruments	14	**16,649**	2,011
Finance lease receivable from a subsidiary company	36	**–**	49,059
Amounts due from subsidiary companies	32	**1,883,660**	1,962,360
Investments in subsidiary companies	33	**733,928**	686,429
		8,813,625	8,010,462
Current assets			
Prepayments		**1,768**	1,410
Other receivables	16	**14,656**	18,584
Fixed deposits	17	**257,880**	134,814
Cash and bank balances	18	**136,182**	116,156
Assets held for sale	19	**92,969**	71,110
Finance lease receivable from a subsidiary company	36	**–**	21,943
		503,455	364,017
Total assets		**9,317,080**	8,374,479
Current liabilities			
Derivative financial instruments	14	–	393
Trade and other payables	20	**88,658**	78,935
Deferred income	21	**70,133**	21,759
Loans and borrowings	22	**579,557**	597,113
Finance lease payables	23	**9,537**	9,148
Security deposits	24	**12,175**	14,975
Finance lease payable to subsidiary companies	31	**107,028**	100,812
Liabilities associated with assets held for sale	19	**18,371**	36,299
		885,459	859,434
Net current liabilities		**(382,004)**	(495,417)
Total assets less current liabilities		**8,431,621**	7,515,045

		Company	
		2016	2015
	Note	**US$'000**	US$'000
Non-current liabilities			
Derivative financial instruments	14	**207,257**	146,216
Loans and borrowings	22	**4,789,115**	4,636,370
Finance lease payables	23	**58,118**	67,655
Security deposits	24	**107,447**	128,533
Deferred income	21	**23,728**	11,759
Maintenance reserves	25	**180,271**	142,409
Deferred income tax liabilities	26	**64,823**	52,894
Finance lease payable to subsidiary companies	31	**676,091**	762,451
Other non-current liabilities	27	**44,961**	34,779
		6,151,811	5,983,066
Total liabilities		**7,037,270**	6,842,500
Net assets		**2,279,810**	1,531,979
Equity attributable to ordinary equity holders of the Company			
Share capital	28	**1,157,791**	607,601
Retained earnings		**1,122,019**	924,378
Total equity		**2,279,810**	1,531,979
Total equity and liabilities		**9,317,080**	8,374,479

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016

	Note	Share capital US$'000	Retained earnings US$'000	Statutory reserves* US$'000	Hedging reserves US$'000	Total equity US$'000
		Attributable to ordinary equity holders of the Company				
2015						
Balance at 1 January 2015		607,601	1,488,810	–	–	2,096,411
Profit for the year and total comprehensive income for the year		–	343,307	–	–	343,307
At 31 December 2015		607,601	1,832,117	–	–	2,439,718
2016						
Balance at 1 January 2016		**607,601**	**1,832,117**	**–**	**–**	**2,439,718**
Profit for the year		**–**	**418,080**	**–**	**–**	**418,080**
Transfers to statutory reserves		**–**	**(7)**	**7**	**–**	**–**
Other comprehensive income for the year	29	**–**	**–**	**–**	**16,515**	**16,515**
Total comprehensive income for the year		**–**	**418,073**	**7**	**16,515**	**434,595**
Issuance of ordinary shares pursuant to the initial public offering	28	**562,783**	**–**	**–**	**–**	**562,783**
Initial public offering expenses	28	**(12,593)**	**–**	**–**	**–**	**(12,593)**
Total contributions by ordinary equity holders for the year		**550,190**	**–**	**–**	**–**	**550,190**
Dividends	34	**–**	**(42,335)**	**–**	**–**	**(42,335)**
At 31 December 2016		**1,157,791**	**2,207,855**	**7**	**16,515**	**3,382,168**

*In accordance with statutory requirements in China and France, the subsidiaries in these countries are 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.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016

	Note	2016	2015
		US$'000	US$'000
Cash flows from operating activities:			
Profit before income tax		**473,807**	401,433
Adjustments for:			
Depreciation of plant and equipment	13	**377,948**	381,951
Impairment of aircraft	13	**4,800**	43,900
Amortisation of deferred debt issue costs	8	**18,757**	18,129
Amortisation of lease transaction closing costs		**183**	345
Net gain on sale of aircraft	6	**(90,927)**	(70,144)
Interest and fee income		**(43,235)**	(36,396)
Finance expenses	7	**215,737**	168,771
Operating profit before working capital changes		**957,070**	907,989
Decrease/(increase) in receivables		**4,514**	(10,378)
Increase in payables		**6,590**	37,851
Increase in maintenance reserves		**45,501**	113,983
Increase in deferred income		**27,462**	19,617
Cash generated from operations		**1,041,137**	1,069,062
Security deposits received, net		**18,568**	4,968
Lease transaction closing costs paid		**(255)**	(233)
Income tax paid, net		**(1,095)**	(313)
Interest and fee income received		**47,682**	38,949
Net cash flows from operating activities		**1,106,037**	1,112,433
Cash flows from investing activities:			
Purchase of plant and equipment		**(2,895,318)**	(3,409,917)
Proceeds from sale of plant and equipment		**1,695,056**	2,092,315
Net cash flows used in investing activities		**(1,200,262)**	(1,317,602)
Cash flows from financing activities:			
Proceeds from shares issuance	28	**562,783**	–
Initial public offering expenses paid	28	**(12,593)**	–
Proceeds from loans and borrowings		**1,950,362**	1,999,033
Repayment of loans and borrowings		**(1,850,588)**	(1,577,778)
(Decrease)/increase in borrowings from revolving credit facilities, net		**(220,000)**	115,000
Finance expenses paid		**(217,861)**	(171,443)
Debt issue costs paid		**(23,892)**	(20,215)
Dividends paid	34	**(42,335)**	–
Decrease in cash and bank balances - encumbered		**85,823**	166,278
Increase in cash and bank balances - encumbered		**(115,148)**	(166,457)
Net cash flows from financing activities		**116,551**	344,418
Net increase in cash and cash equivalents		**22,326**	139,249
Cash and cash equivalents at beginning of year		**371,393**	232,144
Cash and cash equivalents at end of year	30	**393,719**	371,393

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

1. Corporate information

The Company, incorporated and domiciled in Singapore, was formerly known as BOC Aviation Pte. Ltd. On 12 May 2016, the Company was converted to a public company limited by shares and the Company's name was changed to BOC Aviation Limited. On 1 June 2016, the shares of BOC Aviation Limited were listed on the main board of Stock Exchange of Hong Kong Limited. The Company's majority shareholder is Sky Splendor Limited, which is incorporated in the Cayman Islands. Its shareholder is Bank of China Group Investment Limited, incorporated in Hong Kong and owned by Bank of China Limited, incorporated in the People's Republic of China ("PRC"). Bank of China Limited is majority owned by Central Huijin Investment Limited ("Central Huijin"), which is incorporated in the PRC. Central Huijin is a wholly owned subsidiary of China Investment Corporation ("CIC"), which is a wholly state-owned company in the PRC.

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

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

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

As at 31 December 2016, the Group's and the Company's current liabilities exceeded its current assets by US$370.2 million and US$382.0 million respectively (2015: US$461.5 million and US$495.4 million respectively). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The Group has not adopted the following new and revised IFRSs, which have been issued but are not yet effective:

Amendments/ Standards	**Content**	**Applicable for financial years beginning on or after**
IAS 7	Amendments to Statement of Cash Flows *Disclosure Initiative*	1 January 2017
IAS 12	Amendments to Income Taxes	1 January 2017
IFRS 9	*Financial Instruments*	1 January 2018
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRS 16	Leases	1 January 2019

Based on an initial assessment, the Group does not expect the adoption of the above amendments or standards to have a material impact on the financial statements in the period of initial application.

2. Summary of significant accounting policies (cont'd)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2016. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All significant balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.4 Functional and foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operates (“functional currency”).

(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 taken to 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 significant accounting policies (cont'd)

2.5 Plant and equipment

(a) Aircraft

Purchased aircraft on operating lease to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of the aircraft prior to delivery. Subsequent to recognition, aircraft are stated at cost less accumulated depreciation and accumulated impairment loss. Modifications and all other costs associated with placing the aircraft in service are capitalised. The cost of aircraft is stated net of manufacturers' credits. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to profit or loss.

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset is charged to profit or loss.

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

(b) Aircraft pre-delivery payments

Pre-delivery payments are recognised under plant and equipment when payments are made for aircraft under construction.

(c) Other plant and equipment

Other plant and equipment comprises office renovations, furniture, fittings and office equipment and are initially recognised at cost. Subsequent to recognition, these assets are stated at cost, less accumulated depreciation and accumulated impairment loss. Cost comprises purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs is charged to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 Plant and equipment (cont'd)

(d) *Depreciation*

Aircraft are depreciated on a straight-line basis over 25 years with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years.

Depreciation on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

Office renovations	- 3 to 5 years
Furniture, fittings and office equipment	- 1 to 3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed at each year end and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

(e) *Disposal*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.6 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Non-current 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. Non-current assets classified as held for sale are not depreciated.

2.7 Lease transaction closing costs

Upfront legal fees and all other initial direct costs incurred in procuring the lease for the aircraft are capitalised and amortised on a straight-line basis over the related lease period in profit or loss.

Where the lease agreement is terminated or novated prior to its expiry date, the remaining lease transaction closing costs will be written off to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Subsidiary Companies

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value, plus, in the case of other financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.11 Impairment of financial assets

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

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2. Summary of significant accounting policies (cont'd)

2.12 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss.

The fair values of cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts are determined by marked-to-market values provided by counterparties.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

(a) Fair value hedges when hedging the exposure to changes in the fair values of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss; and

(b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

2. Summary of significant accounting policies (cont'd)

2.12 Derivative financial instruments and hedging activities (cont'd)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to 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 directly in the hedging reserve, while the ineffective portion is recognised in profit or loss.

Amounts taken to hedging reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each year and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.14 Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. At termination or expiry of a lease, maintenance reserve liabilities for the aircraft which have not been reimbursed to the lessee will typically continue to remain as maintenance reserve liabilities. Any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss.

If a lease requires the lessee to pay return compensation payments at the end of the lease, certain lessees are required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which is providing flight hour-based support to the lessee.

2.15 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use is in progress, and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. The Group borrows to finance certain aircraft pre-delivery payments for aircraft under construction. The interest incurred on borrowings directly attributable to the acquisition of the aircraft under construction is capitalised and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitment or advances of pre-delivery payments on which the Group earns income. Capitalisation of interest ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

2. Summary of significant accounting policies (cont'd)

2.16 Debt issue costs

Debt issue costs are costs incurred in connection with obtaining financing. These costs comprise primarily front-end fees, agency fees and legal fees.

On initial recognition of a financial liability, debt issue costs that are directly attributable to the acquisition of the financial liability are included in the initial measurement of that liability. These costs are amortised over the related life of the debt using the effective interest method and written off upon prepayment of the financial liability, except for those debt issue costs relating to credit facilities which remain available for re-drawing after prepayment.

2.17 Trade and other payables

Liabilities for trade and other payables including payable to related parties, which are normally settled within 30-day credit terms, are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.18 Employee benefits

(a) Short term employee benefits

All short term employee benefits, including accumulated compensated absences, are recognised in profit or loss in the period in which the employees render their services to the Group.

(b) Short term incentive plan

The short term incentive plan bonus is payable to employees of the Group when certain key performance targets for each year are met and payment is to be made over a period. The bonus is accrued and recognised in profit or loss in the period in which the employees render their services to the Group. Any over or under provision will be recognised in profit or loss.

(c) Long term incentive plan

The long term incentive plan is payable to selected employees of the Group based on the achievement of certain key performance targets at the end of a pre-determined period. The bonus is accrued and recognised in profit or loss in the period in which the employees render their services to the Group. Any over or under provision will be recognised in profit or loss. Payment of accrued bonus will be made over a period after each pre-determined period.

2. Summary of significant accounting policies (cont'd)

2.18 Employee benefits (cont’d)

(d) Employers’ defined contributions

As required by law, the Group makes contributions to Central Provident Fund (“CPF”) in Singapore, National Insurance in United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in United States of America and Social Insurance in China. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

2.19 Leases

(a) Where the Group or the Company is the lessor

Leases where the Group or the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.20. Contingent rents are recognised as revenue in the period in which they are earned.

Finance leases, which effectively transfer to lessee substantially all the risks and benefits incidental to ownership of the leased asset, are recognised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income are charged directly to profit or loss.

(b) Where the Group or the Company is the lessee

Finance leases, which effectively transfer to the Group or the Company substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments and disclosed under Note 36. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership of the leased asset by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

2.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) Lease rental income

Lease rental income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

Lease rental income is not recognised if the collections are not probable due to prolonged financial difficulties of lessees.

(b) Remarketing and lease management fees

Remarketing and lease management fees are recognised as revenue upon rendering of services.

(c) Dividend income

Dividend income from investments is recognised when the Company’s right to receive payment is established.

(d) Interest income

Interest income is recognised on an accrual basis unless collectability is in doubt.

(e) Lease termination fees

Lease termination fees are recognised based on contractual agreement with the relevant lessee to the extent that it is probable that the economic benefits will flow to the Group.

2. Summary of significant accounting policies (cont'd)

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each year, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(b) Deferred income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each year.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.22 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.23 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments which have significant effect on the amounts recognised in the financial statements.

(a) Carrying value of aircraft

The Group follows the guidance provided by IAS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. Management exercises significant judgment in determining whether there is any indication that any aircraft may have been impaired. This exercise involves management to consider both internal and external sources of information which include but are not limited to: observable indications that the value of aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of the aircraft; technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence or physical damage of the aircraft; and worse than expected economic performance of the aircraft. Analysis of impairment loss provision is disclosed in Note 13 in the financial statements.

(b) Maintenance of aircraft by lessees

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make monthly or end of lease maintenance contributions to the Group which can subsequently be drawn on for certain maintenance events carried out. Management has made a judgment based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements. For any shortfall identified, a provision for aircraft maintenance will be charged to profit or loss.

(c) Impairment of financial assets

The Group follows the guidance of IAS 39 in determining when a financial asset is other-than-temporarily impaired and this requires judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost.

(d) Fair value of financial instruments

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models by counterparties. The valuation of financial instruments is described in more detail in Note 38.

3. Significant accounting judgments and estimates (cont'd)

3.1 Judgments made in applying accounting policies (cont'd)

(e) Classification of leases

(i) Operating lease – As lessor

The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

(ii) Finance lease – As lessor

The Company has entered into aircraft leases whereby the Company has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Company has recorded the transaction as a sale of aircraft and finance lease receivables on the statement of financial position.

(iii) Finance lease – As lessee

The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft as plant and equipment on the statement of financial position.

(f) Deferred income taxes

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgment is required to determine that the undistributed profits of the subsidiary companies will not be distributed and remitted into Singapore in the foreseeable future. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiary companies and overseas unremitted income as at 31 December 2016 was US$1,047.1 million (2015: US$817.4 million) for which deferred tax liabilities have not been recognised.

Deferred tax assets are recognised for all unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments and estimates (cont'd)

3.1 Judgments made in applying accounting policies (cont'd)

(f) Deferred income taxes (cont'd)

The Company was granted a renewal of the concessionary tax rate of 5% with effect from 1 July 2012 under the five-year Aircraft Leasing Scheme incentive by the Economic Development Board of Singapore. To qualify for five years of concessionary tax rate of 5%, the Company is required to achieve certain conditions within the five-year period. Management is reasonably confident that the conditions can be met. Subsequent to year end, the Company has renewed the Aircraft Leasing Scheme incentive for a five-year period from 1 July 2017 to 30 June 2022 at the concessionary tax rate of 5%.

Details have been disclosed in Note 12 and Note 26.

(g) Non-current assets held for sale

Non-current asset is classified as held for sale when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale is highly probable. Management judgment is required to assess whether the asset meets the conditions to be classified as assets held for sale and details have been disclosed in Note 19.

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.

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(a) Depreciation of aircraft and estimation of residual values

Aircraft are depreciated on a straight-line basis over 25 years with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years. Management estimates the useful life to be 25 years based on the common life expectancies applied in the aircraft leasing industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A one-year decrease in the expected useful lives of these assets from management's estimates would result in an increase in annual depreciation charges of US$16.8 million (2015: US$15.9 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) Fair values

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 14.

Fair values of other financial instruments have been disclosed in Note 38.

(c) Income taxes and deferred income taxes

The Group has exposure to income taxes in numerous jurisdictions. Estimation is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Details have been disclosed in Note 12 and Note 26.

4. Lease rental income

The Company and certain of its subsidiary companies, as lessors, lease aircraft to airlines under operating leases.

5. Interest and fee income

	Group	
	2016	2015
	US$'000	US$'000
Fixed deposits and bank balances	**6,538**	1,400
Aircraft pre-delivery payments	**36,599**	34,909
Lease management fee income	**4,274**	2,284
Remarketing fee income	**167**	1,164
Others	**98**	87
	47,676	39,844

6. Net gain on sale of aircraft

		Group	
	Note	**2016**	2015
		US$'000	US$'000
Proceeds from sale of aircraft		**1,490,536**	1,822,618
Maintenance reserves released	25	**8,378**	65,026
Net book value of aircraft		**(1,403,960)**	(1,798,652)
Expenses		**(4,027)**	(18,848)
		90,927	70,144

7. Finance expenses

	Group	
	2016	2015
	US$'000	US$'000
Interest expense and other charges on:		
Loans and borrowings	**214,793**	169,063
Finance leases	**1,337**	1,156
	216,130	170,219
Net fair value gains on derivative financial instruments	**(393)**	(1,448)
	215,737	168,771

8. Amortisation of deferred debt issue costs

		Group	
	Note	**2016**	2015
		US$'000	US$'000
Arising from:			
Loans and borrowings	22	**18,688**	18,060
Finance lease payables	23	**69**	69
		18,757	18,129

9. Staff costs

	Group	
	2016	2015
	US$'000	US$'000
Salaries, bonuses and other staff costs	**72,503**	56,892
Employers' defined contributions	**2,076**	1,797
	74,579	58,689

10. Emoluments of directors, five highest paid individuals and senior management

(a) Emoluments paid to directors of the Company during the year

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2016					
Chairman, non-executive director					
Chen Siqing[1]	–	–	–	–	–
Executive directors					
Wang Genshan (Vice-Chairman)	–	546	1,882	–	2,428
Robert James Martin	–	862	4,700	–	5,562
Gao Jinyue[2]	–	198	80	14	292
Independent non-executive directors					
Antony Nigel Tyler[3]	89	25	–	–	114
Dai Deming[3]	38	11	–	–	49
Fu Shula	54	11	–	–	65
Yeung Yin Bernard[4]	2	–	–	–	2
Non-executive directors[1]					
Gao Zhaogang[4]	–	–	–	–	–
Li Mang	–	–	–	–	–
Liu Chenggang[5]	–	–	–	–	–
Zhu Lin	–	–	–	–	–
	183	**1,653**	**6,662**	**14**	**8,512**

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
2015					
Chairman, non-executive director					
Chen Siqing[1]	–	–	–	–	–
Executive directors					
Wang Genshan (Vice-Chairman)	–	543	2,044	–	2,587
Robert James Martin	–	836	5,037	–	5,873
Gao Jinyue	–	548	21	38	607
Independent non-executive director					
Fu Shula	43	–	–	–	43
Non-executive directors[1]					
Dr Xiao Wei	–	–	–	–	–
Li Mang	–	–	–	–	–
Ren Li	–	–	–	–	–
Zhu Lin	–	–	–	–	–
Zhuo Chengwen	–	–	–	–	–
	43	1,927	7,102	38	9,110

Directors who resigned and did not receive emoluments during the year are not included.

[1] In 2015 and 2016, the non-executive Chairman and non-executive directors (other than independent non-executive directors) were not entitled to any emoluments under their respective engagement letters
[2] Resigned on 12 May 2016
[3] Appointed on 12 May 2016
[4] Appointed on 13 December 2016
[5] Appointed on 7 September 2016

10. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(b) Five highest paid individuals

In the year ended 31 December 2016 and 2015, the five individuals whose emoluments were the highest in the Group include two executive directors whose emoluments are reflected in Note 10(a).

The emoluments paid to the remaining three individuals during the year ended 31 December 2016 and 2015 were as follows:

	2016	2015
	US$'000	US$'000
Salaries, allowances and other benefits	**1,571**	1,385
Discretionary bonus	**5,188**	5,864
Employers' defined contributions	**302**	223
	7,061	7,472

The number of such individuals whose emoluments paid during the year ended 31 December 2016 and 2015 fell within the following bands:

	2016	2015
HK$16,000,001 to HK$16,500,000	**–**	1
HK$16,500,001 to HK$17,000,000	**1**	–
HK$18,500,001 to HK$19,000,000	**1**	–
HK$19,000,001 to HK$19,500,000	**1**	–
HK$19,500,001 to HK$20,000,000	**–**	1
HK$21,500,001 to HK$22,000,000	**–**	1

During the year ended 31 December 2016 and 2015, no directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group as compensation for loss of office.

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 2016 and 2015 fell within the following bands:

	2016	2015
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$12,000,001 to HK$12,500,000	**–**	1
HK$16,500,001 to HK$17,000,000	**1**	–
HK$18,500,001 to HK$19,000,000	**2**	–
HK$19,000,001 to HK$19,500,000	**1**	–
HK$19,500,001 to HK$20,000,000	**–**	1
HK$20,000,001 to HK$20,500,000	**–**	1
HK$21,500,001 to HK$22,000,000	**–**	1
HK$43,000,001 to HK$43,500,000	**1**	–
HK$45,500,001 to HK$46,000,000	**–**	1

11. Other operating expenses

	Group	
	2016	2015
	US$'000	US$'000
General office expenses	**3,812**	3,252
Operating lease expenses	**2,576**	2,294
Technical services expenses	**6,923**	1,448
Professional fees	**4,307**	4,664
Listing expenses	**2,951**	300
Auditors' remuneration	**353**	327
Net foreign exchange losses	**684**	105
Others	**552**	77
	22,158	12,467

Technical services expenses include provisions for repair, maintenance, and repossession costs of aircraft.

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2016 and 2015 are:

	Group	
	2016	2015
	US$'000	US$'000
Current income tax		
- Singapore	**–**	(43)
- Foreign	**374**	1,112
- Under provision in respect of prior years	**89**	–
	463	1,069
Deferred income tax		
- Singapore	**20,712**	20,759
- Foreign	**43,705**	36,298
- Over provision in respect of prior years	**(9,153)**	–
	55,264	57,057
	55,727	58,126

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Profit before income tax	**473,807**	401,433
Tax at the domestic tax rate of 17% (2015:17%)	**80,547**	68,244
Adjustments:		
Different tax rates in other countries	**5,716**	178
Effects of Aircraft Leasing Scheme incentive on Company's results	**(23,040)**	(13,125)
Income not subject to tax	**(1,042)**	(286)
Expenses not deductible for tax purposes	**2,855**	3,107
Others	**(245)**	8
Over provision in respect of prior years, net	**(9,064)**	–
	55,727	58,126

As at 31 December 2016, the Group had unabsorbed capital allowances and unutilised tax losses of approximately US$1,489.8 million (2015: US$1,399.4 million) which, subject to the provisions of relevant local tax legislation and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profits.

13. Plant and equipment

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2015	11,354,712	1,089,477	998	8,301	12,453,488
Additions	1,464,504	1,952,823	60	1,025	3,418,412
Disposals	(2,193,081)	(269,697)	–	–	(2,462,778)
Transfers	532,261	(532,261)	–	–	–
Transfer to assets held for sale (Note 19)	(266,972)	–	–	–	(266,972)
Adjustments	138	–	–	–	138
At 31 December 2015 and 1 January 2016	10,891,562	2,240,342	1,058	9,326	13,142,288
Additions	1,899,653	1,005,390	226	1,042	2,906,311
Disposals	(967,349)	(204,520)	(23)	(1,005)	(1,172,897)
Transfers	874,634	(874,634)	–	–	–
Transfer to assets held for sale (Note 19)	(873,486)	–	–	–	(873,486)
Adjustments	436	–	–	–	436
At 31 December 2016	**11,825,450**	**2,166,578**	**1,261**	**9,363**	**14,002,652**
Accumulated depreciation and impairment:					
At 1 January 2015	1,431,319	–	393	6,468	1,438,180
Charge for the year	379,863	–	314	1,774	381,951
Disposals	(394,429)	–	–	–	(394,429)
Impairment of aircraft	43,900	–	–	–	43,900
Transfer to assets held for sale (Note 19)	(44,750)	–	–	–	(44,750)
At 31 December 2015 and 1 January 2016	1,415,903	–	707	8,242	1,424,852
Charge for the year	376,207	–	344	1,397	377,948
Disposals	(219,848)	–	(19)	(1,005)	(220,872)
Impairment of aircraft	4,800	–	–	–	4,800
Transfer to assets held for sale (Note 19)	(188,676)	–	–	–	(188,676)
At 31 December 2016	**1,388,386**	**–**	**1,032**	**8,634**	**1,398,052**
Net book value:					
At 31 December 2015	9,475,659	2,240,342	351	1,084	11,717,436
At 31 December 2016	**10,437,064**	**2,166,578**	**229**	**729**	**12,604,600**

13. Plant and equipment (cont'd)

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2015	4,949,056	14,325	968	8,231	4,972,580
Additions	1,589,458	122,494	1	933	1,712,886
Disposals	(710,925)	–	–	–	(710,925)
Transfers	18,519	(18,519)	–	–	–
Transfer to subsidiary companies	–	(1,048)	–	–	(1,048)
Transfer to assets held for sale (Note 19)	(80,500)	–	–	–	(80,500)
At 31 December 2015 and 1 January 2016	5,765,608	117,252	969	9,164	5,892,993
Additions	1,880,544	76,302	70	1,009	1,957,925
Disposals	(592,059)	(93,819)	(23)	(993)	(686,894)
Transfers	19,169	(19,169)	–	–	–
Transfer to subsidiary companies	–	(902)	–	–	(902)
Transfer to assets held for sale (Note 19)	(271,760)	–	–	–	(271,760)
Adjustments	3	–	–	–	3
At 31 December 2016	**6,801,505**	**79,664**	**1,016**	**9,180**	**6,891,365**
Accumulated depreciation and impairment:					
At 1 January 2015	492,260	–	381	6,438	499,079
Charge for the year	179,601	–	281	1,714	181,596
Disposals	(95,070)	–	–	–	(95,070)
Impairment of aircraft	7,200	–	–	–	7,200
Transfer to assets held for sale (Note 19)	(9,390)	–	–	–	(9,390)
At 31 December 2015 and 1 January 2016	574,601	–	662	8,152	583,415
Charge for the year	210,428	–	283	1,310	212,021
Disposals	(65,956)	–	(19)	(993)	(66,968)
Impairment of aircraft	2,200	–	–	–	2,200
Transfer to assets held for sale (Note 19)	(17,911)	–	–	–	(17,911)
At 31 December 2016	**703,362**	–	**926**	**8,469**	**712,757**
Net book value:					
At 31 December 2015	5,191,007	117,252	307	1,012	5,309,578
At 31 December 2016	**6,098,143**	**79,664**	**90**	**711**	**6,178,608**

13. Plant and equipment (cont'd)

(a) Impairment of assets

As at 31 December 2016, accumulated impairment loss on the Group’s and the Company’s plant and equipment of US$4.8 million and US$2.2 million (2015: US$80.5 million and US$7.2 million) respectively was included in accumulated depreciation and impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management’s best estimate of aircraft values from appraisers’ valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value in use.

Movement of accumulated impairment loss provision:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Balance at beginning of year	**80,505**	57,532	**7,200**	–
Impairment loss	**4,800**	43,900	**2,200**	7,200
Utilised	**(80,505)**	(20,927)	**(7,200)**	–
Balance at end of year	**4,800**	80,505	**2,200**	7,200

(b) Assets held under finance leases

The net book value of aircraft owned by the Group and Company held under finance lease arrangements amounted to US$97.0 million and US$1,588.6 million (2015: US$100.8 million and US$1,522.9 million) respectively.

These assets are pledged as security for the related finance lease liabilities.

(c) 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 finance lease arrangements in Note 13(b), that have been charged for loan facilities granted (Note 22 and Note 23) 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 titles to such aircraft (Note 33) amounted to US$4,599.0 million (2015: US$6,409.7 million) and US$2,688.0 million (2015: US$3,555.4 million) respectively.

(d) Capitalisation of borrowing costs

The borrowing costs capitalised as cost of aircraft amounted to US$11.0 million (2015: US$8.5 million). The rate used to determine the amount of borrowing costs for capitalisation was 2.5% (2015: 2.5%) per annum.

14. Derivative financial instruments

	Group and Company					
	2016			2015		
	Outstanding notional amounts US$'000	**Assets US$'000**	**Liabilities US$'000**	Outstanding notional amounts US$'000	Assets US$'000	Liabilities US$'000
Current:						
Interest rate swaps	**–**	**–**	**–**	21,121	–	(393)
Non-current:						
Cross-currency interest rate swaps	**1,112,612**	**–**	**(205,321)**	1,112,612	–	(145,287)
Interest rate swaps	**1,300,000**	**16,649**	**(1,936)**	500,000	2,011	(929)
		16,649	**(207,257)**		2,011	(146,216)
		16,649	**(207,257)**		2,011	(146,609)

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

14. Derivative financial instruments (cont'd)

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

(a) Fair value hedges

The Group uses interest rate swaps to hedge against changes in fair value of medium term notes, issued at a fixed coupon rate, from changes in interest rates.

As at 31 December 2016, the Group had US$500 million notes (2015: US$500 million) at fixed coupon rate which were swapped to floating rates. As at 31 December 2016, the Group had interest rate swap contracts with a total notional amount of US$500 million (2015: US$500 million) to hedge the interest rate exposure whereby the Group receives fixed rate and pays floating rate pegged to US dollar LIBOR on the notional amount on a half yearly basis. The terms of the interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the fair value hedges are assessed to be highly effective. The fair value of the derivative financial asset was US$0.1 million and US$2.0 million as at 31 December 2016 and 2015 respectively. The fair value of the derivative financial liability was US$1.9 million and US$0.9 million as at 31 December 2016 and 2015 respectively.

(b) Cash flow hedges

The Group borrows at floating interest rates pegged to US dollar LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates.

As at 31 December 2016, the Group had an interest rate swap contract with a notional amount of US$800 million to hedge the interest rate exposure whereby the Group pays fixed rate and receives floating rate pegged to US dollar LIBOR on the notional amount on a quarterly basis. The terms of the interest rate swap contracts had been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The fair value of the derivative financial asset was US$16.5 million (2015: US$Nil).

15. Trade receivables

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (current)	**–**	400	**–**	–
Trade receivables (non-current)	**2,772**	–	**–**	–

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Except for an amount classified as non-current of US$2.8 million (2015: US$Nil) which is contractually deferred by mutual agreement and interest bearing, trade receivables are generally received monthly in advance.

The Group's and Company's trade receivables are secured by cash security deposits or letters of credit. None of the trade receivables was past due or impaired as at 31 December 2016 and 2015.

16. Other receivables

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**669**	716	**638**	685
Sundry receivables	**4,444**	14,423	**395**	7,937
Accrued income	**2,923**	7,674	**8,575**	8,984
Amounts due from subsidiary companies	**–**	–	**5,048**	978
	8,036	22,813	**14,656**	18,584

Sundry receivables are non-interest bearing.

The amounts due from subsidiary companies are non-trade related, unsecured, interest free and are repayable on demand.

Balances that were past due are secured by security deposits collected or through letters of credit from financial institutions. None of the receivables listed above was past due or impaired as at 31 December 2016 and 2015.

17. Fixed deposits

		Group		Company	
	Note	**2016**	2015	**2016**	2015
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	30	**352,882**	237,415	**257,880**	134,814

Short term fixed deposits are placed for varying periods between one day and three months (2015: one day and two months) depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term fixed deposits was 0.7% (2015: 0.4%) per annum.

As at 31 December 2016, fixed deposits placed with intermediate holding company amounted to US$131.0 million (2015: US$23.2 million) for the Group and US$95.0 million (2015: US$10.0 million) for the Company. As at 31 December 2016, there were no fixed deposits placed with other related party for the Group (2015: US$89.2 million) and the Company (2015: US$82.9 million).

18. Cash and bank balances

		Group		Company	
	Note	**2016**	2015	**2016**	2015
		US$'000	US$'000	**US$'000**	US$'000
Encumbered	22	**164,764**	135,439	**123,294**	50,450
Unencumbered	30	**40,837**	133,978	**12,888**	65,706
		205,601	269,417	**136,182**	116,156

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US$14.4 million (2015: US$111.5 million) and US$7.7 million (2015: US$62.2 million) respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2016, the Group's cash and bank balances included an amount of US$8.9 million (2015: US$1.5 million) placed with an intermediate holding company.

18. Cash and bank balances (cont'd)

Cash and bank balances were denominated in United States dollar except for the following:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Australian dollar	**155**	156	**–**	–
Chinese Yuan	**1,383**	14	**–**	–
Euro	**2,166**	801	**1,644**	396
Hong Kong dollar	**96**	–	**96**	–
Japanese Yen	**18**	75	**–**	–
Malaysian Ringgit	**84**	84	**–**	–
Sterling Pound	**557**	582	**–**	–
Singapore dollar	**449**	516	**449**	516
	4,908	2,228	**2,189**	912

19. Assets held for sale and liabilities associated with assets held for sale

As at 31 December 2016, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

		Group		Company	
	Note	**2016**	2015	**2016**	2015
		US$'000	US$'000	**US$'000**	US$'000
Assets held for sale:					
Plant and equipment – aircraft					
At beginning of year		**222,222**	–	**71,110**	–
Additions		**684,810**	222,222	**253,849**	71,110
Disposals		**(656,459)**	–	**(231,990)**	–
At end of year		**250,573**	222,222	**92,969**	71,110
Liabilities associated with assets held for sale:					
Loans and borrowings	22	**14,963**	26,856	**–**	26,856
Finance lease payable to subsidiary companies	31	**–**	–	**14,963**	–
Maintenance reserve payables		**3,894**	9,443	**3,408**	9,443
		18,857	36,299	**18,371**	36,299

20. Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**3,040**	4,572	**194**	66
Sundry payables	**6,536**	2,187	**2,337**	1,201
Accrued interest expenses	**45,183**	35,246	**38,048**	28,784
Maintenance reserve payables	**16,937**	22,306	**7,901**	5,671
Accrued technical expenses	**6,020**	560	**6,020**	454
Other accruals and liabilities	**41,470**	41,233	**31,689**	26,725
Amounts due to subsidiary companies	**–**	–	**2,469**	16,034
	119,186	106,104	**88,658**	78,935

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

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

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Current	**2,791**	923	**–**	–
1 – 30 days	**190**	2,268	**190**	–
31 – 60 days	**–**	1,051	**–**	66
61 – 90 days	**4**	215	**4**	–
More than 90 days	**55**	115	**–**	–
	3,040	4,572	**194**	66

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 the difference between the nominal value of the security deposits (Note 24) and its fair value. The deferred income is charged to profit or loss on a straight-line basis over the lease term.

22. Loans and borrowings

	Note	Group		Company	
		2016	2015	**2016**	2015
		US$'000	US$'000	**US$'000**	US$'000
Current:					
Medium Term Notes		**500,000**	–	**500,000**	–
Loans		**427,414**	1,001,499	**80,874**	625,599
Deferred debt issue costs		**(10,206)**	(11,352)	**(1,317)**	(1,630)
		917,208	990,147	**579,557**	623,969
Non-current:					
Medium Term Notes		**3,962,612**	3,212,612	**3,962,612**	3,212,612
Medium Term Notes discount (net of premium)		**(9,572)**	(5,823)	**(9,572)**	(5,823)
Fair value adjustments		**(207,123)**	(144,206)	**(207,123)**	(144,206)
		3,745,917	3,062,583	**3,745,917**	3,062,583
Loans		**3,878,322**	4,665,246	**1,060,376**	1,589,436
Deferred debt issue costs		**(82,250)**	(79,298)	**(17,178)**	(15,649)
		7,541,989	7,648,531	**4,789,115**	4,636,370
Total loans and borrowings		**8,459,197**	8,638,678	**5,368,672**	5,260,339
Statement of financial position:					
Loans and borrowings (current)		**902,245**	963,291	**579,557**	597,113
Loans and borrowings (non-current)		**7,541,989**	7,648,531	**4,789,115**	4,636,370
Liabilities associated with assets held for sale	19	**14,963**	26,856	**–**	26,856
		8,459,197	8,638,678	**5,368,672**	5,260,339

22. Loans and borrowings (cont'd)

The deferred debt issue costs relating to the obtaining of the loans are analysed as follows:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Cost:				
At beginning of year	**142,823**	140,227	**26,977**	22,076
Additions	**20,817**	16,150	**6,439**	8,276
Written off to profit or loss upon sale of aircraft	**(840)**	(5,679)	**(274)**	(484)
Fully amortised costs written off	**(11,061)**	(7,906)	**(5,620)**	(2,870)
Adjustments	**101**	31	**38**	(21)
Transfers	**–**	–	**577**	–
At end of year	**151,840**	142,823	**28,137**	26,977
Accumulated amortisation:				
At beginning of year	**52,173**	45,525	**9,698**	7,710
Charge for the year (Note 8)	**18,688**	18,060	**5,567**	5,214
Written off to profit or loss upon sale of aircraft	**(416)**	(3,506)	**(167)**	(356)
Fully amortised costs written off	**(11,061)**	(7,906)	**(5,620)**	(2,870)
Transfers	**–**	–	**164**	–
At end of year	**59,384**	52,173	**9,642**	9,698
Net book value:				
At end of year	**92,456**	90,650	**18,495**	17,279
Deferred debt issue costs, net	**92,456**	90,650	**18,495**	17,279
Less: Current portion	**(10,206)**	(11,352)	**(1,317)**	(1,630)
Non-current portion	**82,250**	79,298	**17,178**	15,649

22. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the gross loans and borrowings before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes at the end of each year for the Group and Company.

	Group				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2016					
Medium term notes	**500,000**	**492,225**	**1,963,493**	**1,506,894**	**4,462,612**
Loans	**427,414**	**824,875**	**2,119,705**	**933,742**	**4,305,736**
Total gross loans and borrowings	**927,414**	**1,317,100**	**4,083,198**	**2,440,636**	**8,768,348**
2015					
Medium term notes	–	500,000	1,769,845	942,767	3,212,612
Loans	1,001,499	498,343	2,838,133	1,328,770	5,666,745
Total gross loans and borrowings	1,001,499	998,343	4,607,978	2,271,537	8,879,357

	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**
2016					
Medium term notes	**500,000**	**492,225**	**1,963,493**	**1,506,894**	**4,462,612**
Loans	**80,874**	**186,913**	**397,806**	**475,657**	**1,141,250**
Total gross loans and borrowings	**580,874**	**679,138**	**2,361,299**	**1,982,551**	**5,603,862**
2015					
Medium term notes	–	500,000	1,769,845	942,767	3,212,612
Loans	625,599	115,092	942,554	531,790	2,215,035
Total gross loans and borrowings	625,599	615,092	2,712,399	1,474,557	5,427,647

22. Loans and borrowings (cont'd)

As at 31 December 2016, secured loans amounted to US$2,990.7 million (2015: US$4,656.7 million) and US$896.3 million (2015: US$1,775.0 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 33) that hold title to aircraft.

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

(a) Medium Term Notes

The Group has set up a US$2 billion Euro Medium Term Note Programme ("EMTN Programme") on 20 September 2012. The EMTN Programme was converted to a US$5 billion Global Medium Term Note Program ("GMTN Program") on 16 March 2015. The Programme was increased to US$5 billion on 16 April 2015.

Outstanding notes denominated in various currencies issued were:

			Group and Company		
			2016		
Currency	**Fixed Coupon Rate (p.a.)**	**Maturity (Year)**	**Outstanding amounts US$'000**	**Amounts swapped to US$ and floating rates US$'000**	**Amounts swapped to US$ and fixed rates US$'000**
Australian dollar	5.375%	2020 to 2021	**373,493**	**373,493**	**–**
Chinese Yuan	4.2% to 5.5%	2018 to 2024	**630,236**	**590,236**	**40,000**
Singapore dollar	3.93%	2025	**108,883**	**–**	**108,883**
United States dollar	2.375% to 4.375%	2017 to 2026	**3,350,000**	**500,000**	**–**
			4,462,612	**1,463,729**	**148,883**

			2015		
Currency	Fixed Coupon Rate (p.a.)	Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to US$ and floating rates US$'000	Amounts swapped to US$ and fixed rates US$'000
Australian dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.2% to 5.5%	2018 to 2024	630,236	590,236	40,000
Singapore dollar	3.93%	2025	108,883	–	108,883
United States dollar	2.875% to 4.375%	2017 to 2023	2,100,000	500,000	–
			3,212,612	1,463,729	148,883

22. Loans and borrowings (cont'd)

As at 31 December 2016, an amount of US$1,463.7 million (2015: US$1,463.7 million) has been swapped to floating rate liabilities and United States dollar (for non-US dollar denominated notes) via interest rate swap and cross-currency interest rate swap contracts. These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy, The floating interest rate ranged from 1.8% to 3.6% (2015: 1.7% to 2.9%) per annum during the year.

As at 31 December 2016, an amount of US$148.9 million (2015: US$148.9 million) which was denominated in non-US dollar at fixed rates have been swapped to US dollar and at fixed rates via cross-currency interest rate swap contracts.

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 1.8% (2015: 1.5%) 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 2017 and 2026 (2015: 2016 and 2026).

As at 31 December 2016, there was no loan due to intermediate holding company by the Group (2015: US$442.5 million) and the amount due to related parties by the Group was US$311.5 million (2015: US$478.8 million).

As at 31 December 2016, there were no loans due to intermediate holding company by the Company (2015: US$346.0 million) and the amount due to related parties by the Company was US$111.5 million (2015: US$278.8 million).

As at 31 December 2016, the Group and Company had unutilised unsecured committed revolving credit facilities of US$4,150 million (2015: US$2,510 million) and US$2,470 million (2015: US$2,380 million) respectively. These facilities include a US$2 billion committed revolving credit facility which is granted by the intermediate holding company and matures in 2022, and US$334 million in commitments which are provided by other related parties as part of committed syndicated revolving credit facilities which mature between 2019 and 2021. The Group and Company had committed long term credit facilities pending the provision of new replacement aircraft as collateral of US$157.5 million (2015: US$165.8 million) and US$72.9 million (2015: US$29.0 million), respectively.

23. Finance lease payables

	Group and Company	
	2016	2015
	US$'000	US$'000
Current:		
Finance lease payables	**9,606**	9,217
Deferred debt issue costs	**(69)**	(69)
Finance lease payables, net	**9,537**	9,148
Non-current:		
Finance lease payables	**58,297**	67,903
Deferred debt issue costs	**(179)**	(248)
Finance lease payables, net	**58,118**	67,655
Total finance lease payables, net	**67,655**	76,803

The finance lease payables are secured by a charge over leased assets (Note 13). Interest on the leases ranged from 1% to 3.2% (2015: 0.8% to 2.6%) per annum.

The deferred debt issue costs relating to finance lease payables are analysed as follows:

		Group and Company	
	Note	**2016**	2015
		US$'000	US$'000
Cost:			
At beginning of year and at end of year		**504**	504
Accumulated amortisation:			
At beginning of year		**187**	118
Charge for the year	8	**69**	69
At end of year		**256**	187
Net book value:			
At end of year		**248**	317
Deferred debt issue costs, net		**248**	317
Less: Current portion		**(69)**	(69)
Non-current portion		**179**	248

23. Finance lease payables (cont'd)

The table below summarises the maturity profile of the finance lease payables before adjustments for debt issue costs at the end of each year.

	Group				
	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**
2016	**9,606**	**33,526**	**7,137**	**17,634**	**67,903**
2015	9,217	9,606	38,188	20,109	77,120

	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**
2016	**9,606**	**33,526**	**7,137**	**17,634**	**67,903**
2015	9,217	9,606	38,188	20,109	77,120

24. Security deposits

In addition to the cash security deposits recorded on the statement of financial position, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US$97.5 million (2015: US$118.0 million) and US$60.2 million (2015: US$45.5 million) respectively.

25. Maintenance reserves

		Group		Company	
	Note	**2016**	2015	**2016**	2015
		US$'000	US$'000	**US$'000**	US$'000
At beginning of year		**432,897**	383,940	**142,409**	115,718
Contributions		**186,028**	171,478	**93,913**	81,328
Utilisation		**(13,623)**	(26,818)	**(3,776)**	(7,658)
Transfer to buyers		**(126,904)**	(29,403)	**(52,262)**	(12,193)
Release to profit or loss for excess written off		**–**	(1,274)	**–**	–
Release to profit or loss upon sale of aircraft	6	**(8,378)**	(65,026)	**(13)**	(34,786)
At end of year		**470,020**	432,897	**180,271**	142,409

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$144.8 million (2015: US$117.5 million) and US$30.5 million (2015: US$25.5 million) respectively.

26. Deferred income tax assets and liabilities

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Deferred income tax liabilities, net	**332,482**	277,010	**64,823**	52,894
Deferred income tax assets, net	**(208)**	–	**–**	–
	332,274	277,010	**64,823**	52,894

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are disclosed separately in the statement of financial position.

Breakdown of deferred income tax assets and liabilities are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	**489,980**	470,819	**114,062**	91,810
Gross deferred tax assets	**(157,706)**	(193,809)	**(49,239)**	(38,916)
Net deferred tax liabilities	**332,274**	277,010	**64,823**	52,894

The unrecognised deferred tax liabilities are as disclosed in Note 3.1(f).

26. Deferred income tax assets and liabilities (cont'd)

Movements in the Group's and Company's deferred tax assets and liabilities during the year are as follows:

	Group			
	Differences in depreciation US$'000	**Unremitted overseas income US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax liabilities arising from:				
At 1 January 2015	451,918	2,525	64	454,507
Charged to profit or loss	6,744	8,918	650	16,312
At 31 December 2015 and 1 January 2016	**458,662**	**11,443**	**714**	**470,819**
Charged/(credited) to profit or loss	**19,597**	**240**	**(676)**	**19,161**
At 31 December 2016	**478,259**	**11,683**	**38**	**489,980**

	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 2015	(228,195)	(2,437)	(3,922)	(234,554)
Charged/(credited) to profit or loss	41,974	(1,975)	746	40,745
At 31 December 2015 and 1 January 2016	**(186,221)**	**(4,412)**	**(3,176)**	**(193,809)**
Charged/(credited) to profit or loss	**37,659**	**(1,506)**	**(50)**	**36,103**
At 31 December 2016	**(148,562)**	**(5,918)**	**(3,226)**	**(157,706)**

26. Deferred income tax assets and liabilities (cont'd)

	Company			
	Differences in depreciation US$'000	**Unremitted overseas income US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax liabilities arising from:				
At 1 January 2015	75,268	2,525	64	77,857
Charged to profit or loss	4,385	8,918	650	13,953
At 31 December 2015 and 1 January 2016	**79,653**	**11,443**	**714**	**91,810**
Charged/(credited) to profit or loss	**22,688**	**240**	**(676)**	**22,252**
At 31 December 2016	**102,341**	**11,683**	**38**	**114,062**

	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 2015	(43,580)	(1,972)	(170)	(45,722)
Charged/(credited) to profit or loss	7,727	(955)	34	6,806
At 31 December 2015 and 1 January 2016	**(35,853)**	**(2,927)**	**(136)**	**(38,916)**
Credited to profit or loss	**(8,969)**	**(1,103)**	**(251)**	**(10,323)**
At 31 December 2016	**(44,822)**	**(4,030)**	**(387)**	**(49,239)**

The unabsorbed capital allowances and unutilised tax losses which are subject to the provisions of relevant local tax legislation and subject to agreement with the relevant tax authorities can be carried forward and set off against future taxable profits as disclosed in Note 12.

27. Other non-current liabilities

Included in other non-current liabilities are non-current portion of bonuses payable and provided for under the staff incentive plans. These bonuses are payable over a 3-year period from the second year after the end of each year.

28. Share capital

	Group and Company			
	2016		2015	
	No. of shares		No. of shares	
	'000	**US$'000**	'000	US$'000
Issued and fully paid ordinary shares:				
At beginning of year	**589,909**	**607,601**	589,909	607,601
Issuance of ordinary shares pursuant to the initial public offering	**104,101**	**562,783**	–	–
Initial public offering expenses	**–**	**(12,593)**	–	–
At end of year	**694,010**	**1,157,791**	589,909	607,601

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

The Company issued 104,101,500 shares at HK$42 per share (equivalent of US$5.41 per share) as part of its listing on the Main Board of the Stock Exchange of Hong Kong Limited on 1 June 2016.

Total listing expenses (including underwriting commissions) incurred pursuant to the Company's listing on the Main Board of the Stock Exchange of Hong Kong Limited amounted to US$15.9 million of which share issuance expenses of US$12.6 million have been deducted against share capital and US$3.0 million (2015: US$0.3 million) has been recorded in the consolidated statement of profit or loss for the year ended 31 December 2016. The listing expenses included auditors' remuneration of US$0.3 million and an amount of US$7.2 million paid to a related party.

29. Hedging reserve

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

	Group	
	2016	2015
	US$'000	US$'000
At beginning of year	**–**	–
Net change in the reserve	**16,515**	–
At end of year	**16,515**	–

30. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

		Group	
	Note	**2016**	2015
		US$'000	US$'000
Fixed deposits	17	**352,882**	237,415
Cash and bank balances	18	**40,837**	133,978
		393,719	371,393

31. Finance lease payable to subsidiary companies

	Note	**Company**	
		2016	2015
		US$'000	US$'000
Current:			
Finance lease payables		**127,083**	105,683
Deferred debt issue costs		**(5,092)**	(4,871)
Finance lease payables, net		**121,991**	100,812
Non-current:			
Finance lease payables		**705,714**	795,903
Deferred debt issue costs		**(29,623)**	(33,452)
Finance lease payables, net		**676,091**	762,451
Total finance lease payables, net		**798,082**	863,263
Statement of financial position:			
Finance lease payables (current)		**107,028**	100,812
Finance lease payables (non-current)		**676,091**	762,451
Liabilities associated with assets held for sale	19	**14,963**	–
		798,082	863,263

31. Finance lease payable to subsidiary companies (cont'd)

The finance lease payable to subsidiary companies of US$832.8 million (2015: US$901.6 million) are secured by a charge over leased assets (Note 13). Interest on the leases ranged from 0.6% to 2.2% (2015: 0.5% to 1.9%) per annum.

The deferred debt issue costs relating to finance lease payable to subsidiary companies are analysed as follows:

	Company	
	2016	2015
	US$'000	US$'000
Cost:		
At beginning of year	**57,714**	57,861
Fully amortised cost written off	**(1,084)**	(1,109)
Transfers	**3,891**	962
At end of year	**60,521**	57,714
Accumulated amortisation:		
At beginning of year	**19,391**	14,572
Charge for the year	**5,594**	5,547
Fully amortised cost written off	**(1,084)**	(1,109)
Transfers	**1,905**	381
At end of year	**25,806**	19,391
Net book value:		
At end of year	**34,715**	38,323
Deferred debt issue costs, net	**34,715**	38,323
Less: Current portion	**(5,092)**	(4,871)
Non-current portion	**29,623**	33,452

The table below summarises the maturity profile of the finance lease payable to subsidiary companies before adjustments for debt issue costs at the end of each year.

	Company				
	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
2016	**127,083**	**115,371**	**366,841**	**223,502**	**832,797**
2015	105,683	108,631	344,295	342,977	901,586

32. Amounts due from subsidiary companies

The amounts due from subsidiary companies of US$1,883.7 million (2015: US$1,962.4 million) are interest bearing, non-trade related and unsecured. The interest ranged from 2.3% to 2.6% (2015: 1.5% to 2.6%) per annum. They are not expected to be repaid within the next 12 months. The amounts are repayable only when the cash flows of the subsidiary companies permit. Accordingly, the fair value of the amounts due from subsidiary companies cannot be determined as the timing of the future cash flows cannot be estimated reliably.

As at 31 December 2016, no provision for impairment (2015: US$4.8 million) was made for loans due from subsidiary companies.

33. Investments in subsidiary companies

	Company	
	2016	2015
	US$'000	US$'000
Equity investments at cost:		
At beginning of year	**686,429**	695,630
Additions	**47,999**	19,800
Disposals	**(500)**	(1)
Capital reduction	**–**	(11,500)
Impairment	**–**	(17,500)
At end of year	**733,928**	686,429

Movement in provision for impairment of investments in subsidiary companies:		
At beginning of year	**17,500**	–
Charged for the year	**–**	17,500
Utilised	**(16,800)**	–
Written back during the year	**(700)**	–
At end of year	**–**	17,500

33. Investment in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	**Country of incorporation**	**Principal activities**	**Paid up capital as at 31 December 2016**	**Percentage of equity held**	
					2016	2015
					%	%
[1]	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	US$50,000,000	**100**	100
[1]	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	US$250,000,000 +€5.08	**100**	100
[1]	BOC Aviation Leasing (Tianjin) Limited	People’s Republic of China	Leasing of aircraft	US$1,800,000	**100**	100
[1]	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	US$186,400,000	**100**	100
[2]	BOC Aviation (Bermuda) Limited	Bermuda	Holding of funds	US$12,000	**100**	100
[2]	BOCA Leasing (Bermuda) Limited	Bermuda	Leasing of aircraft	US$100	**100**	100
[2]	Acme Leasing One Limited	Cayman Islands	Dissolved	–	**–**	100
[2]	Acme Leasing Two Limited	Cayman Islands	Dormant	US$101	**100**	100
[2,3]	Acme Leasing Three Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2]	Avocet Leasing Limited	Cayman Islands	Dissolved	–	**–**	100
[2,3]	Bluebell Leasing Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2,5]	BOC Aviation Capital Limited	Cayman Islands	Financing activities	US$10	**100**	100
[2]	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	US$100	**100**	100
[2,3]	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100

33. Investment in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2016	Percentage of equity held	
					2016	2015
					%	%
[2,3]	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2,6]	Echo Leasing Three Limited	Cayman Islands	In dissolution process	–	**100**	100
[2,6]	Echo Leasing Four Limited	Cayman Islands	In dissolution process	–	**100**	100
[2]	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2,6]	Emerald Three Limited	Cayman Islands	In dissolution process	–	**100**	100
[2,6]	Emerald Four Limited	Cayman Islands	In dissolution process	–	**100**	100
[2]	MSN 2441 Leasing Limited	Cayman Islands	Dissolved	–	**–**	100
[2]	SALE Cayman (35073) Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2]	SALE Cayman (35075) Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
[2]	SALE Cayman (35076) Limited	Cayman Islands	Dormant	US$100	**100**	100
[2]	SALE Cayman (35077) Limited	Cayman Islands	Dormant	US$100	**100**	100
[2]	SALE Cayman (VLE2) Limited	Cayman Islands	Leasing of aircraft	US$1,000	**100**	100
[2,6]	Vanda Leasing Two Limited	Cayman Islands	In dissolution process	–	**100**	100
[2,6]	Vanda Leasing Five Limited	Cayman Islands	In dissolution process	–	**100**	100
[2,3]	Vanda Leasing Six Limited	Cayman Islands	Dormant	US$10	**100**	100
[2,3]	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100

33. Investment in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2016	Percentage of equity held	
					2016	2015
					%	%
2,3	Vanda Leasing Eight Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
1	BOC Aviation (Labuan) Pte. Ltd.	Malaysia	Leasing of aircraft	US$275,000	**100**	100
	Deemed subsidiary companies*					
2,4	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Gawain Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Green Knight Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
1,4	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
1,4	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
2,4	ACME Lease Holdings LLC	United States	Leasing of aircraft	US$100	**–**	–
2,4	Chilli Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
2,4	Laylya Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
2,4	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–

* The companies are deemed subsidiary companies of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

33. Investment in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2016	Percentage of equity held	
					2016	2015
					%	%
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
2,4	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by Pacific Triangle Holdings Pte. Ltd.:					
2,4	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by BOC Aviation (Ireland) Limited:					
2	BOC Aviation (France) SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 2 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 4 SARL	France	Dormant	€1,000	**100**	100
2	BOC Aviation (France) 5 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 6 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 8 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 9 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 10 SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 11 SARL	France	Leasing of aircraft	€1,000	**100**	100

* The companies are deemed subsidiary companies of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

33. Investment in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Paid up capital as at 31 December 2016	Percentage of equity held 2016 %	2015 %
	Held by BOC Aviation Leasing (Tianjin) Limited:					
[2]	博加阿尔法航空租赁（天津）有限公司 (BOCA Alpha Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	–
[2]	博加布拉沃航空租赁（天津）有限公司 (BOCA Bravo Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	–	**100**	–
	Held by BOC Aviation (USA) Corporation:					
[2]	BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	US$100	**100**	100

Except for the deemed subsidiary companies, all subsidiary companies are incorporated as limited liability entities.

[1] Audited by Ernst & Young LLP, Singapore or member firms of Ernst & Young.
[2] Not required to be audited by law in its country of incorporation.
[3] The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Note 22 and Note 23).
[4] The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.
[5] The company was formerly known as Vanda Leasing Four Limited.
[6] Subsequent to 31 December 2016, these companies have completed their dissolution processes.

34. Dividends

	Group and Company	
	2016	2015
	US$'000	US$'000
Declared and paid during the year:		
Interim dividend for 2016: US$0.061 (2015: US$Nil) per share	**42,335**	–
Proposed as at 31 December:		
Final dividend for 2016: US$0.119 (2015: US$Nil) per share	**82,587**	–

The Directors declared an interim dividend of US$0.061 per ordinary share for the first half of 2016 amounting to approximately US$42.3 million.

On 24 March 2017, the Directors proposed to recommend in the Annual General Meeting on 31 May 2017 a final dividend of US$0.119 per ordinary share for the year ended 31 December 2016 amounting to approximately US$82.6 million, bringing total dividend for 2016 to US$0.18 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 2017.

35. Related party transactions

The Group is majority owned by Bank of China 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 is indirectly subject to the control of the State Council of the PRC Government through CIC and Central Huijin. The State Council directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities.

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

35. Related party transactions (cont'd)

The Group considers only those entities known to us to be controlled by Central Huijin to be related parties. In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties in the normal course of business and at commercial terms:

	Group	
	2016	2015
	US$'000	US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**1,691**	830
Interest expense	**(6,268)**	(8,727)
(b) Other related parties:		
Interest income	**623**	19
Net gain on sale of aircraft	**7,492**	–
Interest expense	**(9,289)**	(6,541)

	Group	
	2016	**2015**
	US$'000	US$'000
Directors' and key executives' remuneration paid during the year		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**8,498**	9,072
CPF and other defined contributions	**14**	38
	8,512	9,110
(b) Key executives (excluding executive directors)		
Salary, bonuses and other costs	**10,367**	10,820
CPF and other defined contributions	**326**	223
	10,693	11,043

As at 31 December 2016, US$18.2 million (2015: US$16.0 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

36. Commitments

(a) Operating lease commitments

(i) Operating lease commitments - As lessor

Aircraft

The Group leases its aircraft under operating lease agreements that are non-cancellable.

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year for existing aircraft are as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**1,133,445**	994,684	**614,516**	528,029
After one year but not more than five years	**4,016,568**	3,536,017	**2,265,379**	1,954,180
After five years	**3,010,787**	2,820,281	**1,857,404**	1,854,917
	8,160,800	7,350,982	**4,737,299**	4,337,126

Future net minimum lease receivables committed as at the end of each year for aircraft yet to be delivered are as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**194,480**	83,453	**148,853**	58,310
After one year but not more than five years	**1,427,675**	1,101,553	**882,544**	687,596
After five years	**2,551,981**	1,833,578	**1,512,052**	1,058,470
	4,174,136	3,018,584	**2,543,449**	1,804,376

36. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

Offices

The Company leases office space under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Future minimum lease payments for the office leases with initial or remaining terms of one year or more are as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**1,286**	1,621	**1,027**	1,393
After one year but not more than five years	**9**	187	**–**	–
	1,295	1,808	**1,027**	1,393

(b) Capital expenditure commitments

As at 31 December 2016, the Group had committed to purchase various aircraft delivering between 2017 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery, as at 31 December 2016, was approximately US$8,570.6 million (2015: US$9,580.8 million).

36. Commitments (cont'd)

(c) Finance lease commitments

(i) Finance lease commitments - As lessee

The Group and Company lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Group and the Company upon the Group and Company discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Group and Company by entering into these leases.

		Group and Company			
	Note	**Minimum lease payments 2016**	**Present value of payments 2016**	Minimum lease payments 2015	Present value of payments 2015
		US$'000	**US$'000**	US$'000	US$'000
Finance lease with third parties:					
Within one year		**11,237**	**9,606**	11,069	9,217
After one year but not more than five years		**43,750**	**40,663**	51,872	47,794
After five years		**17,897**	**17,634**	20,947	20,109
Total minimum lease payments		**72,884**	**67,903**	83,888	77,120
Less: Amounts representing finance charges		**(4,981)**	**–**	(6,768)	–
	23	**67,903**	**67,903**	77,120	77,120

36. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(i) Finance lease commitments - As lessee (cont'd)

		Company			
	Note	**Minimum lease payments 2016 US$'000**	**Present value of payments 2016 US$'000**	Minimum lease payments 2015 US$'000	Present value of payments 2015 US$'000
Finance lease with its subsidiary companies:					
Within one year		**149,866**	**127,083**	130,043	105,683
After one year but not more than five years		**539,707**	**482,212**	519,744	452,926
After five years		**233,995**	**223,502**	361,554	342,977
Total minimum lease payments		**923,568**	**832,797**	1,011,341	901,586
Less: Amounts representing finance charges		**(90,771)**	**–**	(109,755)	–
	31	**832,797**	**832,797**	901,586	901,586

36. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(ii) Finance lease commitments - As lessor

	Company			
	Minimum lease payments 2016 US$'000	**Present value of payments 2016 US$'000**	Minimum lease payments 2015 US$'000	Present value of payments 2015 US$'000
Finance lease with its subsidiary company:				
Within one year	–	–	23,684	21,943
After one year but not more than five years	–	–	52,596	49,059
Total minimum lease payments	–	–	76,280	71,002
Less: Amounts representing finance charges	–	–	(5,278)	–
	–	–	71,002	71,002

The scheduled receivables of the finance lease are as follows:

	2016 US$'000	2015 US$'000
Finance lease receivables	–	71,002
Less: Current portion	–	(21,943)
Non-current portion	–	49,059

37. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2016, the corporate guarantees for loans to subsidiary companies amounted to approximately US$3,164.5 million (2015: US$3,451.7 million).

38. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities, as defined in IAS 39, are disclosed either in the statement of financial position or in the notes to the financial statements.

Loans and receivables comprise amounts due from subsidiary companies (Note 32), finance lease receivables (Note 36), trade receivables (Note 15), other receivables (Note 16), fixed deposits and cash and bank balances (Note 17 and Note 18).

As at 31 December 2016, the loans and receivables for the Group and Company were US$569.3 million (2015: US$530.0 million) and US$2,292.4 million (2015: US$2,302.9 million) respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 20), loans and borrowings (except as disclosed in Note 22), finance lease payable to subsidiary companies (Note 31), liabilities associated with assets held for sale (Note 19), finance lease payables (Note 23), security deposits (Note 24) and other non-current liabilities (Note 27).

As at 31 December 2016, the financial liabilities measured at amortised cost for the Group and Company were US$7,648.8 million (2015: US$7,762.7 million) and US$5,217.4 million (2015: US$5,135.1 million) respectively.

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 14).

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

(b) Financial instruments whose fair values cannot be reliably measured

Amounts due from subsidiary companies are included in this category. The amounts will be derecognised where the contractual rights to receive cash flows from the subsidiary companies have ceased.

(c) Financial instruments whose carrying amounts approximate fair values

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

Non-current loans and borrowings reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of each year for the respective financial year.

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

(d) Financial instruments carried at other than fair values

Set out below is a comparison of carrying amounts and fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than fair values.

	Group and Company	
	2016	2015
	US$'000	US$'000
Medium term notes :		
Carrying amounts	**2,990,734**	1,744,971
Fair values	**2,968,774**	1,744,396

39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's exposure to financial risks and the objectives, policies and processes for the management of these risks.

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

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings, finance lease payable to third parties and related parties, finance lease receivables and lease rental income and expenses.

The Group obtains financing through loans and capital market bonds. The Group's objective is to obtain the most favourable interest rates available at acceptable terms and conditions.

A significant portion of the Group's loans and borrowings and finance lease payables are contracted at floating interest rates pegged to US dollar LIBOR. Interest rate exposure arises when the Group collects fixed rate rentals but pays floating interest rate under the borrowings.

39. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

A significant portion of the Group's financial assets and liabilities are based on floating interest rates pegged to US dollar LIBOR and are contractually repriced at intervals of less than 12 months (2015: less than 12 months) from the end of each year.

The Group's policy is to hedge at least 50% of its mismatched interest rate exposure through appropriate interest rate derivative financial instruments and borrowing fixed rate debts. At the end of the year, the Group had hedged approximately 80% (2015: 60%) of the Group's mismatched interest rate exposure.

Sensitivity analysis for interest rate risk

A sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of the year:

(i) Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include 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 in the Group's net profit after tax.

Under these assumptions, an increase or decrease in floating interest rates of 25 basis points (2015: 10 basis points) with all other variables held constant will have the following effect on the Group's profit after income tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

		Group	
	Basis points	**Effect on profit net of tax**	**Effect on hedging reserve in equity**
		US$'000	**US$'000**
2016			
Increase in interest rate	**+25**	**(101)**	**5,809**
Decrease in interest rate	**-25**	**101**	**(5,865)**
2015			
Increase in interest rate	+10	(1,668)	–
Decrease in interest rate	-10	1,690	–

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

The Group's primary sources of liquidity have principally comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. The Group's business is capital intensive, requiring significant investment in order to expand the aircraft fleet during periods of growth and to ensure the Group maintain a young fleet. The cash flows from operations, particularly revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

To ensure that the Group is able to meet its financial obligations, the Group's policy is to have its loan repayment spread over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2016, the Group had unutilised unsecured committed revolving credit facilities of US$4,150.0 million (2015: US$2,510.0 million) and committed long term credit facilities pending the provision of new replacement aircraft as collateral of US$157.5 million (2015: US$165.8 million).

As at 31 December 2016, approximately 10% (2015: 11%) of the Group's gross debt, comprising loans and borrowings and finance lease payables, would have matured in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the year based on contractual undiscounted repayment obligations.

	Group			
	One year or less	**One to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
2016				
Financial liabilities:				
Trade and other payables	**119,186**	**–**	**–**	**119,186**
Loans and borrowings	**912,451**	**5,400,298**	**2,440,636**	**8,753,385**
Estimated interest and net swap payments	**242,643**	**647,251**	**218,755**	**1,108,649**
Finance lease payables	**9,606**	**40,663**	**17,634**	**67,903**
Security deposits	**50,088**	**42,819**	**163,235**	**256,142**
Liabilities associated with assets held for sale	**18,857**	**–**	**–**	**18,857**
Other non-current liabilities	**–**	**56,642**	**–**	**56,642**
Total undiscounted financial liabilities	**1,352,831**	**6,187,673**	**2,840,260**	**10,380,764**

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	Group			
	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
2015				
Financial liabilities:				
Trade and other payables	106,104	–	–	106,104
Loans and borrowings	974,643	5,606,321	2,271,537	8,852,501
Estimated interest and net swap payments	207,208	586,584	145,325	939,117
Finance lease payables	9,217	47,794	20,109	77,120
Security deposits	36,970	46,916	153,688	237,574
Liabilities associated with assets held for sale	36,299	–	–	36,299
Other non-current liabilities	–	42,955	–	42,955
Total undiscounted financial liabilities	1,370,441	6,330,570	2,590,659	10,291,670

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	Company			
	One year or less	**One to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
2016				
Financial liabilities:				
Trade and other payables	**88,658**	**–**	**–**	**88,658**
Loans and borrowings	**580,874**	**3,040,437**	**1,982,551**	**5,603,862**
Estimated interest and net swap payments	**187,021**	**513,187**	**201,839**	**902,047**
Finance lease payable to subsidiary companies	**112,120**	**482,212**	**223,502**	**817,834**
Finance lease payables	**9,606**	**40,663**	**17,634**	**67,903**
Security deposits	**12,175**	**24,268**	**106,907**	**143,350**
Liabilities associated with assets held for sale	**18,371**	**–**	**–**	**18,371**
Other non-current liabilities	**–**	**44,961**	**–**	**44,961**
Total undiscounted financial liabilities	**1,008,825**	**4,145,728**	**2,532,433**	**7,686,986**

	Company			
	One year or less	One to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000
2015				
Financial liabilities:				
Trade and other payables	78,935	–	–	78,935
Loans and borrowings	598,743	3,327,491	1,474,557	5,400,791
Estimated interest and net swap payments	145,687	426,583	117,572	689,842
Finance lease payable to subsidiary companies	105,683	452,926	342,977	901,586
Finance lease payables	9,217	47,794	20,109	77,120
Security deposits	14,975	25,771	114,521	155,267
Liabilities associated with assets held for sale	36,299	–	–	36,299
Other non-current liabilities	–	34,779	–	34,779
Total undiscounted financial liabilities	989,539	4,315,344	2,069,736	7,374,619

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, derivative financial instruments, fixed deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long term procurement contracts are being contemplated.

The Group's policy is to undertake deposit and derivatives transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard and Poor's "A-".

(i) Exposure to credit risk

At the end of the year, the Group's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values; and

- corporate guarantees provided by the Group to the lenders on loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual lessee and regional exposure to its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the year is as follows:

	2016		2015	
	US$'000	**%**	US$'000	%
By region:				
Americas	**2,772**	**100**	–	–
Europe	**–**	**–**	400	100
	2,772	**100**	400	100

(iii) Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired are creditworthy receivables with good payment records with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

(d) Foreign currency risk

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the functional currency of the Group.

All loans and borrowings which are denominated in Australian dollar, Chinese Yuan and Singapore dollar are swapped into United States dollar. Foreign currency exposure arises when the Group collects United States dollar rentals to repay the Australian dollar, Chinese Yuan or Singapore dollar borrowings. The Group primarily utilises cross-currency interest rate swap contracts to hedge its Australian dollar, Chinese Yuan and Singapore dollar denominated financial liabilities.

Accordingly, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividends payment to the shareholders or return capital to the shareholders.

The Group monitors its gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in the loan facilities and to meet the requirement of an investment grade rating as set by the rating agencies. Gross debts comprise the Group's loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes. Total equity refers to the equity attributable to the ordinary equity holders of the Company.

During the year, the Group raised US$550.2 million in net proceeds from the issue of 104.1 million ordinary shares in the initial public offering, which increased the total equity and accordingly reduced the gearing in 2016. Except for the change in capital structure mentioned above, there were no changes made in the objectives, policies and processes during the year ended 31 December 2016 and 31 December 2015.

	Group	
	2016	2015
	US$'000	US$'000
Gross debt	**8,836,251**	8,956,477
Total equity	**3,382,168**	2,439,718
Gearing (times)	**2.6**	3.7

41. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders 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 ordinary equity holders 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.

41. Basic and diluted earnings per share (cont'd)

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

	Group	
	2016	2015
	US$'000	US$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary equity holders of the Company)	**418,080**	343,307

	2016	2015
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**650,777**	589,909
Basic earnings per share (US$)	**0.64**	0.58
Diluted earnings per share (US$)	**0.64**	0.58

42. Segmental analysis

All revenues are derived from the Group's principal activities and business segment of leasing and management of aircraft leases and other related activities. Revenue and assets are analysed by geographical region (by country of origin) as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income recognised during the year by operator's geographic region based on each airline's principal place of business is as follows:

	2016		2015	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**354**	**33.8**	324	33.2
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**220**	**21.0**	163	16.7
Americas	**179**	**17.1**	190	19.5
Europe	**231**	**22.0**	233	23.9
Middle East & Africa	**64**	**6.1**	65	6.7
	1,048	**100.0**	975	100.0

42. Segmental analysis (cont'd)

(b) Net book value of aircraft

The distribution of net book value of aircraft as at 31 December 2016 by operator's geographic region based on each airline's principal place of business is as follows:

	2016		2015	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,025**	**29.0**	3,308	34.9
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**3,044**	**29.2**	1,817	19.2
Americas	**1,633**	**15.6**	1,591	16.8
Europe	**2,148**	**20.6**	2,154	22.7
Middle East, Africa and others*	**587**	**5.6**	606	6.4
	10,437	**100.0**	9,476	100.0

* Two aircraft were returned in December 2016 following an early termination of the leases. One of these aircraft is committed for lease to an airline in the European region, with an expected delivery date in first quarter of 2017 and the other is being actively marketed for lease or sale.

Other than the net book value of aircraft leased to operators in China which accounted for 13.9% of the total net book value as at 31 December 2016, there was no other country concentration in excess of 10% of total net book value.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors passed on 24 March 2017.