BOC AVIATION

BOC AVIATION LIMITED
中銀航空租賃有限公司*
(Incorporated in the Republic of Singapore with limited liability)
STOCK CODE: 2588

*For identification purpose only

GROWTH IN ACTION

INTERIM REPORT 2017

BOC Aviation delivered an excellent result in the first half of 2017, earning a net profit after tax of US$240 million, up 13% compared with the same period last year.

Importantly, the net book value of aircraft, including assets held for sale, increased 25% compared with the first half of last year, to US$12.1 billion, reflecting our investment activities since our initial public offering in June 2016.

We expect the positive momentum that we have built so far in 2017 will continue for the rest of the year.

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FINANCIAL HIGHLIGHTS

The Board of Directors of BOC Aviation Limited is pleased to announce our unaudited results for the six months ended 30 June 2017. Our financial highlights for the six months ended 30 June 2017 are:

- **Total revenues and other income rose 16% to US$670 million**
- **Net profit after tax was US$240 million, an increase of 13% over 1H 2016**
- **Earnings per share of US$0.35, based on Shares outstanding at 30 June 2017**
- **Total assets increased 7% to US$14.4 billion as at 30 June 2017 from 31 December 2016**
- **Maintained strong liquidity with US$333 million in total cash and fixed deposits, and US$4 billion in undrawn committed credit facilities as at 30 June 2017**
- **Raised more than US$1 billion in new financing**
- **Portfolio utilisation and cash collection from airline customers of 99.6% and 100%, respectively**

In addition, the Board of Directors is pleased to announce a change to the dividend policy, increasing the intended annual dividend to up to 35% of net profit after tax, up from 30% previously.

Capitalised terms used but not defined in this interim report are found in pages 28 to 29.

FINANCIAL HIGHLIGHTS

	Unaudited 6 months ended 30 June 2017 US$'m	2016 US$'m
Statement of Profit or Loss		
Revenues and other income	**670**	579
Costs and expenses	**(402)**	(340)
Profit before income tax	**268**	239
Net profit after income tax	**240**	212

	Unaudited 30 June 2017 US$'m	Audited 31 December 2016 US$'m
Statement of Financial Position		
Cash and fixed deposits	**333**	558
Current assets	**371**	820
Non-current assets	**14,034**	12,625
Total assets	**14,405**	13,445
Current liabilities	**1,417**	1,190
Non-current liabilities	**9,451**	8,873
Total liabilities	**10,868**	10,063
Net assets	**3,537**	3,382
Key financial ratios		
Net asset per share (US$)[1]	**5.10**	4.87
Gearing (times)[2]	**2.7**	2.6

1 *Net asset per share is calculated by dividing net assets by total number of shares outstanding at 30 June 2017, and 31 December 2016, in the respective columns. Number of shares outstanding at 30 June 2017 and 31 December 2016 was 694,010,334.*

2 *Gearing is calculated by dividing gross debt by total equity at 30 June 2017, and 31 December 2016, in the respective columns.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

Our operational transactions as at 30 June 2017 included:

- **A portfolio of 297 owned and managed aircraft, with an average aircraft age of 3.1 years and an average remaining lease term of 7.8 years for the owned aircraft fleet, each weighted by net book value**
- **Orderbook of 196** aircraft scheduled for delivery over the period from 1 July 2017 to 2021**
- **Took delivery of 37 aircraft (including three acquired by airline customers on delivery) in the first half of 2017**
- **Signed 55 leases in the first half of 2017**
- **Customer base of 75 airlines in 34 countries and regions in the owned and managed fleet**
- **Sold 19 aircraft, with no aircraft older than 10 years remaining in the owned portfolio**
- **Managed fleet comprised 36 aircraft**
- **95% of orderbook deliveries scheduled in 2017 are placed with lessees, with more than 60% of scheduled 2018 deliveries also placed on lease**

Subsequent to 30 June 2017, all remaining aircraft scheduled for delivery in 2017 have been placed with lessees and the Company executed commitments to lease or extend the lease for all aircraft with leases scheduled to expire in 2017.

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

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

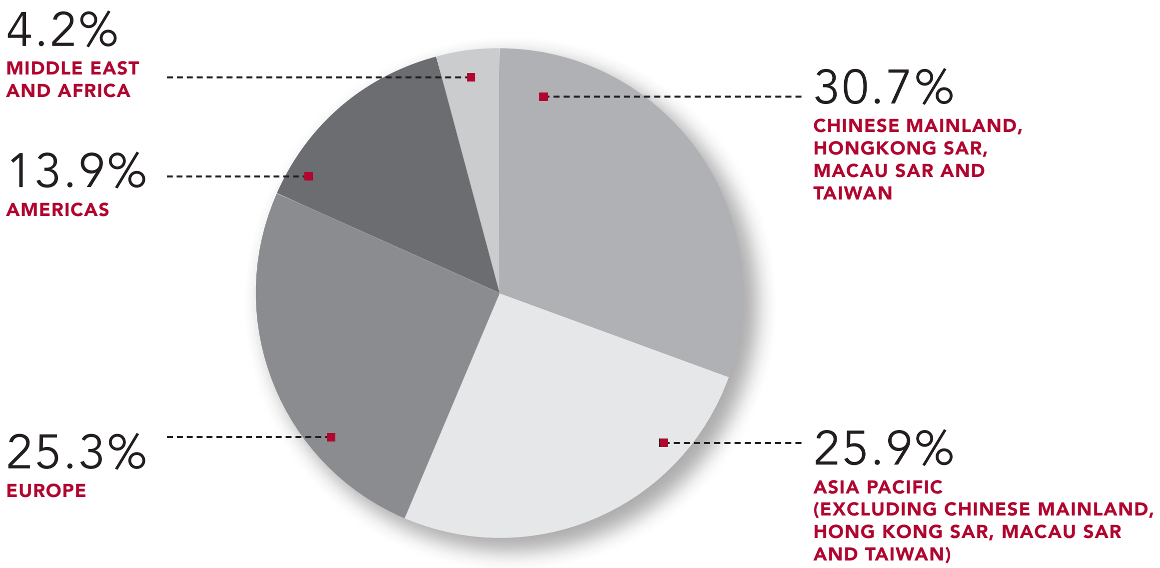
AIRCRAFT PORTFOLIO INCLUDING ORDERBOOK (AS AT 30 JUNE 2017, IN NUMBER OF AIRCRAFT)

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order**	Total
Airbus A320CEO family	126	13	17	156
Airbus A320NEO family	1	0	65	66
Airbus A330CEO family	12	7	1	20
Airbus A330NEO family	0	0	2	2
Airbus A350 family	0	0	6	6
Boeing 737NG family	91	8	27	126
Boeing 737 MAX family	0	0	74	74
Boeing 777-300ER	21	1	0	22
Boeing 777-300	0	1	0	1
Boeing 787 family	1	0	4	5
Embraer E190 family	5	2	0	7
Freighters	4	4	0	8
Total	**261**	**36**	**196**	**493**

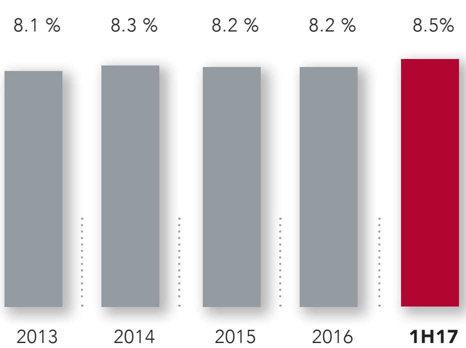
***Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

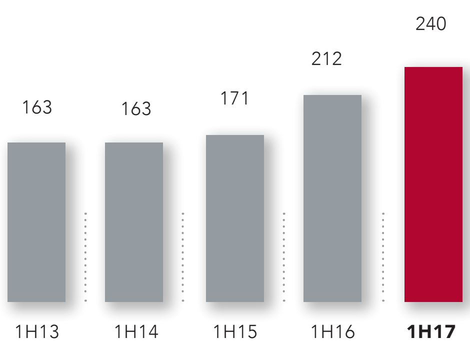
1: NET BOOK VALUE OF AIRCRAFT BY REGION[1, 2]



2: NET LEASE YIELD



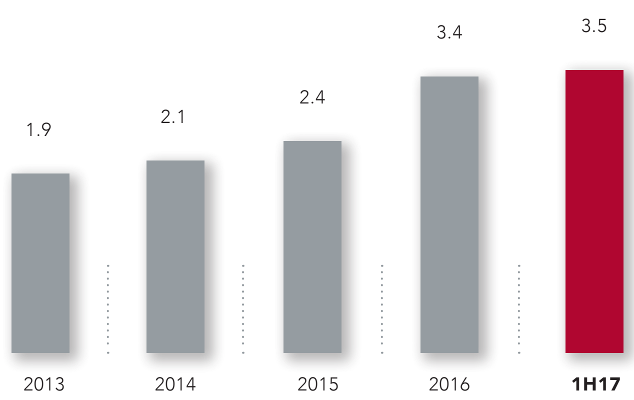
3: NET PROFIT AFTER TAX (US$'m)



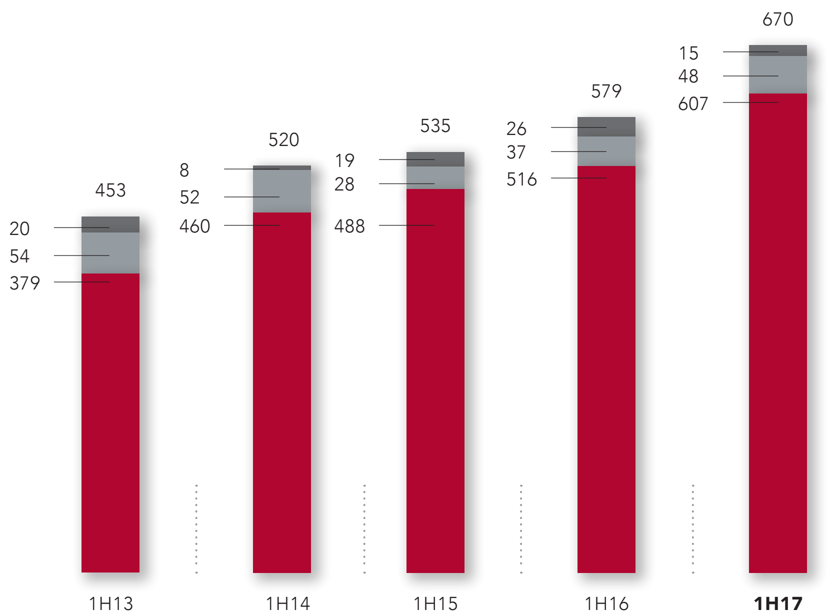
1 *Based on the jurisdiction of the primary obligor under the relevant operating leases.*
2 *Includes aircraft held for sale.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

4: TOTAL EQUITY (US$'b)[3]

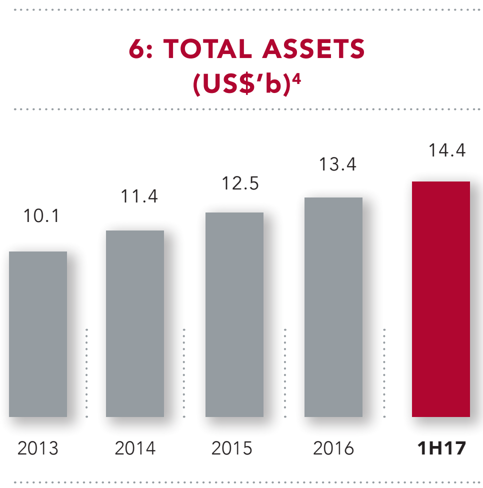


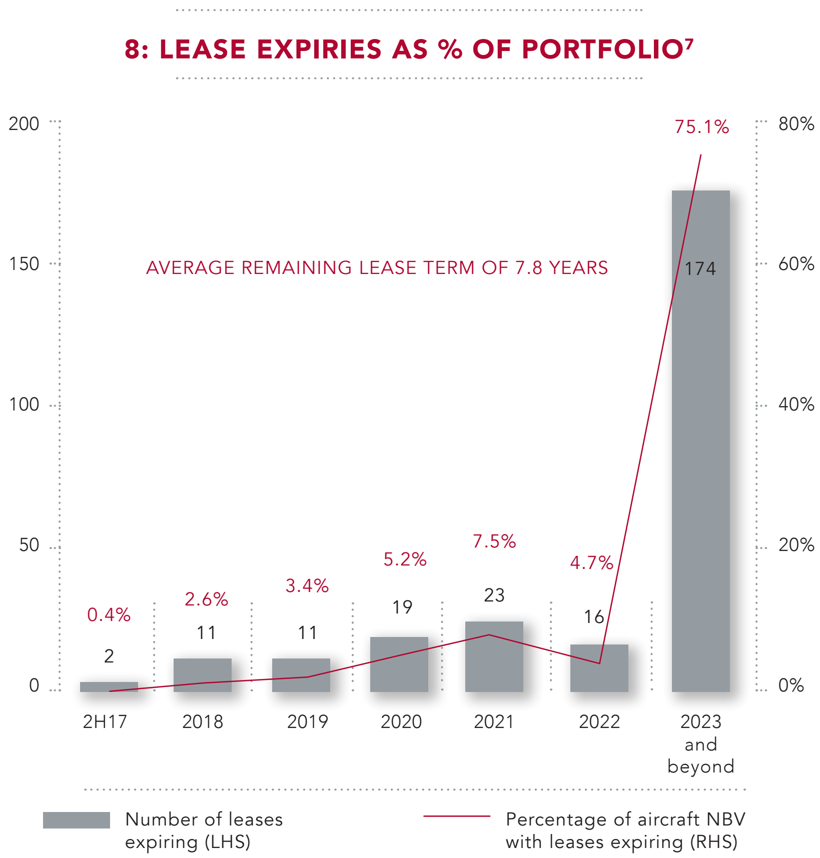
5: REVENUES AND OTHER INCOME BREAKDOWN (US$'m)



[3] *All data as at 31 December of relevant year unless otherwise indicated.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS





4 *All data as at 31 December of relevant year unless otherwise indicated.*

5 *Subsequent to 30 June 2017, two aircraft that were originally scheduled for delivery in Q4 2017 will now be delivered in 2018. The actual number of aircraft to be delivered in 2017 is 78.*

6 *Includes aircraft acquired by airline customer on delivery.*

7 *Owned aircraft with lease expiring in each calendar year adjusted for any aircraft for which we have sale or lease commitments, weighted by net book value including book value of assets held for sale.*

HALF YEAR BUSINESS REVIEW

BOC Aviation delivered an excellent result in the first half of 2017, earning a net profit after tax of US$240 million, up 13% compared with the same period last year. Earnings per share, based on the number of shares outstanding at period end of US$0.35, rose in line with net profit after tax, up 13% compared with the first half last year. This was achieved on revenue growth of 16% to US$670 million from US$579 million in the first half of last year, as total assets rose to US$14.4 billion. Importantly, the net book value of aircraft, including assets held for sale, increased 25% compared with the first half of last year, to US$12.1 billion, reflecting our investment activities since our initial public offering in June 2016.

Our revenue mix and hedging policy are protecting our margins in a rising interest rate environment, with our operating margin[1] remaining stable at 42.6% for the first half of 2017, and our net lease yield[2] also remaining stable at 8.5%.

In light of these strong results, our Board of Directors decided to change our dividend policy by increasing the target pay-out ratio to up to 35% of net profit after tax for the full year. In addition, the Board declared a dividend of US$0.1038 per share, representing a pay-out ratio of 30% of net profit after tax for the first half of 2017.

Our industry continues to be characterised by sound fundamentals, evident in the growth rate of passenger travel demand. The International Air Transport Association (IATA) reported a 7.9% rise in Revenue Passenger Kilometres (RPKs) in the first half of 2017 – 2% higher than the long term rate of demand growth of 5%. IATA also recently lifted its global 2017 airline profit forecast by 6%, to US$31.4 billion, driven primarily by this higher rate of demand growth, strong expected load factors and continuing low oil prices.

Globally, airline load factors have also risen as capacity growth has been reined in by operator constraint and by delivery delays as airframe manufacturers adjust to shortages of interior components and issues with engines, especially for some new technology aircraft. This includes two of our A320NEO aircraft that were originally scheduled for delivery in Q4 2017 and will now be delivered in 2018. In addition to a positive environment for the passenger business, a 10.4% growth in freight traffic during 1H 2017 has lifted earnings at cargo-focused airlines.

Capital continues to flow into our industry, reflecting strong US Dollar liquidity and the comparatively attractive yields that our industry offers. This additional capital sustains the value of our portfolio and enables us to sell aircraft profitably; however, it also increases the competitive pressures in the purchase and lease-back (PLB) market.

Because of our strong orderbook and active approach to building our investment pipeline, we delivered 37 aircraft to airline customers in the first half of 2017, of which three were acquired by customers upon delivery. We sold 19 aircraft from our owned fleet during the period, generating gains on sale of US$48 million. Our aircraft sales strategy continues to improve the quality of our owned fleet with the

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

2 *Net lease yield is defined as lease rental income less finance expenses divided by average net book value of aircraft.*

HALF YEAR BUSINESS REVIEW

average age falling to 3.1 years at 30 June 2017 from 3.2 years at the end of 2016, one of the youngest in the industry. Meanwhile, our owned fleet's average remaining lease term of 7.8 years continues to be one of the industry's longest, enhancing our revenue visibility.

The appraised value of our portfolio remains strong. As at 30 June 2017, the average of five independent appraisers' aggregate values for our owned fleet was US$13.7 billion on a full-life current market value basis, compared with a net book value of US$12.1 billion, representing a 13% premium to net book value.

Our orderbook comprised 196 aircraft as at the end of June 2017, and we subsequently added 10 Boeing 737 MAX 10 for delivery in 2021, as a launch customer of the new programme. We now have US$3.9 billion of invested and committed capital expenditure for 2017, up from US$2.8 billion at the start of the year. We have 78 aircraft scheduled for delivery in 2017, our largest number of aircraft scheduled for delivery ever, with 41 aircraft deliveries anticipated in the second half of the year.

Total revenues and other income for 1H 2017 rose 16% to US$670 million from US$579 million in the first half of 2016. This growth was supported by a robust improvement in our core lease rental contribution[3], which increased by 18% to US$259 million. Demand for our aircraft remains strongest in our home markets of Asia-Pacific, and we have been very active with deliveries to Chinese carriers in particular. We now list all of China's top six airlines amongst our 75 customers that we service in 34 countries and regions.

In a rising interest rate environment we worked hard to reduce borrowing margins, shrink other operating costs and grow revenues. Our average cost of debt for the period increased to 2.8% from 2.3% in the first half of last year, trailing the rise in broader market interest rates. We remained active in the capital markets, completing a US$500 million five-year bond offering in May that was issued at the tightest spreads in the Company's history. We also managed our revenue mix and interest rate hedging policy effectively, offsetting a rise in interest rates with higher revenues from our floating rate leases.

The portfolio is performing very well. As at 30 June 2017, we had no overdue trade receivables from our airline customers, while our portfolio utilisation was 99.6% and cash collection 100% for the first half of 2017.

The Board has demonstrated its confidence in the Company by increasing the target dividend pay-out ratio for the full year, and increasing the pay-out ratio for the interim dividend. We think this is a very important step in providing even more value to our shareholders.

2017 is already expected to be BOC Aviation's most active year ever, with 78 aircraft scheduled for delivery. We are also poised to continue building our investment pipeline, with more than US$4.3 billion in cash and undrawn credit facilities to finance future investment opportunities. We expect the positive momentum that we have built so far in 2017 will continue for the rest of the year.

3 *Core lease rental contribution is defined as lease rental income less depreciation and finance expenses, amortisation of debt issue costs and lease transaction closing costs.*

BUSINESS OVERVIEW

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

From our inception to 30 June 2017, we have:

- **Purchased and committed to purchase more than 730 aircraft with an aggregate purchase price of more than US$37 billion;**
- **Executed more than 720 leases with more than 140 airlines in 52 countries and regions;**
- **Raised more than US$20 billion in debt financing since 1 January 2007;**
- **Sold more than 270 owned and managed aircraft; and**
- **Transitioned more than 60 aircraft at lease end and repossessed and redeployed 32 aircraft from customers based in 12 countries and regions.**

At 30 June 2017 our fleet comprised 297 owned and managed aircraft on lease to 75 customers in 34 countries and regions. We also had commitments to acquire 196 aircraft through to 2021. Our orderbook principally comprises popular single-aisle aircraft, such as the Airbus A320 family and Boeing 737 family, including the A320NEO and 737 MAX new technology models. Single-aisle aircraft make up 64% of our owned portfolio, weighted by net book value, with popular twin-aisle aircraft and freighters representing the balance.

BUSINESS OVERVIEW

The orderbook accounts for US$9.1 billion of future capital expenditure, as laid out in the table below, and this will drive our future portfolio growth.

AIRCRAFT CAPITAL EXPENDITURE COMMITMENTS

	30 June 2017
	US$'m
2H 2017	1,861
2018	1,604
2019	2,735
2020	1,268
2021	1,617
Total	**9,085**

We benefit from a low average cost of debt, which was 2.8% during the first half of 2017, supported by our strong investment grade corporate and issuer credit ratings, which were A- from both S&P Global Ratings and Fitch Ratings, and by our access to diverse debt funding sources. Unsecured bonds and unsecured and secured third-party commercial bank loans are our primary sources of debt funding.

We enjoy strong and committed support from Bank of China. Bank of China has provided us with a US$2 billion committed unsecured credit facility, which matures in 2022 and was fully undrawn as at 30 June 2017. Together with our cash and other undrawn credit facilities, we had available liquidity of more than US$4.3 billion at 30 June 2017.

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

MANAGEMENT DISCUSSION & ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

In the six months ended 30 June 2017, our net profit after tax of US$240 million represented an increase of 13.2% from the same period last year. Earnings growth was mainly driven by the increase in our lease rental income, which was in turn driven by the increase in aircraft assets, and by greater gains on sale of aircraft. Total costs and expenses have been largely kept in line with the growth in total revenues and other income.

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

	Unaudited 6 months ended 30 June			
	2017	2016	Change	Change
	US$'000	US$'000	US$'000	%
Lease rental income	**607,269**	515,888	91,381	17.7
Interest and fee income	**13,925**	25,533	(11,608)	(45.5)
Other income:				
– Net gain on sale of aircraft	**47,706**	37,212	10,494	28.2
– Other income	**1,593**	517	1,076	208.1
Total revenues and other income	**670,493**	579,150	91,343	15.8
Depreciation of plant and equipment	**217,512**	186,269	31,243	16.8
Impairment of aircraft	**10,600**	-	10,600	n.m.
Finance expenses	**120,139**	101,420	18,719	18.5
Staff costs	**31,975**	31,855	120	0.4
Other operating costs and expenses	**21,729**	20,105	1,624	8.1
Total costs and expenses	**(401,955)**	(339,649)	62,306	18.3
Profit before income tax	**268,538**	239,501	29,037	12.1
Income tax expense	**(28,413)**	(27,313)	1,100	4.0
Profit for the period	**240,125**	212,188	27,937	13.2

n.m.: Not meaningful

MANAGEMENT DISCUSSION & ANALYSIS

REVENUES AND OTHER INCOME

Our total revenues and other income increased by 15.8% to US$670 million in first half 2017 (1H 2017) from US$579 million in first half 2016 (1H 2016), primarily due to an increase in lease rental income as described below.

LEASE RENTAL INCOME

Our lease rental income increased by 17.7% to US$607 million in 1H 2017 from US$516 million in 1H 2016. The rise in lease rental income was mainly due to our fleet growth which increased to 261 aircraft compared with 226 aircraft as at 30 June 2016 and, to a lesser extent, the increase in revenues from floating rate leases arising from the increase in USD LIBOR.

NET GAIN ON SALE OF AIRCRAFT

Our net gain on sale of aircraft increased by 28.2% to US$48 million in 1H 2017 from US$37 million in 1H 2016 despite selling 19 aircraft in 2017 compared with 22 aircraft in 2016. The net gain on sale of aircraft was lower in 2016 compared with 2017, primarily because the aircraft sold in 2016 were on average older than those sold in 2017.

INTEREST AND FEE INCOME

Our interest and fee income was US$14 million in 1H 2017, down 45.5% from US$26 million in 1H 2016. This decline was primarily due to the reduction in pre-delivery payments in respect of which fees were charged as the relevant aircraft were delivered during the year.

COSTS AND EXPENSES

Our total costs and expenses increased by 18.3% to US$402 million in 1H 2017 from US$340 million in 1H 2016, due to an increase in depreciation, which was consistent with fleet growth, and an increase in finance expenses, as well as provision for impairment of certain aircraft. The increase in total costs and expenses was consistent with revenue growth and fleet size.

DEPRECIATION OF PLANT AND EQUIPMENT

Depreciation of plant and equipment increased by 16.8% to US$218 million in 1H 2017, up from US$186 million in 1H 2016, due to a larger aircraft fleet during the six months ended 30 June 2017.

IMPAIRMENT OF AIRCRAFT

An impairment charge of US$11 million was taken in 1H 2017. This was due to the decline in recoverable amounts of eight aircraft, including our remaining five E190 aircraft, compared with the net book value of these aircraft.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCE EXPENSES

Finance expenses increased by 18.5% to US$120 million in 1H 2017 from US$101 million in 1H 2016. This was primarily due to an increase in our total indebtedness to fund the growth of our aircraft fleet and an increase in our average cost of debt. The average cost of debt increased to 2.8% in 1H 2017 from 2.3% in 1H 2016, as a result of the impact of increasing USD LIBOR on our floating rate debt and an increase in the proportion of our fixed rate debt compared with 1H 2016 to fund the increasing proportion of our fleet on fixed rate leases.

STAFF COSTS

During 1H 2017, staff costs increased marginally by 0.4% to US$32 million mainly due to an increase in salaries and other staff costs, which was partially offset by a lower provision for bonus arising from the implementation of a new long term incentive plan. The lower provision for bonus resulted from a change of the long term incentive plan from a pure cash-based plan, which was fully provisioned in 1H 2016, to a plan comprising cash- and share-based elements. The cash-based element has been provisioned in 1H 2017 but the share-based element will only be accounted for over the vesting period, which is expected to commence in 2Q 2018.

OTHER OPERATING COSTS AND EXPENSES

Other operating costs and expenses which include amortisation of deferred debt issue costs, marketing and travelling costs, general office and administrative costs, professional fees and local taxes (other than corporate income taxes), increased by 8.1% to US$22 million in 1H 2017 from US$20 million in 1H 2016, which was consistent with the increase in our business activities.

PROFIT BEFORE INCOME TAX AND PRE-TAX PROFIT MARGIN

Profit before income tax increased by 12.1% to US$269 million in 1H 2017 from US$240 million in 1H 2016. Our pre-tax profit margin declined to 40.1% from 41.4% in the same periods, respectively, mainly as a result of impairment of aircraft in 1H 2017.

INCOME TAX EXPENSE

Income tax expense increased by 4.0% to US$28 million in 1H 2017 from US$27 million in 1H 2016. Our effective tax rate reduced to 10.6% in 1H 2017 from 11.4% in 1H 2016, mainly due to a reversal of prior year provision of deferred income tax liabilities no longer required of US$8 million in 1H 2017 compared with US$5 million in 1H 2016.

PROFIT FOR THE PERIOD AND NET PROFIT MARGIN

As a result of the foregoing, our after tax profit for the period increased by 13.2% to US$240 million in 1H 2017 from US$212 million in 1H 2016. Our net profit margin decreased to 35.8% in 1H 2017 from 36.6% in 1H 2016 mainly due to the impairment charge taken in 1H 2017.

Since the publication of our FY 2016 annual report dated 24 March 2017, there have been no material changes to our business.

MANAGEMENT DISCUSSION & ANALYSIS

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets rose by 7.1% to US$14.4 billion as at 30 June 2017 from US$13.4 billion as at 31 December 2016 largely due to growth of our aircraft fleet. Our total equity also increased by 4.6% to US$3.5 billion as at 30 June 2017.

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

	Unaudited 30 June 2017	Audited 31 December 2016	Change	Change
	US$'000	US$'000	US$'000	%
Plant and equipment and assets held for sale	**14,042,923**	12,855,173	1,187,750	9.2
Cash and fixed deposits	**332,536**	558,483	(225,947)	(40.5)
Derivative financial instruments	**13,981**	16,649	(2,668)	(16.0)
Other assets	**15,697**	14,250	1,447	10.2
Total assets	**14,405,137**	13,444,555	960,582	7.1
Loans and borrowings and finance lease payables	**9,371,242**	8,526,852	844,390	9.9
Maintenance reserves	**496,682**	470,020	26,662	5.7
Security deposits and non-current deferred income	**274,494**	256,142	18,352	7.2
Derivative financial instruments	**138,767**	207,257	(68,490)	(33.0)
Trade and other payables	**121,183**	119,186	1,997	1.7
Other liabilities	**466,252**	482,930	(16,678)	(3.5)
Total liabilities	**10,868,620**	10,062,387	806,233	8.0
Net assets	**3,536,517**	3,382,168	154,349	4.6

MANAGEMENT DISCUSSION & ANALYSIS

PLANT AND EQUIPMENT AND ASSETS HELD FOR SALE

We had plant and equipment and assets held for sale of US$14.0 billion as at 30 June 2017, which increased by 9.2% from US$12.9 billion as at 31 December 2016. Additions to the fleet were achieved through a combination of existing orders, purchase and lease back transactions with our airline customers and the purchase of leased aircraft.

In plant and equipment and assets held for sale, aircraft constituted the largest component, amounting to US$12.1 billion and US$10.7 billion as at 30 June 2017 and 31 December 2016, respectively, representing 86.3% and 83.1% of our total plant and equipment and assets held for sale as at the same dates, respectively. Aircraft progress payments constituted 13.7% and 16.9% of our total plant and equipment and assets held for sale as at 30 June 2017 and 31 December 2016, respectively.

TRADE RECEIVABLES

There were no overdue trade receivables from airline customers as at 30 June 2017 and 31 December 2016.

CASH AND FIXED DEPOSITS

Our cash and fixed deposits, which were mainly denominated in US Dollar, declined to US$333 million as at 30 June 2017 from US$558 million as at 31 December 2016. This reduction in cash and fixed deposits was mainly due to the utilisation of such cash and fixed deposits to meet aircraft acquisition cost as we take delivery of aircraft.

DERIVATIVE FINANCIAL INSTRUMENTS

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, which were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we contracted as at 30 June 2017 and 31 December 2016 respectively. Under liabilities, our derivative financial instruments decreased to US$139 million as at 30 June 2017 from US$207 million as at 31 December 2016 and under assets, our derivative financial instruments decreased to US$14 million as at 30 June 2017 from US$17 million as at 31 December 2016, primarily due to movements in marked-to-market values of these derivative financial instruments.

MANAGEMENT DISCUSSION & ANALYSIS

TRADE AND OTHER PAYABLES

Our trade and other payables primarily consist of accrued interest expenses in relation to our indebtedness, maintenance reserves payable to lessees, provisions for staff bonuses and other accruals and liabilities. Our trade and other payables increased as at 30 June 2017 compared with 31 December 2016, primarily due to an increase in maintenance reserves payable to lessees and other accrued expenses.

LOANS AND BORROWINGS AND FINANCE LEASE PAYABLES

Our loans and borrowings and finance lease payables increased by 9.9% to US$9.4 billion as at 30 June 2017 from US$8.5 billion as at 31 December 2016 to finance the increase in capital expenditure. During 1H 2017, the increase in borrowings included the issuance of US$500 million five-year notes under the Global Medium Term Note Program and the drawing of US$624 million under our revolving credit facilities. The borrowings were partially offset by repayment of US$519 million in borrowings in the same period.

CONTINGENT LIABILITIES

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 16 to the interim financial statements, the Company had no material contingent liabilities as at 30 June 2017.

OTHER INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

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

MANAGEMENT DISCUSSION & ANALYSIS

In the first six months of 2017 we issued US$500 million in five-year bonds in May 2017 at a fixed-rate coupon of 3%. We also utilised US$624 million under our committed revolving credit facilities as at 30 June 2017.

There was no significant change in our gearing as at 30 June 2017 compared with 31 December 2016 as demonstrated in the table below.

	Unaudited 30 June 2017 US$'m	Audited 31 December 2016 US$'m
Gross debt	**9,606**	8,836
Total equity	**3,537**	3,382
Gearing (times)	**2.7**	2.6

Gross debts comprise 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 Shareholders. Gearing is calculated by dividing gross debt by total equity.

MANAGEMENT DISCUSSION & ANALYSIS

Our liquidity remains strong, with cash and fixed deposits of US$333 million and US$4 billion in undrawn, unsecured, committed credit facilities as at 30 June 2017.

In line with our Company's strategy to reduce secured debt as a proportion of total assets and of total indebtedness, these proportions have come down in 1H 2017 as set out in the table below:

INDEBTEDNESS

	30 June 2017 US$'m	31 December 2016 US$'m
Secured		
Term loan financing (including finance lease payables)	**1,487**	1,809
Export credit agency supported financing	**1,144**	1,250
Total secured debt	**2,631**	3,059
Unsecured		
Loans	**1,388**	1,314
Revolving credit facilities	**624**	—
Medium term notes	**4,963**	4,463
Total unsecured debt	**6,975**	5,777
Total indebtedness	**9,606**	8,836
Less: debt discount, debt premium, debt issue costs and fair value adjustment	**(235)**	(309)
Total debt	**9,371**	8,527
Number of aircraft pledged as security (including aircraft held under finance lease)	**93**	107
Net book value of aircraft pledged as security (including aircraft held under finance lease)	**4,078**	4,599

Of the total indebtedness, the amount of debts at fixed rates, including floating rate debts swapped to fixed rate liabilities amounted to US$4.3 billion as at 30 June 2017 compared with US$3.8 billion as at 31 December 2016.

Collateral for secured debt will typically include a mortgage over the relevant aircraft, an assignment of the operating lease of the relevant aircraft and/or a pledge of the shares in subsidiary company that holds title to the relevant aircraft.

	30 June 2017	31 December 2016
Secured Debt/Total Assets	**18.3%**	22.8%
Secured Debt/Total Indebtedness	**27.4%**	34.6%

MANAGEMENT DISCUSSION & ANALYSIS

We have a policy to spread debt repayments. As at 30 June 2017, the debt repayment profile is as follows:

DEBT REPAYMENT PROFILE

	30 June 2017 US$'m
2H 2017	744
2018	1,341
2019	1,452
2020	1,544
2021	1,480
2022 and beyond	3,045
Total	**9,606**

FOREIGN CURRENCY RISK

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. Foreign currency exposure arises when we collect United States Dollars 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

Our aircraft capital expenditure commitments as at 30 June 2017 are set out below:

	30 June 2017 US$'m
2H 2017	1,861
2018	1,604
2019	2,735
2020	1,268
2021	1,617
Total	**9,085**

MANAGEMENT DISCUSSION & ANALYSIS

Our aircraft purchase commitments as at 30 June 2017 are expected to be financed through a range of diverse funding sources, including (a) cash flows generated from our operating activities, (b) the proceeds from our notes issuance from debt capital markets, (c) the amounts made available and drawn down under our various bank financing facilities, and (d) the net proceeds from sales of owned aircraft.

EMPLOYEES

As at 30 June 2017 and 31 December 2016, we had 151 and 152 employees respectively who were engaged in the operation and management of our business.

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

We set targets for our employees based on their position and role and periodically assess their performance. The results of such assessments are used in their salary reviews, bonus awards and promotion appraisals. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our staff bonuses include two staff incentive plans as follows: (i) our short term incentive plan which is cash-based, under which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive plan, under which a bonus is payable to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period. From financial year 2017, the long term incentive plan will be changed from a pure cash-based plan to a plan comprising cash- and share-based elements. The share-based plan will be invested in shares of BOC Aviation Limited to be purchased in the secondary market by an independent trustee after the announcement of results for the relevant financial year in which performance occurred. The first grant under the share-based plan is expected to be granted in 2Q 2018 and the share-based bonus will be accounted for over a vesting period of approximately three years commencing from the date of grant.

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

For the six months ended 30 June 2017, our staff costs were at US$32 million, at the same level as the same period last year, representing approximately 4.8% and 5.5% of the Group's total revenues and other income of each period.

GENERAL INFORMATION

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2017, there was no material acquisition nor disposal of subsidiaries and affiliated companies by the Company.

INTERIM DIVIDEND

The Board is pleased to announce a change to the dividend policy, increasing the intended annual dividend to up to 35% of its net profit after tax, up from 30% previously. The Board has absolute discretion as to whether to declare any dividend for any year, and if it decides to declare a dividend, how much to declare. In line with the new policy, the Directors have declared an interim dividend of US$0.1038 per Share for the six months ended 30 June 2017. The interim dividend will be paid in Hong Kong dollars (converted from US Dollar at the prevailing market rate at least one week before the payment date) on 13 October 2017 to Shareholders registered at the close of business on the record date, being 25 September 2017. This declared interim dividend is not reflected as a dividend payable in this interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

The register of members will be closed from 21 September 2017 to 25 September 2017 (both dates inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong, for registration not later than 4:30 p.m. on 20 September 2017.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

On 1 June 2016, the shares of the Company were listed on the Main Board of the Stock Exchange. Net proceeds from the IPO were US$550 million. 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. The actual use of proceeds was consistent with the intended use of proceeds set out in the prospectus of the Company dated 19 May 2016.

GENERAL INFORMATION

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2017, 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 30 June 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under section 336 of the SFO.

GENERAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, none of the Directors, including 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 or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules after the publication of the Company's 2016 annual report and announcement dated 1 June 2017 in respect of the appointment of executive Director and change of company secretary, up to 29 August 2017 (being the approval date of this interim report) are set out below:

EXPERIENCE INCLUDING OTHER DIRECTORSHIPS

Mr. CHEN Siqing, the Chairman and a non-executive Director of the Company, was elected as the Chairman of the board of Directors of BOC on 17 August 2017. The qualifications of Mr. Chen as the Chairman of the board of Directors of BOC are subject to the approval of the China Banking Regulatory Commission (CBRC). Mr. Chen ceased to be the President of BOC on 16 August 2017, but will perform the duties as President of BOC until the new President is appointed by BOC and approved by CBRC.

Mr. Antony Nigel TYLER, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Bombardier Inc. with effect from 11 May 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors and two non-executive Directors. It is chaired by Mr. DAI Deming. The other members are Mr. LIU Chenggang, Ms. ZHU Lin, Mr. FU Shula and Mr. Antony Nigel TYLER.

Based on the principle of independence, the Audit Committee assists the Board in overseeing the financial reporting system and internal control procedures of the Company, reviewing the financial information of the Company and considering issues relating to the external auditors and their appointment.

GENERAL INFORMATION

Our external auditor has carried out a review of the interim financial information in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Accounting Standards Board. The Audit Committee has reviewed with the management the accounting principles and practices we adopted and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. During the six months ended 30 June 2017, the Company was in full compliance with all code provisions of the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established and implemented a Dealing Policy which is no less exacting than the Model Code to govern the Directors' dealing in securities transactions of the Company. In this connection, the Company had made specific enquiry of all Directors, who confirmed that they had strictly complied with the provisions set out in both the Dealing Policy and the Model Code throughout the six months ended 30 June 2017.

FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions. We do not intend to update the forward-looking statements in this interim report, whether as a result of new information, future events or developments or otherwise. Accordingly, you should not place undue reliance on any forward-looking information.

INTERIM REPORT

This interim report is available in both English and Chinese. A copy prepared in the language different from that which you have received is available by writing to the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or email to bocaviation.ecom@computershare.com.hk.

This interim report is also available (in both English and Chinese) on the Company's website at www.bocaviation.com and the Stock Exchange's website at www.hkexnews.hk. You are encouraged to access the interim report and other corporate communications of the Company through these websites in lieu of receiving printed copies to help protect the environment. We believe that it is also the most efficient and convenient method of communication with our shareholders.

If you have any queries about how to obtain copies of this interim report or how to access those corporate communications on the Company's website, please call the Company's hotline at +852 2862 8688.

ADDITIONAL INFORMATION

As at 29 August 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
CHEN Siqing*

Vice Chairman
WANG Jian

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 Jian

Deputy Managing Director and Chief Financial Officer
PHANG Thim Fatt

Chief Operating Officer
David Ryan WALTON

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

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

COMPANY SECRETARY

ZHANG Yanqiu Juliana

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 interim report, the following expressions have the meanings set out below unless the context requires otherwise:

TERMS	MEANINGS
"Board"	The board of directors of the Company
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), 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
"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
"Company"	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related businesses
"Dealing Policy"	The Directors'/Chief Executive Officer's Dealing Policy adopted by the Board on 12 May 2016 which is no less exacting than the Model Code
"Director(s)"	The director(s) of the Company
"Group"	The Company together with its subsidiaries

DEFINITIONS

"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 Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"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
"USD LIBOR"	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US Dollar

BOC AVIATION LIMITED AND
ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the period from 1 January 2017 to 30 June 2017

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2017 to 30 June 2017

Introduction

We have reviewed the interim financial information which includes the accompanying interim financial statements comprising the interim condensed consolidated statement of financial position of BOC Aviation Limited (the “Company”) and its subsidiaries (collectively, the “Group”) as of 30 June 2017 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2017 to 30 June 2017

	Note	**Unaudited 1 January 2017 to 30 June 2017**	Unaudited 1 January 2016 to 30 June 2016
		US$'000	US$'000
Revenues			
Lease rental income	21 (a)	**607,269**	515,888
Interest and fee income		**13,925**	25,533
Other income:			
- Net gain on sale of aircraft	3	**47,706**	37,212
- Others		**1,593**	517
		670,493	579,150
Costs and expenses			
Depreciation of plant and equipment		**217,512**	186,269
Finance expenses	4	**120,139**	101,420
Amortisation of deferred debt issue costs		**10,725**	8,480
Amortisation of lease transaction closing costs		**76**	80
Staff costs		**31,975**	31,855
Marketing and travelling expenses		**2,597**	2,467
Initial public offering expenses		**–**	3,023
Other operating expenses		**8,331**	6,055
Impairment of aircraft		**10,600**	–
		(401,955)	(339,649)
Profit before income tax		**268,538**	239,501
Income tax expense	5	**(28,413)**	(27,313)
Profit for the period attributable to ordinary equity holders of the Company		**240,125**	212,188
Earnings per share attributable to ordinary equity holders of the Company			
Basic earnings per share (US$)	20	**0.35**	0.35
Diluted earnings per share (US$)	20	**0.35**	0.35

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2017 to 30 June 2017

	Unaudited 1 January 2017 to 30 June 2017 US$'000	Unaudited 1 January 2016 to 30 June 2016 US$'000
Profit for the period	**240,125**	212,188
Other comprehensive income for the period, net of tax:		
Items that may be reclassified subsequently to statement of profit or loss		
Effective portion of changes in fair value of cash flow hedges	**(3,189)**	(2,092)
Attributable to ordinary equity holders of the Company	**236,936**	210,096

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**Unaudited 30 June 2017 US$'000**	Audited 31 December 2016 US$'000
Non-current assets			
Plant and equipment	6	**14,018,419**	12,604,600
Lease transaction closing costs		**921**	652
Derivative financial instruments		**13,981**	16,649
Trade receivables	7	**921**	2,772
Deferred income tax assets	13	**141**	208
		14,034,383	12,624,881
Current assets			
Trade receivables	7	**1,848**	–
Prepayments		**2,803**	2,582
Other receivables		**9,063**	8,036
Fixed deposits	8	**137,395**	352,882
Cash and bank balances	8	**195,141**	205,601
Assets held for sale	9	**24,504**	250,573
		370,754	819,674
Total assets		**14,405,137**	13,444,555
Current liabilities			
Trade and other payables	10	**121,183**	119,186
Deferred income		**58,912**	89,702
Income tax payables		**149**	210
Loans and borrowings	11	**1,159,941**	902,245
Finance lease payables	12	**37,207**	9,537
Security deposits		**39,409**	50,088
Liabilities associated with assets held for sale	9	–	18,857
		1,416,801	1,189,825
Net current liabilities		**(1,046,047)**	(370,151)
Total assets less current liabilities		**12,988,336**	12,254,730

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

As at 30 June 2017

	Note	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Non-current liabilities			
Derivative financial instruments		**138,767**	207,257
Loans and borrowings	11	**8,148,365**	7,541,989
Finance lease payables	12	**25,729**	58,118
Security deposits		**193,485**	168,797
Deferred income		**41,600**	37,257
Maintenance reserves		**496,682**	470,020
Deferred income tax liabilities	13	**360,312**	332,482
Other non-current liabilities		**46,879**	56,642
		9,451,819	8,872,562
Total liabilities		**10,868,620**	10,062,387
Net assets		**3,536,517**	3,382,168
Equity attributable to ordinary equity holders of the Company			
Share capital	14	**1,157,791**	1,157,791
Retained earnings		**2,365,391**	2,207,855
Statutory reserves		**9**	7
Hedging reserves		**13,326**	16,515
Total equity		**3,536,517**	3,382,168
Total equity and liabilities		**14,405,137**	13,444,555

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2017 to 30 June 2017

		Attributable to ordinary equity holders of the Company				
	Note	Share capital US$'000	Retained earnings US$'000	Statutory reserves* US$'000	Hedging reserves US$'000	Total equity US$'000
Unaudited 2017						
Balance at 1 January 2017		1,157,791	2,207,855	7	16,515	3,382,168
Profit for the period		–	240,125	–	–	240,125
Transfers to statutory reserves		–	(2)	2	–	–
Other comprehensive income for the period		–	–	–	(3,189)	(3,189)
Total comprehensive income for the period		–	240,123	2	(3,189)	236,936
Distributions to ordinary equity holders:						
Dividends	23	–	(82,587)	–	–	(82,587)
Balance at 30 June 2017		**1,157,791**	**2,365,391**	**9**	**13,326**	**3,536,517**
Unaudited 2016						
Balance at 1 January 2016		607,601	1,832,117	–	–	2,439,718
Profit for the period		–	212,188	–	–	212,188
Other comprehensive income for the period		–	–	–	(2,092)	(2,092)
Total comprehensive income for the period		–	212,188	–	(2,092)	210,096
Contributions by ordinary equity holders:						
Issuance of ordinary shares pursuant to the initial public offering		562,783	–	–	–	562,783
Initial public offering expenses		(12,593)	–	–	–	(12,593)
Total contributions by ordinary equity holders for the period		550,190	–	–	–	550,190
Balance at 30 June 2016		1,157,791	2,044,305	–	(2,092)	3,200,004

* 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 the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2017 to 30 June 2017

	Note	**Unaudited 1 January 2017 to 30 June 2017 US$'000**	Unaudited 1 January 2016 to 30 June 2016 US$'000
Cash flows from operating activities:			
Profit before income tax		**268,538**	239,501
Adjustments for :			
Depreciation of plant and equipment		**217,512**	186,269
Impairment of aircraft		**10,600**	–
Amortisation of deferred debt issue costs		**10,725**	8,480
Amortisation of lease transaction closing costs		**76**	80
Net gain on sale of aircraft	3	**(47,706)**	(37,212)
Interest and fee income		**(13,925)**	(23,306)
Finance expenses	4	**120,139**	101,420
Operating profit before working capital changes		**565,959**	475,232
(Increase)/decrease in receivables		**(1,921)**	5,744
Decrease in payables		**(9,368)**	(14,846)
Increase/(decrease) in maintenance reserves		**22,768**	(83)
Decrease in deferred income		**(30,790)**	(7,471)
Cash generated from operations		**546,648**	458,576
Security deposits received, net		**18,352**	15,649
Lease transaction closing costs paid		**(345)**	(58)
Income tax paid, net		**(612)**	(1,011)
Interest and fee income received		**14,668**	25,792
Net cash flows from operating activities		**578,711**	498,948
Cash flows from investing activities:			
Purchase of plant and equipment		**(2,074,929)**	(934,227)
Proceeds from sale of plant and equipment		**714,667**	863,386
Net cash flows used in investing activities		**(1,360,262)**	(70,841)

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

For the period from 1 January 2017 to 30 June 2017

	Note	**Unaudited 1 January 2017 to 30 June 2017 US$'000**	Unaudited 1 January 2016 to 30 June 2016 US$'000
Cash flows from financing activities:			
Proceeds from shares issuance		**–**	562,783
Initial public offering expenses paid		**–**	(11,448)
Proceeds from loans and borrowings		**664,597**	1,418,614
Repayment of loans and borrowings		**(519,077)**	(873,121)
Increase/(decrease) in borrowings from revolving credit facilities, net		**624,000**	(220,000)
Finance expenses paid		**(122,383)**	(98,937)
Debt issue costs paid		**(8,946)**	(7,167)
Dividends paid	23	**(82,587)**	–
Decrease in cash and bank balances - encumbered		**90,539**	35,829
Increase in cash and bank balances - encumbered		**(65,353)**	(18,915)
Net cash flows from financing activities		**580,790**	787,638
Net (decrease)/increase in cash and cash equivalents		**(200,761)**	1,215,745
Cash and cash equivalents at 1 January		**393,719**	371,393
Cash and cash equivalents at 30 June		**192,958**	1,587,138

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2017 to 30 June 2017

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

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

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

2. Basis of preparation and significant accounting policies

As at 30 June 2017, the Group's current liabilities exceeded its current assets by US$1,046.0 million (2016: US$370.2 million). The interim financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2016.

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

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2017. The adoption of these standards did not have any material impact on the interim financial statements of the Group. These accounting policies are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2016.

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

In 2017, the Group implemented a share-based long term incentive plan for staff compensation and will apply IFRS 2 (Share-based payment) to account for the staff compensation over the vesting period in the profit or loss commencing from the date of grant. This new plan does not have a material impact on the interim financial statements of the Group.

3. Net gain on sale of aircraft

	Unaudited 1 January 2017 to 30 June 2017 US$'000	Unaudited 1 January 2016 to 30 June 2016 US$'000
Proceeds from sale of aircraft*	**672,218**	725,879
Maintenance reserves released	**–**	8,268
Net book value of aircraft classified as:		
- Plant and equipment	**(178,968)**	(231,820)
- Assets held for sale	**(444,074)**	(462,121)
Expenses, net of costs written back	**(1,470)**	(2,994)
	47,706	37,212

* Included an amount of US$91.8 million (2016: US$44.1 million) received from a related company.

4. Finance expenses

	Unaudited 1 January 2017 to 30 June 2017 US$'000	Unaudited 1 January 2016 to 30 June 2016 US$'000
Interest expense and other charges on:		
- Loans and borrowings	**119,408**	101,032
- Finance leases	**731**	633
	120,139	101,665
Net fair value gains on derivative financial instruments	**–**	(245)
	120,139	101,420

5. Income tax expense

	Unaudited 1 January 2017 to 30 June 2017 US$'000	Unaudited 1 January 2016 to 30 June 2016 US$'000
Current income tax	**557**	206
Deferred income tax	**27,856**	27,107
Income tax expense	**28,413**	27,313

During the period ended 30 June 2017, there was a reversal of prior year provision of deferred income tax liabilities no longer required of US$8.1 million (2016: US$4.7 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2017 to 30 June 2017

6. Plant and equipment

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2016	10,891,562	2,240,342	1,058	9,326	13,142,288
Additions	1,899,653	1,005,390	226	1,042	2,906,311
Disposals	(967,349)	(204,520)	(23)	(1,005)	(1,172,897)
Transfers	874,634	(874,634)	–	–	–
Transfer to assets held for sale	(873,486)	–	–	–	(873,486)
Adjustment	436	–	–	–	436
At 31 December 2016 and 1 January 2017	11,825,450	2,166,578	1,261	9,363	14,002,652
Additions	1,486,706	593,853	60	1,350	2,081,969
Disposals	(199,460)	(42,449)	–	–	(241,909)
Transfers	791,030	(791,030)	–	–	–
Transfer to assets held for sale	(271,353)	–	–	–	(271,353)
Adjustment	(616)	–	–	–	(616)
At 30 June 2017	**13,631,757**	**1,926,952**	**1,321**	**10,713**	**15,570,743**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2017 to 30 June 2017

6. Plant and equipment (cont'd)

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Accumulated depreciation and impairment:					
At 1 January 2016	1,415,903	–	707	8,242	1,424,852
Charge for the year	376,207	–	344	1,397	377,948
Disposals	(219,848)	–	(19)	(1,005)	(220,872)
Impairment of aircraft	4,800	–	–	–	4,800
Transfer to assets held for sale	(188,676)	–	–	–	(188,676)
At 31 December 2016 and 1 January 2017	1,388,386	–	1,032	8,634	1,398,052
Charge for the period	216,853	–	73	586	217,512
Disposals	(20,492)	–	–	–	(20,492)
Impairment of aircraft	10,600	–	–	–	10,600
Transfer to assets held for sale	(53,348)	–	–	–	(53,348)
At 30 June 2017	**1,541,999**	**–**	**1,105**	**9,220**	**1,552,324**
Net book value:					
At 31 December 2016	10,437,064	2,166,578	229	729	12,604,600
At 30 June 2017	**12,089,758**	**1,926,952**	**216**	**1,493**	**14,018,419**

6. Plant and equipment (cont'd)

(a) *Impairment of assets*

As at 30 June 2017, there was an accumulated impairment loss on the Group's plant and equipment of US$10.6 million (31 December 2016: US$4.8 million).

Movement of impairment provision:

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
At beginning of period/year	**4,800**	80,505
Impairment of aircraft	**10,600**	4,800
Utilised	**(4,800)**	(80,505)
At end of period/year	**10,600**	4,800

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

As at 30 June 2017, the net book value of aircraft and aircraft held for sale (Note 9) owned by the Group, that have been charged for loan facilities granted (Note 11) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft, including the net book value of aircraft held under finance lease arrangements (Note 12) of US$95 million (31 December 2016: US$97 million), amounted to US$4,077.7 million (31 December 2016: US$4,599.0 million).

(c) *Capitalisation of borrowing costs*

As at 30 June 2017, the borrowing costs capitalised as cost of aircraft amounted to US$7 million (31 December 2016: US$11 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.6% per annum for the period ended 30 June 2017 (for the year ended 31 December 2016: 2.5% per annum).

7. Trade receivables

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Trade receivables (current)	**1,848**	–
Trade receivables (non-current)	**921**	2,772

As at 30 June 2017 and 31 December 2016, the trade receivables were not past due or impaired. As at 30 June 2017, the Group had a trade receivable amounting to US$2.8 million (31 December 2016: US$2.8 million), which is contractually deferred by mutual agreement and interest bearing.

8. Cash and cash equivalents

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Fixed deposits	**137,395**	352,882
Cash and bank balances	**195,141**	205,601
	332,536	558,483
Less: encumbered cash and bank balances	**(139,578)**	(164,764)
Cash and cash equivalents	**192,958**	393,719

As at 30 June 2017, fixed deposits placed with a related party amounted to US$24.5 million (31 December 2016: US$Nil). There was no fixed deposits placed with an intermediate holding company as at 30 June 2017 (31 December 2016: US$131.0 million).

As at 30 June 2017, cash and bank balances placed with an intermediate holding company amounted to US$4.3 million (31 December 2016: US$8.9 million).

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

The Group's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Assets held for sale:		
Plant and equipment - aircraft		
At beginning of period/year	**250,573**	222,222
Additions	**218,005**	684,810
Disposals	**(444,074)**	(656,459)
At end of period/year	**24,504**	250,573
Liabilities associated with assets held for sale:		
Loans and borrowings	**–**	14,963
Maintenance reserves payable	**–**	3,894
	–	18,857

10. Trade and other payables

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Trade payables	**1,254**	3,040
Sundry payables	**9,490**	6,536
Accrued interest expenses	**45,899**	45,183
Accrued maintenance reserves payable	**18,948**	16,937
Accrued technical expenses	**649**	6,020
Other accruals and liabilities	**44,943**	41,470
	121,183	119,186

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

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

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Current	**869**	2,791
1 – 30 days	**139**	190
31 – 60 days	**42**	–
61 – 90 days	**152**	4
More than 90 days	**52**	55
	1,254	3,040

11. Loans and borrowings

	Note	**Unaudited 30 June 2017 US$'000**	Audited 31 December 2016 US$'000
Current:			
Medium term notes		**500,000**	500,000
Loans		**669,167**	427,414
Deferred debt issue costs		**(9,226)**	(10,206)
		1,159,941	917,208
Non-current:			
Medium term notes		**4,462,612**	3,962,612
Medium term notes discount (net of premium)		**(10,847)**	(9,572)
Fair value adjustments		**(138,114)**	(207,123)
		4,313,651	3,745,917
Loans		**3,910,843**	3,878,322
Deferred debt issue costs		**(76,129)**	(82,250)
		8,148,365	7,541,989
Total loans and borrowings		**9,308,306**	8,459,197
Statement of financial position:			
Loans and borrowings (current)		**1,159,941**	902,245
Loans and borrowings (non-current)		**8,148,365**	7,541,989
Liabilities associated with assets held for sale	9	**–**	14,963
		9,308,306	8,459,197

As at 30 June 2017, total loans and borrowings of the Group included secured liabilities of US$2,568.0 million (31 December 2016: US$2,990.7 million). These amounts are secured by the related aircraft, certain cash and bank balances and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to the aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to the 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).

11. Loans and borrowings (cont'd)

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

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Unaudited 30 June 2017					
Medium term notes	500,000	792,225	2,163,493	1,506,894	4,962,612
Loans	669,167	1,167,212	2,153,391	590,240	4,580,010
Total gross loans and borrowings	**1,169,167**	**1,959,437**	**4,316,884**	**2,097,134**	**9,542,622**
Audited 31 December 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

(a) Medium term notes

Outstanding notes denominated in various currencies issued were:

			Unaudited As at 30 June 2017		
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to USD and floating rates US$'000	Amounts swapped to USD 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	**3,850,000**	**500,000**	**–**
			4,962,612	**1,463,729**	**148,883**

11. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

			Audited 31 December 2016		
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to USD and floating rates US$'000	Amounts swapped to USD 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

As at 30 June 2017 and 31 December 2016, an amount of US$1,463.7 million have been swapped to floating rate liabilities and US dollar (for non-US dollar denominated notes) via interest rate swap and cross-currency interest rate swap contracts. These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 2.5% to 3.7% per annum for the period ended 30 June 2017 (for the year ended 31 December 2016: 1.8% to 3.6% per annum).

As at 30 June 2017 and 31 December 2016, an amount of 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 rates for floating rate loans are reset at intervals of up to six months and the weighted average effective interest rate was 2.1% per annum for the period ended 30 June 2017 (for the year ended 31 December 2016: 1.8% per annum). The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans as at 30 June 2017 are between 2017 and 2026.

11. Loans and borrowings (cont'd)

(b) Loans (cont'd)

The Group borrows at floating interest rates pegged to 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 30 June 2017 and 31 December 2016, loans amounting to US$800 million have been swapped to fixed rate liabilities via interest rate swap contracts for which the Group has applied hedge accounting. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The fair value loss of US$3.2 million (31 December 2016: gain of US$16.5 million) was accounted for in hedging reserve.

As at 30 June 2017, the loans due to related parties amounted to US$310.4 million (31 December 2016: US$311.5 million).

As at 30 June 2017, the Group had unutilised unsecured committed revolving credit facilities of US$3,496 million (31 December 2016: US$4,150 million), of which US$2 billion maturing in 2022 was granted by intermediate holding company and undrawn, and an unutilised amount of US$223.6 million (31 December 2016: US$334.0 million) from other related parties under the committed syndicated revolving credit facilities which mature between 2019 and 2021.

The Group had committed long term credit facilities available pending the provision of new replacement aircraft as collateral of US$113.2 million (31 December 2016: US$157.5 million).

The Group had also signed documentation in June 2017 for an unsecured term loan facility totalling US$500 million (31 December 2016: US$Nil) maturing in 2022, of which US$60 million was provided by related parties as part of this committed term loan facility. As at 30 June 2017, no amount had been drawn down under this facility.

12. Finance lease payables

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Current:		
Finance lease payables	**37,268**	9,606
Deferred debt issue costs	**(61)**	(69)
Finance lease payables, net	**37,207**	9,537
Non-current:		
Finance lease payables	**25,881**	58,297
Deferred debt issue costs	**(152)**	(179)
Finance lease payables, net	**25,729**	58,118
Total finance lease payables, net	**62,936**	67,655

Interest on the leases ranged from 1.7% to 3.4% per annum for the period ended 30 June 2017 (for the year ended 31 December 2016: 1.0% to 3.2% per annum).

The table below summarises the maturity profile of the Group's gross finance lease payable before adjustments for debt issue costs:

	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Unaudited 30 June 2017	**37,268**	**2,240**	**23,641**	**–**	**63,149**
Audited 31 December 2016	9,606	33,526	7,137	17,634	67,903

13. Deferred income tax assets and liabilities

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Deferred income tax liabilities	**360,312**	332,482
Deferred income tax assets	**(141)**	(208)
	360,171	332,274

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

14. Share capital

	Unaudited 30 June 2017		Audited 31 December 2016	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning of period/year	**694,010**	**1,157,791**	589,909	607,601
Issuance of ordinary shares pursuant to the initial public offering	**–**	**–**	104,101	562,783
Initial public offering expenses	**–**	**–**	–	(12,593)
At end of period/year	**694,010**	**1,157,791**	694,010	1,157,791

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

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.

In 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, while the remaining amount of US$3.3 million has been included in the consolidated statement of profit or loss. The listing expenses included auditors' remuneration of US$0.3 million and an amount of US$7.2 million paid to a related party.

15. 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 for existing aircraft are as follows:

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Within one year	**1,281,397**	1,133,445
After one year but not more than five years	**4,578,858**	4,016,568
After five years	**4,000,853**	3,010,787
	9,861,108	8,160,800

Future net minimum lease receivables committed for aircraft yet to be delivered are as follows:

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Within one year	**179,403**	194,480
After one year but not more than five years	**1,614,193**	1,427,675
After five years	**3,291,438**	2,551,981
	5,085,034	4,174,136

15. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

Offices

The Group leases office spaces 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:

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Within one year	**2,403**	1,286
After one year but not more than five years	**7,385**	9
	9,788	1,295

(b) Capital expenditure commitments

As at 30 June 2017, 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 was US$9,085.0 million (31 December 2016: US$8,570.6 million).

15. Commitments (cont'd)

(c) Finance lease commitments

Finance lease commitments - As lessee

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

	Unaudited		Audited	
	Minimum lease payments	**Present value of payments**	Minimum lease payments	Present value of payments
	30 June 2017	**30 June 2017**	31 December 2016	31 December 2016
	US$'000	**US$'000**	US$'000	US$'000
Finance lease with third parties:				
Within one year	**38,872**	**37,268**	11,237	9,606
After one year but not more than five years	**28,653**	**25,881**	43,750	40,663
After five years	**–**	**–**	17,897	17,634
Total minimum lease payments	**67,525**	**63,149**	72,884	67,903
Less: Amounts representing finance charges	**(4,376)**	**–**	(4,981)	–
Present value of minimum lease payments	**63,149**	**63,149**	67,903	67,903

16. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies and for obligations under certain lease agreements entered into by the subsidiary companies. As at 30 June 2017, the corporate guarantees for loans to subsidiary companies amounted to approximately US$3,507.3 million (31 December 2016: US$3,164.5 million).

17. 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.

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

	Unaudited 1 January 2017 to 30 June 2017 US$'000	Unaudited 1 January 2016 to 30 June 2016 US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**45**	590
Interest expense	**–**	4,302
(b) Other related parties:		
Interest income	**75**	171
Interest expense	**3,431**	5,053

17. Related party transactions (cont'd)

	Unaudited 1 January 2017 to 30 June 2017 US$'000	Unaudited 1 January 2016 to 30 June 2016 US$'000
Directors' and key executives' remuneration paid during the period		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**5,108**	4,654
(b) Key executives (excluding executive directors) of the Group:		
Salary, bonuses and other costs	**6,986**	5,377
CPF and other defined contributions	**172**	164
	7,158	5,541

As at 30 June 2017, deferred bonuses of US$27.8 million (31 December 2016: US$18.2 million) in respect of services performed in prior years were payable to directors (including a director who has retired) of the Company and key executives of the Group.

18. Financial risk management objectives and policies

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

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

Please refer to the Group's audited consolidated financial statements for year ended 31 December 2016 for a detailed discussion on how management manages its key financial risks.

19. Capital management

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

The Group manages its capital structure and makes adjustments to it after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payment to the shareholders or return capital to the shareholders. The changes in share capital and dividends are disclosed in Note 14 and Note 23 respectively. There were no changes made in the objectives, policies or processes during the period from 1 January 2017 to 30 June 2017 and the year ended 31 December 2016.

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. 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 holder of the Company.

	Unaudited 30 June 2017	Audited 31 December 2016
	US$'000	US$'000
Gross debt	**9,605,771**	8,836,251
Total equity	**3,536,517**	3,382,168
Gearing (times)	**2.7**	2.6

20. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There was no dilutive potential ordinary shares as at 30 June 2017 and 30 June 2016.

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

	Unaudited 1 January 2017 to 30 June 2017	Unaudited 1 January 2016 to 30 June 2016
	US$'000	US$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to ordinary equity holders of the Company)	**240,125**	212,188
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**694,010**	607,068
Basic earnings per share (US$)	**0.35**	0.35
Diluted earnings per share (US$)	**0.35**	0.35

21. Segmental analysis

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

(a) Lease rental income

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

	Unaudited 1 January 2017 to 30 June 2017		Unaudited 1 January 2016 to 30 June 2016	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**173**	**28.5**	181	35.0
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**168**	**27.7**	102	19.8
Americas	**98**	**16.1**	87	16.9
Europe	**140**	**23.1**	113	21.8
Middle East and Africa	**28**	**4.6**	33	6.5
	607	**100.0**	516	100.0

Other than the lease rental income attributable to the Chinese Mainland which accounted for 12.5% of the total lease rental income, there was no country concentration in excess of 10% of the total lease rental income for the period ended 30 June 2017 (2016: Nil).

21. Segmental analysis (cont'd)

(b) Net book value of aircraft

The distribution of net book value of the aircraft (including assets held for sale) by operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	Unaudited 30 June 2017		Audited 31 December 2016	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,132**	**25.9**	3,168	29.6
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**3,726**	**30.7**	3,044	28.5
Americas	**1,685**	**13.9**	1,689	15.8
Europe	**3,063**	**25.3**	2,200	20.6
Middle East, Africa and others*	**509**	**4.2**	587	5.5
	12,115	**100.0**	10,688	100.0

Represented by:	**Unaudited 30 June 2017 US$'million**	Audited 31 December 2016 US$'million
Plant and equipment - Net book value (Note 6)	**12,090**	10,437
Plant and equipment - Assets held for sale (Note 9)	**25**	251
	12,115	10,688

* Two aircraft were returned in December 2016 following an early termination of the leases. During the period ended 30 June 2017, one aircraft was delivered to an airline in the European region and the other was delivered to an airline in the Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan region.

Other than the net book value of aircraft leased to operators in the Chinese Mainland which accounted for 13.5% of the total net book value, there was no country concentration in excess of 10% of total net book value as at 30 June 2017 (31 December 2016: 13.9% accounted for China).

22. 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 trade receivables (Note 7), other receivables, fixed deposits and cash and bank balances (Note 8).

As at 30 June 2017, the loans and receivables for the Group were US$344.4 million (31 December 2016: US$569.3 million).

Financial liabilities measured at amortised cost comprise trade and other payables (Note 10), loans and borrowings (except as disclosed in Note 11), liabilities associated with assets held for sale (Note 9), finance lease payables (Note 12), security deposits and other non-current liabilities.

As at 30 June 2017, the financial liabilities measured at amortised cost for the Group were US$8,437.5 million (31 December 2016: US$7,648.8 million).

(a) Financial instruments carried at fair values

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

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

(b) Financial instruments whose carrying amounts approximate fair values

Management has determined that except for derivative financial instruments, the carrying amounts of 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.

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

(c) 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 financial instruments that are carried in the financial statements at other than fair values.

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Medium term notes :		
Carrying amounts	**3,489,144**	2,990,734
Fair values	**3,518,850**	2,968,774

23. Dividends

	Unaudited 1 January 2017 to 30 June 2017		Unaudited 1 January 2016 to 30 June 2016	
	Per share US$	**Total US$'000**	Per share US$	Total US$'000
Interim dividend	**0.1038**	**72,038**	0.061	42,335

At the Annual General Meeting held on 31 May 2017, the shareholders approved a final dividend of US$0.119 per ordinary share in respect of the profit for the year ended 31 December 2016 which amounted to US$82.587 million. This dividend was paid in June 2017.

At a meeting on 29 August 2017, the directors declared an interim dividend of US$0.1038 per ordinary share for the period ended 30 June 2017 amounting to US$72.038 million. This declared interim dividend is not reflected as a dividend payable in this interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

24. Authorisation of interim financial statements for issue

The interim financial statements for the period from 1 January 2017 to 30 June 2017 were authorised for issue in accordance with a resolution of the directors passed on 29 August 2017.

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