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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

Our financial highlights for the year ended 31 December 2022 are:

- Total revenues and other income were up 6% year-on-year, at US$2.3 billion
- Net profit after tax of US$20 million compared with US$561 million in 2021. 2022 NPAT included a write-down of aircraft in Russia, which negatively impacted net profit after tax by US$507 million
- Core net profit after tax was US$527 million, excluding the impact of the write-down of aircraft in Russia
- Recorded a second half net profit after tax of US$333 million, up 8% on US$307 million in 2H 2021
- Earnings per share of US$0.03 and net assets per share of US$7.50
- Operating cash flows net of interest rose 14% to US$1.5 billion
- Total assets of US$22.1 billion at 31 December 2022
- Utilised US$1.7 billion of debt financing comprising US$1.4 billion of loans and US$300 million of bonds
- Maintained strong liquidity of US$5.3 billion, comprising US$392 million in cash and cash equivalents and US$4.9 billion in undrawn committed credit facilities at 31 December 2022
- Board recommended a final dividend for 2022 of US$0.1770 per share, calculated at 35% of core net profit after tax pending approval at the AGM to be held on 30 May 2023. The final dividend will be payable to Shareholders registered at the close of business on the record date, being 7 June 2023, bringing the total dividend for the financial year 2022 to US$0.2659[1] per share

Capitalised terms used but not defined in this announcement are found in pages 79 to 82.

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

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[1] Includes interim dividend of US$0.0889 per share paid to Shareholders registered at the close of business on 30 September 2022.

* *For identification purposes only*

Exhibit 1: Financial highlights

	2022 US$m	2021 US$m	Change[1] %
Statement of Profit or Loss			
Revenues and other income	**2,307**	2,183	5.7
Costs and expenses	**(2,278)**[2]	(1,545)	47.5
Profit before income tax	**29**	639	(95.4)
Net profit after income tax	**20**	561	(96.4)
Core net profit after tax	**527**[3]	561	(6.0)
Earnings per share (US$)[4]	**0.03**	0.81	(96.4)
Core earnings per share (US$)[5]	**0.76**	0.81	(6.0)

	As at 31 December 2022 US$m	As at 31 December 2021 US$m	Change[1] %
Statement of Financial Position			
Cash and short-term deposits[6]	**397**	486	(18.4)
Total current assets	**845**	673	25.6
Total non-current assets	**21,226**	23,207	(8.5)
Total assets	**22,071**	23,879	(7.6)
Total current liabilities	**2,719**	2,206	23.3
Total non-current liabilities	**14,150**	16,408	(13.8)
Total liabilities	**16,869**	18,613	(9.4)
Net assets	**5,202**	5,266	(1.2)
Financial Ratios			
Net assets per share (US$)[7]	**7.50**	7.59	(1.2)
Gross debt to equity (times)[8]	**2.9**	3.2	
Net debt to equity (times)[9]	**2.8**	3.1	

1 Percentage change is calculated based on numbers in US$ thousands as shown in the financial statements.
2 Includes the impairment of aircraft in Russia.
3 Excludes the impact of the write-down of aircraft in Russia.
4 Earnings per share is calculated by dividing net profit after tax by total number of shares outstanding at 31 December 2022 and 31 December 2021. Number of shares outstanding at 31 December 2022 and 31 December 2021 was 694,010,334.
5 Core earnings per share is calculated by dividing core net profit after tax by total number of shares outstanding at 31 December 2022 and 31 December 2021.
6 Includes encumbered cash and bank balances of US$5.0 million and US$1.2 million at 31 December 2022 and at 31 December 2021, respectively.
7 Net assets per share is calculated by dividing net assets by total number of shares outstanding at 31 December 2022 and 31 December 2021.
8 Gross debt to equity is calculated by dividing gross debt by total equity at 31 December 2022 and 31 December 2021.
9 Net debt is defined as gross debt less cash and short-term deposits. Net debt to equity is calculated by dividing net debt by total equity.

Exhibit 2: Operating cash flow net of interest, US$m

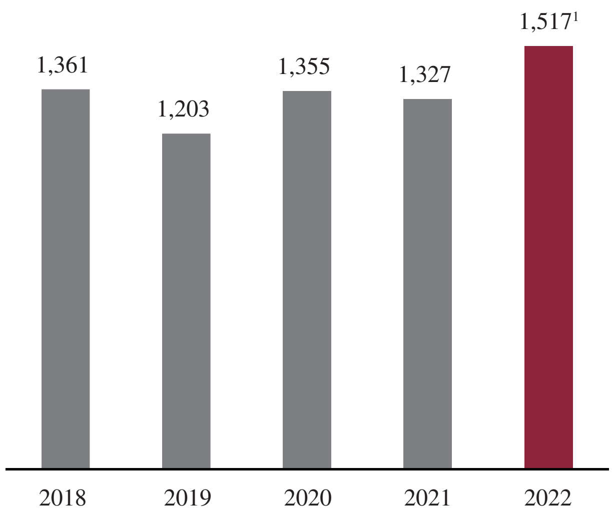
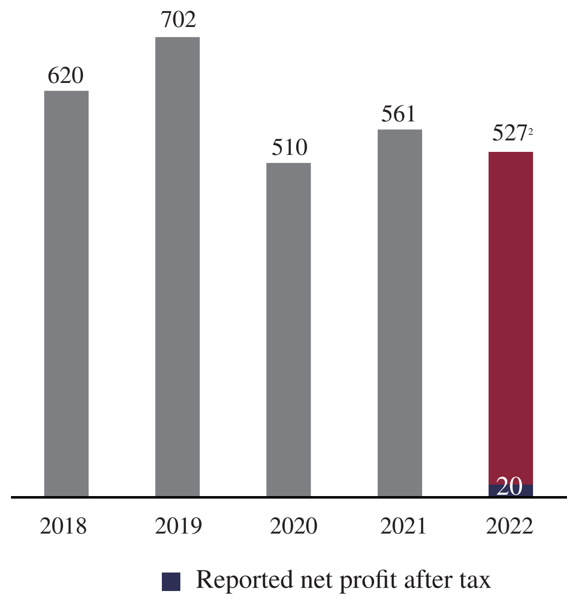


Exhibit 3: Net profit, US$m



PORTFOLIO AND OPERATIONAL HIGHLIGHTS

As at 31 December 2022, BOC Aviation had:

- A total fleet of 633 aircraft owned, managed and on order[3], with an average aircraft age of 4.4 years and an average remaining lease term of 8.1 years for the 392 owned aircraft fleet, weighted by net book value
- A customer base of 84 airlines in 39 countries and regions in the owned and managed portfolios
- Executed 298 transactions in 2022, including:
  - Commitments to purchase 147 aircraft
  - Delivery of 34 aircraft (including five acquired by airline customers on delivery)
  - Sale of 18 aircraft, including one from the managed fleet
  - 78 lease commitments
- Placed two large orders with Airbus and Boeing for 120 aircraft in total, to close the year with an orderbook of 206 aircraft[3]
- Recorded aircraft utilisation of 96% for the owned portfolio for the year ended 31 December 2022

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1 Includes US$95 million of letters of credit that were drawn following the termination of leases with airlines in Russia.

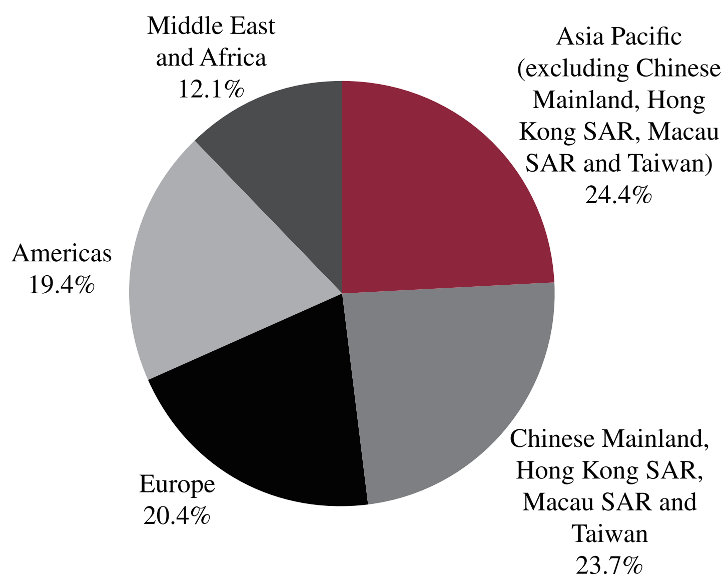
2 Refers to core net profit after tax, which excludes the impact of the write-down of aircraft in Russia.

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

Exhibit 4: Aircraft portfolio at 31 December 2022, by number of aircraft

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order[1]	Total
Airbus A320CEO family	98	15	0	113
Airbus A320NEO family	91	0	115	206
Airbus A330CEO family	8	1	0	9
Airbus A330NEO family	6	0	0	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	72	13	0	85
Boeing 737 MAX family	52	0	82	134
Boeing 777-300ER	27	4	0	31
Boeing 787 family	24	1	9	34
Freighters	5	1	0	6
Total	**392**	**35**	**206**	**633**

Exhibit 5: Net book value of aircraft by region[2]



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

2 Off lease aircraft are allocated to the region of the prospective operator if a lease commitment is in place, or to the region of the prior operator if no lease commitment is in place.

YEAR IN REVIEW

The Company showed great resilience in 2022 with a strong second half that allowed us to retain our record of unbroken profitability since inception 29 years ago. We are pleased to report a profit before tax of US$29 million and a net profit after tax of US$20 million, lower than 2021 on account of the extraordinary impact of the Russia-Ukraine conflict. Core profit before tax was US$598 million and core net profit after tax was US$527 million, in each case excluding the effect of the write-down of aircraft in Russia. Total revenues and other income rose to US$2.3 billion in 2022, up 6% year-on-year, while our total assets were US$22.1 billion as at 31 December 2022.

Our dividend policy remains to pay up to 35% of our full year net profit after tax to our Shareholders. Our Board has decided to base the final dividend for 2022 on core net profit after tax and has recommended a final dividend of US$0.1770 per share, 2% greater than that paid for the same period in 2021. This will bring the total dividend for 2022 to US$0.2659 per share and recognises the importance many of our investors place on steady distributions.

During the year we added two new directors. Mr. Dong Zonglin and Mdm. Chen Jing joined the Board, while Mr. Liu Chenggang and Mdm. Zhu Lin resigned. Subsequent to year end, our Chairman Mr. Chen Huaiyu resigned from the Board in February 2023. We thank Mr. Chen, Mr. Liu and Mdm. Zhu for their efforts and contributions on behalf of all our Company's stakeholders.

Our stock price performed well during the year and we continued to be amongst the world's most valuable listed aircraft operating leasing companies as at 31 December 2022 in terms of market capitalisation. We remained one of the top five global aircraft operating leasing companies and the largest aircraft leasing company based in Asia-Pacific, by value of owned fleet. In 2022 our fleet grew to 427 owned and managed aircraft leased to 84 airlines in 39 countries and regions and we placed large orders with Boeing and Airbus totaling 120 aircraft to drive our future expansion. The Belt and Road Initiative is reflected in the growth and development of our fleet: 61% of our owned fleet, by net book value, is leased to airlines domiciled in Belt and Road Initiative countries and regions.

We continue to be well regarded by both Fitch and S&P Global Ratings, who reaffirmed our A- credit rating during the year, recognising our resilient business strategy, sound financial structure and access to liquidity.

We thank our stakeholders for their support in 2022 as we successfully navigated our way through a period of extreme turbulence. The profit that we generated this year is testimony to the resilience of the business model that we have developed over many years. 2023 has started optimistically, with the growth of China's domestic and international traffic likely to provide further impetus to an already rebounding aviation industry, setting the scene for our future growth.

CHIEF EXECUTIVE'S COMMENTS

Robust recovery in passenger demand and its implications for aviation cash flows and earnings was a key feature of 2022 and gained momentum as the year unfolded. We reported a net profit after tax of US$20 million, in spite of recording a net impact of US$507 million in 2022 related to the write-down of aircraft in Russia. However, our core earnings and core EPS of US$527 million and US$0.76 respectively were little changed from the US$561 million and US$0.81 that we reported in 2021, despite losing US$90 million in lease rental contributions from the Russian portfolio.

In the second half of 2022 we generated net profit after tax of US$333 million, ahead of the US$307 million earned in 2H 2021, which more than offset the loss recorded in the first half of the year, reflecting the improving operating environment.

The pace of airline passenger demand recovery and the airline sector's return to profitability has positively surprised most of the aviation industry. At end of 2022, total demand, according to the International Air Transport Association (**IATA**) was within 25% of pre-pandemic levels, as total traffic rose over 64% for the year, propelled by a snap back in international volumes.

This demand strength has enabled airlines to boost pricing, offsetting higher labour and fuel costs to generate record yields and – in some cases – record profits. This has especially been the case for airlines in the United States, the Middle East, Australia and even parts of Asia, where demand recovery has been most pronounced. As a consequence, IATA now projects an industry net profit after tax of US$4.6 billion in 2023, a US$12 billion improvement on 2022's earnings as estimated by IATA.

The relaxation of travel restrictions in China that was announced in early January 2023 was only modestly factored into IATA's forecast starting from 2H 2023. We expect recovery in cross-border traffic flows to substantially boost airline traffic volumes in the year ahead and to provide further impetus to the fortunes of Asian carriers especially. Meanwhile, an improvement in Chinese domestic traffic is already clear and passenger numbers have climbed to 79% of pre-pandemic levels as at middle of February 2023, which bodes well for demand for leased aircraft to support renewed growth in that market.

Improving airline earnings and cash flows drove a marked improvement in our collection rate, which rose to 100.8% from 96.6% in 2021 as we received both current rentals and those that were not collected in the prior, pandemic-affected year. This formed the basis for the rise in our operating cash flow net of interest paid, which increased to US$1.5 billion from US$1.3 billion in 2021.

During 2022, we delivered 34 aircraft to our airline customers and ended the year with an owned and managed fleet of 427 aircraft. We executed 298 transactions in 2022, including orders for 80 new Airbus A320 NEO family and 40 new Boeing MAX family aircraft and 78 lease commitments, ensuring a sound future delivery and revenue pipeline.

We recorded success in delivering aircraft that were off lease. By the end of 2022 we had delivered 12 of the 17 aircraft that were off lease as at 30 June, with a further three of these delivered subsequent to year end. Of the four that are still undergoing transition maintenance, two have lease commitments.

Our owned fleet ended 2022 with a weighted average age of 4.4 years and a weighted average remaining lease term of 8.1 years, amongst the youngest and longest, respectively, in the aircraft operating lease industry. This reflected proactive portfolio management efforts that included the sale of 17 aircraft from the owned fleet, with a further managed aircraft also being sold. Latest technology aircraft accounted for 71% of our portfolio by net book value, up from 66% in 2021 as we continued to take delivery of the most advanced and fuel-efficient aircraft models. 100% of our orderbook comprises latest technology aircraft.

Our net capital expenditure of US$1.2 billion was again impacted by delivery delays from the manufacturers. These continued to restrict our growth, with five aircraft originally scheduled for 2022 now delivering in future years. As a consequence of our strong operating cash flow, we were less active in funding markets, needing to raise only US$0.9 billion, most of which was originated through banking channels. We raised a US$500 million unsecured, term loan in November on similar terms to the facility that it replaced.

Agile interest rate management meant that our cost of funds only rose to 3.1% for the year compared with 2.9% in 2021. We continue efforts to limit the impact of base rate increases on our cost of funds as we seek to maintain our borrowing spreads to be amongst the most competitive in our industry.

We completed 15 corporate social responsibility-related events in 2022, up from eight the previous year, which featured participation from employees in all five of our offices around the world. These included waterways and shore-front clean-ups, food packing, outings for underprivileged children and company-wide support for the Orbis Race4Sight challenge, which raised money to support preventable blindness. We also donated to Airlink's humanitarian aid efforts in both Tonga and Afghanistan.

During the year, the Board also codified our workplace diversity policy, with a commitment to at least two board directors and 45% of employees being female. Today we exceed these targets, with three female directors and 50% of employees being female.

Boeing and Airbus collectively delivered over 1,100 aircraft in 2022, a 20% improvement on 2021, and we are confident that this number will increase in 2023. The number of single-aisle aircraft delivered in 2022 exceeded 2019's number by 17%, which should provide the basis for purchase and leaseback financing opportunities in 2023. With passenger traffic expected to return to pre-pandemic levels by the end of the year, we firmly believe that the operating environment is improving and should offset the effect of rising interest rates on borrowing costs.

We are grateful for the dedication of our employees and the ongoing support of all of our stakeholders. Our performance in the second half demonstrates the resilience of our business as we maintained our record of 29 consecutive years of profitability. We enter our 30th year with confidence.

Robert Martin
Managing Director and Chief Executive Officer

BUSINESS AND FINANCIAL REVIEW

BOC Aviation is one of the largest aircraft operating leasing companies in the world. Our primary source of revenue is from long-term, USD-denominated leases contracted with our globally diversified commercial airline customer base.

From our inception to 31 December 2022, we have:

- Purchased and committed to purchase more than 1,000 aircraft with an aggregate purchase price of more than US$58 billion
- Executed more than 1,200 leases with more than 180 airlines in more than 60 countries and regions
- Sold more than 400 owned and managed aircraft
- Raised over US$38 billion in debt financing since 1 January 2007

We benefit from a low average cost of debt, which was 3.1% in 2022, supported by our strong investment grade corporate credit ratings of A- from both Fitch Ratings and S&P Global Ratings and by our access to diverse debt funding sources. Our primary sources of debt funding are unsecured notes issued in the debt capital markets and unsecured loan facilities from our group of close to 50 lenders.

We have strong liquidity including access to US$4.9 billion in undrawn committed lines of credit as at 31 December 2022.

Revenue

Lease rental income continues to provide the majority of our total revenue, supplemented by interest and fee income and gain on sale of aircraft.

Exhibit 6: Revenue breakdown, % 2022[1]

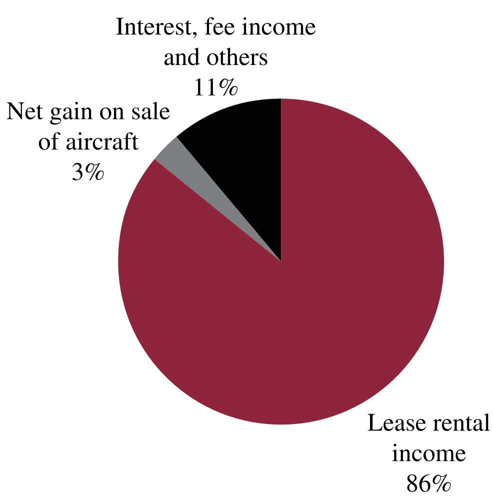
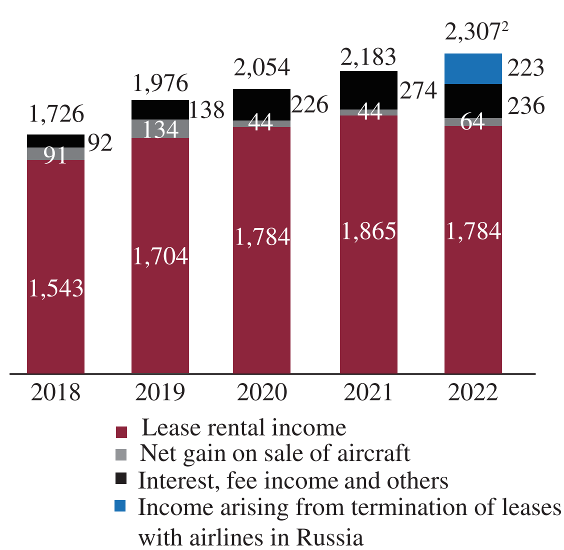


Exhibit 7: Revenue breakdown, US$m



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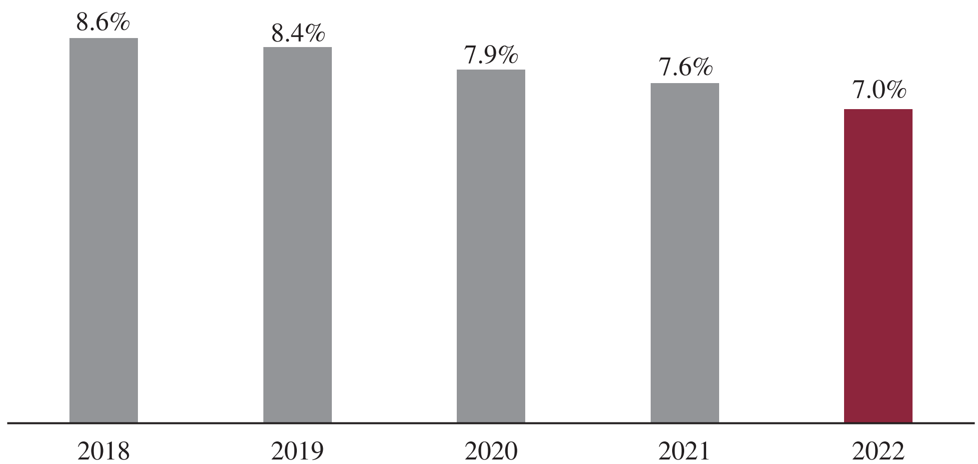
[1] Excludes income arising from termination of leases with airlines in Russia.

[2] Includes income arising from termination of leases with airlines in Russia.

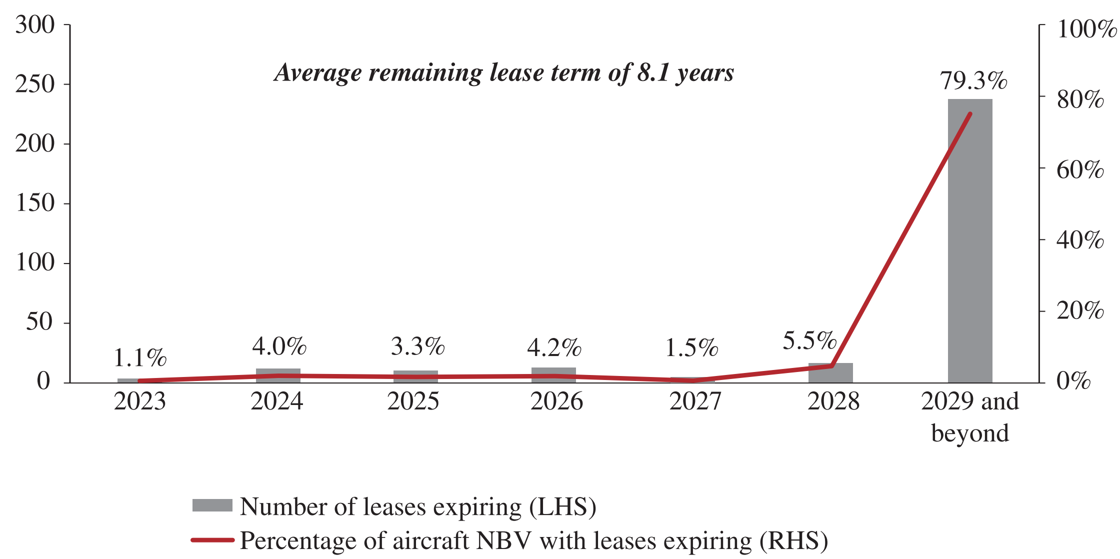
Our net lease yield[1] declined in 2022 from 2021 mainly due to the impact on rentals from the termination of leases of 18 owned aircraft with Russian airlines, aircraft off lease as well as higher cost of debt in a rising interest rate environment.

Exhibit 8: Net lease yield[1], %



Our lease rental revenue is contracted on a long-term basis. Scheduled lease expiries on around 80% of our owned portfolio occur in 2029 or beyond, with 1% scheduled to expire in 2023.

Exhibit 9: Lease expiries as % of portfolio[2] as at 31 December 2022



We had three single-aisle aircraft and four twin-aisle aircraft off lease at 31 December 2022. All twin-aisle and one single-aisle aircraft are committed for lease. As at 9 March 2023, two of the twin-aisle aircraft and the single-aisle aircraft had been delivered to a new lessee.

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1 Net lease yield is calculated as operating lease rental income less finance expenses apportioned to operating lease rental income, divided by average of aircraft net book value (including aircraft held for sale).

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

Operating expenses

Aircraft costs[1,2] and finance expenses remain the largest components of our costs and represented 90% of our total operating costs in 2022. Our largest cash cost, finance expenses, was little changed, reflecting lower debt levels.

Exhibit 10: Operating cost breakdown, % 2022

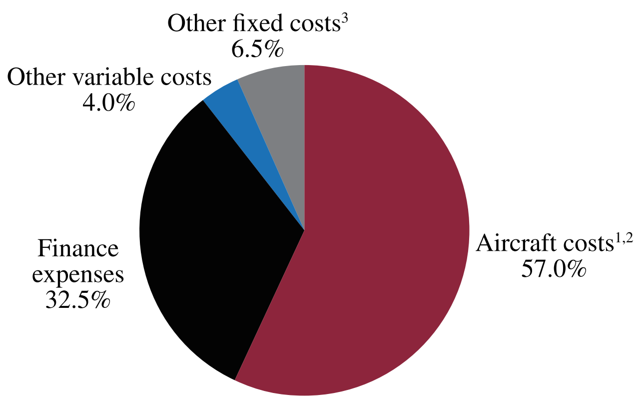
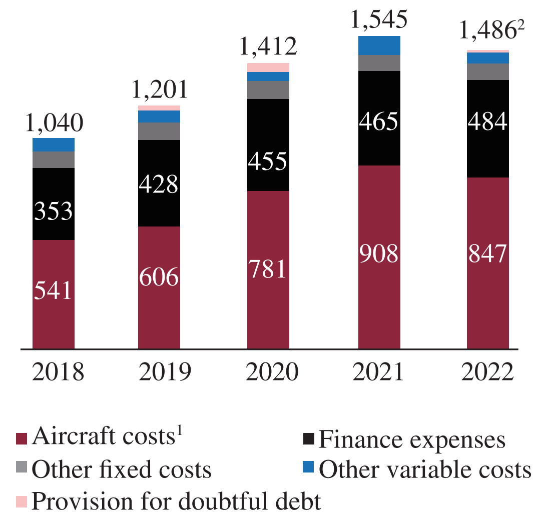


Exhibit 11: Operating cost breakdown, US$m



Net Profit After Tax

In 2022, our core net profit after tax was US$527 million, representing a core return on equity of 9.6% for the year.

Excluding the effect of the write-down of aircraft in Russia, our effective tax rate for 2022 was flat at 11.8%, with the USA continuing to represent the largest proportion of our income tax expense, reflecting the rising proportion of our fleet booked in the USA.

Exhibit 12: Effective tax rate, %

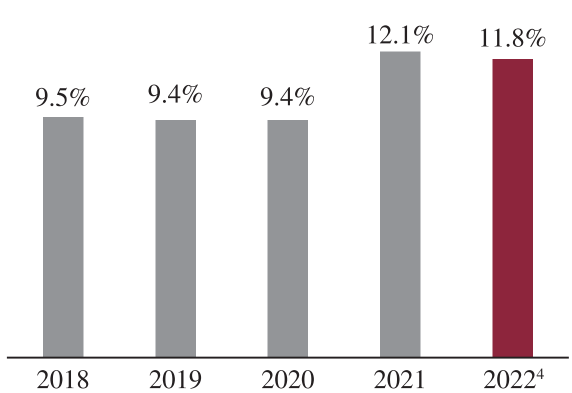
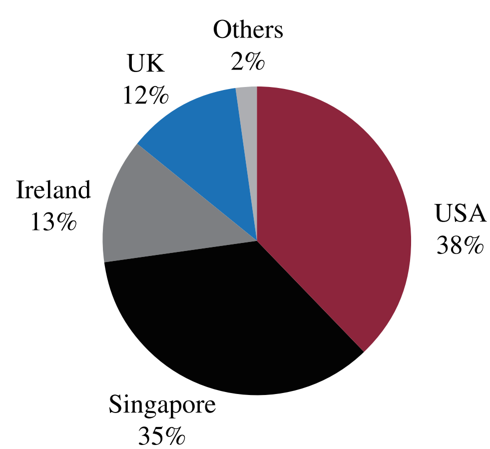


Exhibit 13: Income tax expense by jurisdiction[4], % 2022



1 Aircraft costs comprise depreciation and impairment charges.

2 Excludes the impairment of aircraft in Russia in 2022.

3 Includes provision for doubtful debt of US$1 million.

4 Excludes the tax impact of the write-down of aircraft in Russia.

Assets and Equity

Our total assets decreased by US$1.8 billion to US$22.1 billion as at 31 December 2022. Aircraft continue to represent the largest component of our total assets with a net book value of US$19.1 billion as at 31 December 2022.

Our total equity was little changed at US$5.2 billion as at 31 December 2022.

Exhibit 14: Total assets vs. fleet NBV, US$b

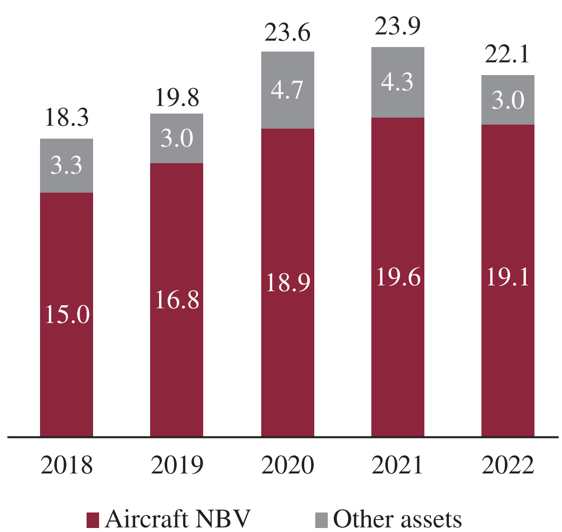


Exhibit 15: 2022 aircraft NBV evolution, US$b

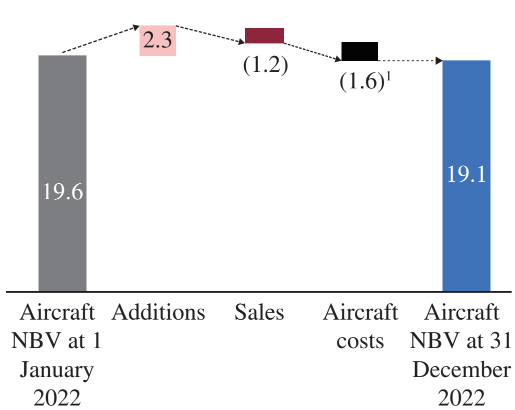
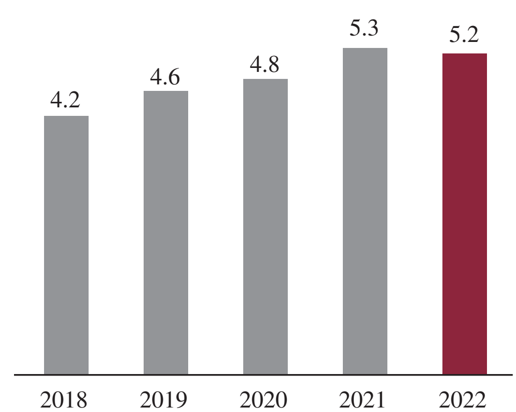


Exhibit 16: Total equity, US$b



Our orderbook of 206 aircraft as at 31 December 2022 accounted for the US$11.1 billion of future capital expenditure commitments. This includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.

1 Includes the impairment of aircraft in Russia.

Liabilities

Total liabilities decreased by US$1.7 billion in 2022, as we paid down US$1.6 billion of debt.

Exhibit 17: Total liabilities, US$b

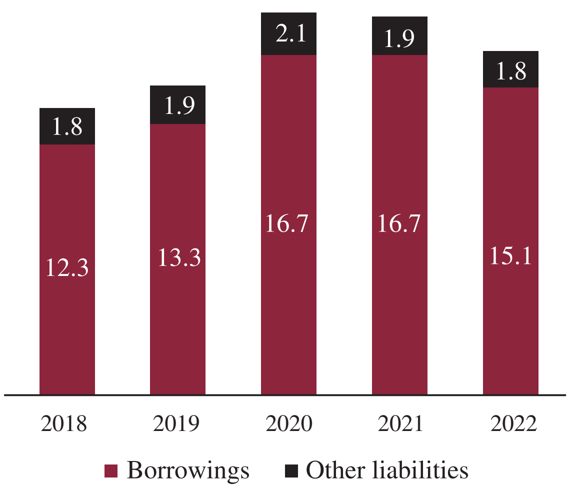
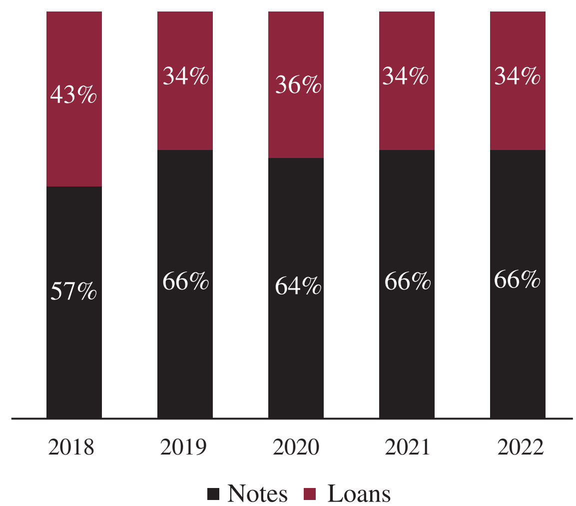


Exhibit 18: Sources of debt, %



The proportion of our leases that are contracted on a fixed rate basis rose slightly in 2022, primarily because airline customers continued to prefer fixed rate leases in a rising interest rate environment. The proportion of fixed rate funding declined to 67%, mainly due to the repayment and redemption of a larger proportion of fixed rate debt in 2022.

Exhibit 19: Fixed vs. floating rate leases[1], %

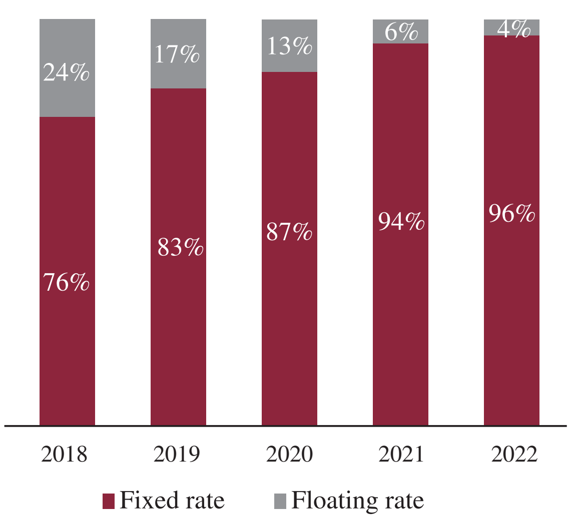
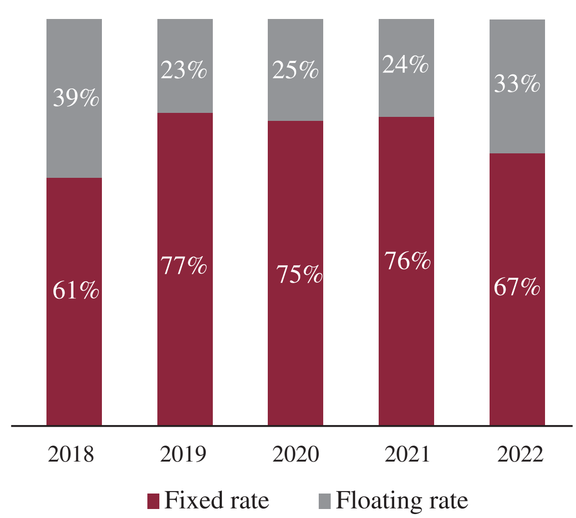


Exhibit 20: Fixed vs. floating rate debt, %



1 By net book value of aircraft including aircraft on leases classified as finance leases in accordance with IFRS 16 (*Leases*) and excluding aircraft off lease.

Significant Events after 31 December 2022

On 3 February 2023, Mr. Chen Huaiyu resigned as a Non-executive Director, Chairman of the Board and Chairman of the Nomination Committee. Please refer to the Company's announcement dated 3 February 2023 on the websites of the Stock Exchange and the Company for more information.

Business Environment

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

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

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

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

Airline demand and our ability to grow are also affected by manufacturer production rates and the ability of manufacturers to deliver aircraft on time, which is itself dependent on the performance of their supply chains.

In general, the world continued its recovery from the Covid pandemic in 2022 and, with the exception of China, relaxed its travel restrictions. This was accompanied by an improvement in airline financial health, which supported airline demand for leased aircraft.

An extraordinary risk event emerged in 2022 with the Russia-Ukraine conflict, which highlighted the impact of geo-politics on our business and which resulted in the termination of 18 aircraft operating lease agreements for the Company. Today 17 aircraft remain in Russia and are subject to insurance claims.

In addition, some new aircraft programmes were affected by continued delivery delays in 2022, which delayed our investment in, and consequent lease revenue from, the affected aircraft.

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

The Company increased its orderbook with both Airbus and Boeing in 2022 and all new aircraft scheduled for delivery in 2023 have been placed.

We build our balance sheet and grow our lease rental income through direct orders from the manufacturers as well as purchase and leaseback transactions with airlines. The availability of near-term delivery positions from both Airbus and Boeing for single-aisle passenger aircraft, our core asset type, is very limited. The aircraft operating lease industry remains highly competitive. Both mature and new-entrant aircraft operating leasing companies compete for purchase and leaseback transactions where barriers to entry are low, especially in a market environment in which debt financing for leased aircraft remains readily available. Some consolidation is taking place within our industry, but strong competition and multiple new entrants may make it more difficult to grow our balance sheet and our revenue base by winning purchase and leaseback transactions and, for those transactions that we do win, we may find that our margins and returns will come under pressure.

This competitive environment should provide good opportunities for selling aircraft. Investor demand for purchasing leased aircraft is a primary driver of our ability to generate gains on sale of aircraft. The availability and cost of financing is, in turn, one of the key drivers of investor demand for leased aircraft, along with an assessment of the future residual value of aircraft. Rising US Dollar interest rates may reduce the gains we can generate by selling aircraft with fixed rate leases attached, as now only a small proportion (4%) of our aircraft leases feature floating rate rentals, however some of this will be offset by the effect of inflation on aircraft values.

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

We also seek to control our cost of funding, the other major component of our cost base, by maintaining our investment grade credit ratings of A- from both Fitch and S&P Global Ratings and by regular engagement with our broad and diverse investor and lending groups. Rising US Dollar interest rates increase our overall funding cost and thus affect the margins that we can achieve to the extent that we cannot pass this on to lessees in our leasing business. However, 67% of our existing debt is fixed rate, which will mitigate this effect. We are actively transitioning our USD LIBOR-based financial exposures to new floating benchmark rates before the cessation of publication of USD LIBOR in June 2023. The Covid pandemic will continue to have an adverse effect on the Group and the aviation industry until traffic returns to pre-Covid levels, but traffic rebounded strongly in many parts of the world during 2022 and this should continue during 2023 as border restrictions are removed in all remaining markets.

Environmental Policy and Performance

BOC Aviation is committed to using resources efficiently and reducing waste. We invest in the latest-technology, most fuel efficient aircraft and we focus on actively reducing our direct carbon emissions and being carbon neutral for our direct carbon emissions by offset. While we do not operate the aircraft that we own and cannot directly control the greenhouse gas emissions of aircraft operated by our airline customers, our business model is centered on a portfolio of latest technology, fuel efficient aircraft, which contribute to reductions in carbon emissions. In addition, in our sustainable business model, we set targets to reduce our electricity use, reduce our direct CO_2 emissions and reduce waste produced directly in our business, and we are 100% carbon neutral for our direct CO_2 emissions by offset. More information will be presented in the Company's Environmental, Social and Governance Report, which will be published in due course.

Forward-Looking Statements

Certain statements contained in this announcement may be viewed as forward-looking statements. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we assume no obligation and do not intend to update these forward-looking statements.

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

We recorded a net profit after tax of US$20 million for the year ended 31 December 2022, 96.4% lower compared with US$561 million for the year ended 31 December 2021. The decrease in net profit after tax was mainly due to a write-down of 17 aircraft in Russia of US$791 million. This write-down was partially offset by cash collateral held by us in respect of those aircraft of US$223 million and US$61 million of tax credit, resulting in an after-tax impact of US$507 million.

Total revenues and other income rose by 5.7% to US$2.3 billion. Total costs and expenses increased by 47.5% to US$2.3 billion mainly due to the asset write-down.

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

	Year ended 31 December			
	2022	2021	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Lease rental income	**1,784,461**	1,865,151	(80,690)	(4.3)
Interest income from finance leases	**40,697**	42,006	(1,309)	(3.1)
Other interest and fee income	**96,123**	135,046	(38,923)	(28.8)
	1,921,281	2,042,203	(120,922)	(5.9)
Other sources of income:				
Net gain on sale of aircraft	**63,867**	43,772	20,095	45.9
Income arising from termination of leases	**222,876**	73,855	149,021	201.8
Other income	**99,028**	23,405	75,623	323.1
Total revenues and other income	**2,307,052**	2,183,235	123,817	5.7
Depreciation of property, plant and equipment	**786,084**	765,561	20,523	2.7
Impairment of aircraft	**855,991**	145,800	710,191	487.1
Finance expenses	**483,661**	465,287	18,374	3.9
Staff costs	**49,122**	68,703	(19,581)	(28.5)
Impairment/(Write-back of) losses on financial assets	**1,235**	(7,921)	9,156	115.6
Other operating costs and expenses	**101,463**	107,137	(5,674)	(5.3)
Total costs and expenses	**(2,277,556)**	(1,544,567)	732,989	47.5
Profit before income tax	**29,496**	638,668	(609,172)	(95.4)
Income tax expense	**(9,436)**	(77,350)	(67,914)	(87.8)
Profit for the year	**20,060**	561,318	(541,258)	(96.4)

Revenues and other income

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

Lease rental income

Our lease rental income decreased by 4.3% to US$1.8 billion in 2022 compared with US$1.9 billion in 2021 mainly due to the termination of leases of 18 owned aircraft with Russian airlines and aircraft that were off lease. The lease rental yield[1] for aircraft subject to operating leases was 9.2% for 2022 compared with 9.7% for 2021.

Interest income from finance leases

Our interest income from finance leases decreased slightly by 3.1% to US$41 million in 2022. The lease rental yield[2] for aircraft on leases classified as finance leases in accordance with IFRS 16 (*Leases*) was 6.2% for 2022, similar to 2021.

Other interest and fee income

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

Net gain on sale of aircraft

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

Income arising from termination of leases

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

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1 Lease rental yield for operating leases is defined as operating lease rental income divided by the average of aircraft net book value.

2 Lease rental yield for finance leases is defined as the average effective interest rate per annum on finance lease receivables as at 31 December 2022 and 31 December 2021 respectively.

Other income

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

Costs and expenses

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

Depreciation of property, plant and equipment

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

Impairment of aircraft

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

Finance expenses

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

Staff costs

Staff costs decreased by 28.5% to US$49 million in 2022 from US$69 million in 2021 mainly due to lower provisions for variable cash bonuses in 2022 compared with 2021 and changes to the Group's long-term incentive plan under which awards for 2022 and later years will be settled entirely by shares under the RSU Plan, as described on page 64 of this announcement, amortised over 3 years from the date of grant commencing in 2Q 2023.

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

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

Other operating costs and expenses

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

Profit before income tax

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

Core profit before income tax

Core profit before income tax decreased by 6.3% to US$598 million in 2022 from US$639 million in 2021.

Income tax expense

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

Profit for the year

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

Core net profit after tax

Core net profit after tax of US$527 million decreased by 6.0% compared with US$561 million in 2021 primarily due to the loss of rental income on the 17 aircraft that remain in Russia.

STATEMENT OF FINANCIAL POSITION ANALYSIS

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

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

	31 December 2022 *US$'000*	31 December 2021 *US$'000*	Change *US$'000*	Change *%*
Property, plant and equipment	**20,628,570**	22,363,617	(1,735,047)	(7.8)
Finance lease receivables	**643,103**	664,953	(21,850)	(3.3)
Trade receivables	**163,267**	182,217	(18,950)	(10.4)
Cash and short-term deposits	**396,866**	486,096	(89,230)	(18.4)
Derivative financial instruments	**23,291**	–	23,291	nm
Other assets	**216,278**	182,481	33,797	18.5
Total assets	**22,071,375**	23,879,364	(1,807,989)	(7.6)
Loans and borrowings	**15,121,665**	16,715,381	(1,593,716)	(9.5)
Maintenance reserves	**645,116**	672,110	(26,994)	(4.0)
Security deposits and non-current deferred income	**218,613**	241,297	(22,684)	(9.4)
Derivative financial instruments	**19,949**	94,238	(74,289)	(78.8)
Trade and other payables	**146,398**	200,090	(53,692)	(26.8)
Deferred income tax liabilities	**557,596**	547,208	10,388	1.9
Other liabilities	**159,939**	143,126	16,813	11.7
Total liabilities	**16,869,276**	18,613,450	(1,744,174)	(9.4)
Net assets	**5,202,099**	5,265,914	(63,815)	(1.2)
Share capital	**1,157,791**	1,157,791	–	–
Retained earnings	**4,020,130**	4,182,119	(161,989)	(3.9)
Statutory reserves	**913**	834	79	9.5
Share-based compensation reserves	**8,053**	9,766	(1,713)	(17.5)
Hedging reserves	**15,212**	(84,596)	99,808	118.0
Total equity	**5,202,099**	5,265,914	(63,815)	(1.2)

Nm: Not meaningful

Property, plant and equipment

We had property, plant and equipment of US$20.6 billion as at 31 December 2022, which decreased by 7.8% from US$22.4 billion as at 31 December 2021 mainly due to a write-down of 17 aircraft in Russia.

Aircraft constituted the largest component, amounting to US$19.1 billion and US$19.6 billion as at 31 December 2022 and 31 December 2021, respectively, representing 92.6% and 87.8% of our total property, plant and equipment as at the same dates. Aircraft pre-delivery payments constituted 7.3% and 12.2% of our total property, plant and equipment as at 31 December 2022 and 31 December 2021, respectively.

Finance lease receivables

Finance lease receivables of US$643 million as at 31 December 2022 and US$665 million as at 31 December 2021 were in respect of six aircraft subject to leases that were classified as finance leases in accordance with IFRS 16 (*Leases*).

Trade receivables

Trade receivables decreased to US$163 million as at 31 December 2022 from US$182 million as at 31 December 2021 mainly due to improvement in cash collections from lessees as the airline industry continued to recover from the impact of the Covid pandemic, partially offset by deferral arrangements entered into with certain lessees in 2022. As at 31 December 2022, net of an allowance of US$11 million for expected credit losses, we had trade receivables of US$143 million which were contractually deferred by mutual agreement and not overdue and generally interest bearing. An amount of US$14 million was past due but covered by collateral held.

Cash and short-term deposits

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

Derivative financial instruments

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

Other assets

Other assets mainly comprise receivables from manufacturers and accrued receivables in respect of future receipts for revenues and other income for which services have been rendered. Other assets increased to US$216 million as at 31 December 2022 from US$182 million as at 31 December 2021 mainly due to an amount receivable from a manufacturer which was deferred by mutual agreement in return for a fee.

Loans and borrowings

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

Trade and other payables

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

Total equity

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

Contingent liabilities

Other than guarantees for certain loans extended to our subsidiary companies and for obligations under certain lease agreements entered into by our subsidiary companies as set out in Note 38 to the financial statements for the year ended 31 December 2022, the Company had no material contingent liabilities as at 31 December 2022.

OTHER INFORMATION

Liquidity and capital resources

Our primary sources of liquidity comprise cash generated from aircraft leasing operations, proceeds from aircraft sales and borrowings. Our business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. The cash flows from our operations, particularly our revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments. Operating cash flow net of interest paid rose 14% to US$1,517 million in 2022 compared with US$1,327 million in 2021.

In 2022 we raised US$920 million of debt including issuing US$300 million of notes under our Global Medium Term Note Program and US$620 million from new bank facilities. We utilised US$1.4 billion under term loan facilities, including US$885 million which was raised in the previous year. We also had US$735 million utilised under our revolving credit facilities as at 31 December 2022 compared with US$920 million of utilisation under these facilities as at 31 December 2021. Our liquidity remains strong, with cash and short-term deposits of US$397 million[1] and US$4.9 billion in undrawn committed credit facilities, comprising the unutilised portion of our revolving credit facilities and US$225 million in undrawn term loans as at 31 December 2022.

Indebtedness

Our gearing as at 31 December 2022 compared with 31 December 2021 decreased as set out in the table below.

	31 December 2022 ***US$m***	31 December 2021 *US$m*
Gross debt	**15,197**	16,807
Net debt	**14,800**	16,321
Total equity	**5,202**	5,266
Gross debt to equity (times)	**2.9**	3.2
Net debt to equity (times)	**2.8**	3.1

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

Net debt is defined as gross debt less cash and short-term deposits. Net debt to equity is calculated by dividing net debt by total equity.

[1] Includes encumbered cash and cash balances of US$5.0 million.

A description of our indebtedness is set out below:

	31 December 2022 *US$m*	31 December 2021 *US$m*
Secured		
Term loans	**140**	404
Export credit agency supported financing	**83**	205
Total secured debt	**223**	609
Unsecured		
Term loans	**4,240**	4,230
Revolving credit facilities	**735**	921
Medium term notes	**9,999**	11,047
Total unsecured debt	**14,974**	16,198
Total indebtedness	**15,197**	16,807
Less: deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes	**(75)**	(92)
Total debt	**15,122**	16,715
Number of aircraft pledged as security	**14**	37
Net book value of aircraft pledged as security	**688**	1,567
Number of unencumbered aircraft	**372**	337
Net book value of unencumbered aircraft	**18,416**	18,076

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

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to US$10.2 billion as at 31 December 2022 compared with US$12.7 billion as at 31 December 2021.

Collateral for secured debt will typically include a mortgage over the relevant aircraft, an assignment of the operating lease of the relevant aircraft and/or a pledge of the shares in the subsidiary company that holds title to the relevant aircraft. Secured debt as a proportion of total assets and of total indebtedness, has come down in 2022 from 2021 as set out in the table below:

	31 December 2022	31 December 2021
Secured debt/total assets	**1.0%**	2.6%
Secured debt/total indebtedness	**1.5%**	3.6%

As at 31 December 2022, our debt repayment profile was as follows:

Debt repayment profile	**31 December 2022** ***US$b***
2023	**2.4**
2024	**3.3**
2025	**3.5**
2026 and beyond	**6.0**
Total	**15.2**

Pledge of assets

Details of pledges of assets are included in Note 13 and Note 18 to the financial statements for the year ended 31 December 2022.

Credit ratings

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

Foreign currency risk

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

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

Future plans for material investments

Our estimated cash outflows based on aircraft capital expenditure commitments as at 31 December 2022 are set out below:

	31 December 2022 *US$b*
2023	**1.5**
2024	**1.9**
2025	**0.7**
2026 and beyond	**7.0**
Total	**11.1**

The table above is based on estimated contractual capital expenditure commitments as at 31 December 2022 and includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery. The capital expenditure figures for each year include anticipated escalation and are net of advance payments made before 31 December 2022.

Sources of funding

Our aircraft purchase commitments as at 31 December 2022 are expected to be financed through a range of funding sources, including (a) cash flow generated from our operating activities, (b) proceeds from our notes issuance from debt capital markets, (c) amounts drawn down under our various bank financing facilities, and (d) net proceeds from sales of aircraft.

We benefit from our strong investment grade corporate credit ratings of A- from both Fitch Ratings and S&P Global Ratings and from our access to diverse debt funding sources. Our primary sources of debt funding are unsecured notes and unsecured loan facilities. We have been an issuer of notes since 2000 and continue to regularly issue notes under our US$15 billion Global Medium Term Note Program. We also enjoy access to and continued support from a large group of lenders comprising close to 50 financial institutions. We have US$4.9 billion in undrawn committed credit facilities including a US$3.5 billion facility from Bank of China which matures in December 2026.

Employees

As at 31 December 2022 and 31 December 2021, we had 192 and 186 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 assessment for promotions. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Commencing 2022, our employee bonuses comprise two incentive plans as follows: (i) our short-term incentive plan which is cash-based and payable over a maximum three year period, under which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our share-based long-term incentive plan, under which a bonus is awarded to selected employees in the form of RSUs, fulfilled through the purchase of Shares in the secondary market by an independent trustee after the announcement of results for the relevant financial year in which performance occurred. Upon vesting, RSUs will generally be satisfied by the transfer of Shares from the independent trustee to the employee. Each RSU award is amortised over the vesting period of approximately three years commencing from the date of grant. Prior to 2022, our long-term incentive plan comprised a mix of cash-based and share-based elements.

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

For the year ended 31 December 2022 and 31 December 2021, our staff costs were US$49 million and US$69 million respectively, representing approximately 2.1% and 3.1% of the Group's total revenues and other income for each year.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2022, there was no material acquisition or disposal of subsidiaries and affiliated companies by the Company. Please refer to Note 34 of the financial statements for details.

Significant investments

During the year ended 31 December 2022, there was no significant investment held by the Company that constituted 5% or more of our total assets.

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Directors

Mdm. ZHANG Xiaolu

Deputy Managing Director, Vice Chairman, Executive Director and a member of the Strategy and Budget Committee, aged 55.

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

Mdm. Zhang joined BOC in July 1990. She held various positions, including serving as Deputy CEO and COO at Bank of China (Suisse) S.A. from November 2008 to September 2012. From October 2012 to April 2014, she was an Executive Director and Special Advisor of Bank Julius Baer & Co. Ltd. in Zurich. Prior to joining the Company, Mdm. Zhang was the Deputy General Manager of BOC Luxembourg Branch and Bank of China (Luxembourg) S.A. from April 2014 to December 2019. Mdm. Zhang graduated with a Bachelor's degree in International Leasing and Foreign Trade Accounting from Beijing Union University in 1990, a Bachelor's degree in English Language from Beijing Foreign Studies University in 2006 and a Master's degree in Business Administration from Southwestern University of Finance and Economics in 2000.

Mr. Robert James MARTIN

Managing Director, Chief Executive Officer, Executive Director and a member of the Strategy and Budget Committee, aged 58.

Mr. Martin was appointed as a Director and the Managing Director in 1998. Mr. Martin joined the Company in 1998 and has more than 35 years of experience in the aircraft and leasing business, having previously worked at Bank of America, The Long-Term Credit Bank of Japan and HSBC Investment Bank (Asia) Ltd. Mr. Martin graduated from Cambridge University in the United Kingdom with a Master of Arts degree in Economics.

Mdm. CHEN Jing

Non-executive Director, a member of the Audit Committee and the Risk Committee, aged 47. Mdm. Chen was appointed as a Non-executive Director in April 2022.

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

Mr. DONG Zonglin

Non-executive Director, Chairman of the Strategy and Budget Committee and a member of the Audit Committee, aged 57. Mr. Dong was appointed as a Non-executive Director in April 2022.

Mr. Dong joined BOC in July 1988 and is currently a Director of BOC Wealth Management Co., Ltd. From April 2002 to January 2023, Mr. Dong served successively as Assistant General Manager of BOC Shaanxi Branch, Deputy General Manager of BOC Heilongjiang Branch, General Manager of BOC Operation Service Unit, General Manager of BOC Operation Control Department, General Manager of BOC Suzhou Branch and person in charge of the Equity Investment and Subsidiary Management Department of BOC. He graduated from Shanxi Institute of Finance and Economics in China with a Bachelor's degree in Statistics in 1985 and from Shaanxi Institute of Finance and Economics in China with a Master's degree in Economics in 1988.

Mr. WANG Xiao

Non-executive Director, a member of the Risk Committee and the Strategy and Budget Committee, aged 52. Mr. Wang was appointed as a Non-executive Director in June 2021.

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

Mdm. WEI Hanguang

Non-executive Director, a member of the Nomination Committee and the Remuneration Committee, aged 52. Mdm. Wei was appointed as a Non-Executive Director in June 2021.

Mdm. Wei joined BOC in July 1994 and is currently an Employee Supervisor and the General Manager of the Human Resources Department of BOC. Mdm. Wei is also a Director of BOC International Holdings Limited and Bank of China Group Investment Limited. From April 2015 to December 2020, Mdm. Wei served as the Deputy General Manager of the Human Resources Department of BOC. Mdm. Wei graduated from Xi'an Statistical Institute in 1994 with a Bachelor's degree in Economics, and received a Master's degree in Business Administration from Tsinghua University in 2009.

Mr. DAI Deming

Independent Non-executive Director, Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee, aged 60. Mr. Dai was appointed as an Independent Non-executive Director in May 2016.

Mr. Dai is an Independent Non-executive Director of Power Construction Corporation of China, Ltd which is listed on the Shanghai Stock Exchange, Poly Developments and Holdings Group Co., Ltd. which is listed on the Shanghai Stock Exchange and China Great Wall Securities Co., Ltd. which is listed on the Shenzhen Stock Exchange.

Mr. Dai was an Independent Non-executive Director of CRRC Corporation Limited and Chairman of its audit and risk management committee from August 2008 to June 2014. Mr. Dai was also an Independent Director of Shanxi Taigang Stainless Steel Co., Ltd. from May 2011 to October 2016, Beijing Xinwei Technology Group Co., Ltd. from September 2014 to August 2016, Beijing Capital Development Co. Ltd. from September 2015 to May 2018, Haier Smart Home Co., Ltd. from June 2015 to June 2021, China Zheshang Bank Co., Ltd. from February 2015 to February 2022, and CSC Financial Co. Ltd. from August 2016 to September 2022.

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

Mr. FU Shula

Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee, aged 67. Mr. Fu was appointed as an independent Director in February 2011 and redesignated as an Independent Non-Executive Director in March 2016.

From 1984 to 2015, Mr. Fu held various senior positions in Aviation Industry Corporation of China (**AVIC**), including President of China National Aero-Technology Import & Export Corporation, President of AVIC International Holding Corporation, Deputy Chief Economist of AVIC, Chairman of the Board of AVIC International Holding Corporation, Chairman of the Board of AVIC Aero-Engine Holding Corporation and Chairman of the Board of AVIC Economy & Technology Research Institute. Mr. Fu is currently an Independent Non-executive Director of Besunyen Holdings Company Limited which is listed on the Stock Exchange. Mr. Fu graduated with a Master's degree in Aero Engine Design from Northwestern Polytechnical University in the PRC in July 1984.

Mr. Antony Nigel TYLER

Independent Non-executive Director, Chairman of the Risk Committee, a member of the Audit Committee and the Strategy and Budget Committee, aged 67. Mr. Tyler was appointed as an Independent Non-executive Director in May 2016.

Mr. Tyler was the Director General and Chief Executive Officer of the International Air Transport Association (**IATA**) from 1 July 2011 to September 2016. Prior to joining IATA, Mr. Tyler was an Executive Director of Cathay Pacific Airways Limited from December 1996 to March 2011 and the Chief Executive from July 2007 to March 2011. He was a Non-executive Director of Hong Kong Aircraft Engineering Company Limited from December 1996 to September 2008 and an Executive Director of Swire Pacific Limited from January 2008 to March 2011. Mr. Tyler was also a member of the Board of Governors of IATA and served as its Chairman from June 2009 to June 2010. Mr. Tyler is currently an Independent Non-executive Director of Bombardier Inc. which is listed on the Toronto Stock Exchange, Trans Maldivian Airways (Pvt) Ltd. and Qantas Airways Limited which is listed on the Australian Securities Exchange. Mr. Tyler graduated with a degree in Jurisprudence from Oxford University in the United Kingdom in July 1977.

Dr. YEUNG Yin Bernard

Independent Non-executive Director, a member of the Nomination Committee and the Strategy and Budget Committee, aged 69. Dr. Yeung was appointed as an Independent Non-executive Director in December 2016.

Dr. Yeung is Stephen Riady Distinguished Professor in Finance and Strategic Management at the National University of Singapore (**NUS**) Business School. He is also the President of the Asian Bureau of Finance and Economic Research. He was Dean of the NUS Business School from June 2008 to May 2019. Before joining NUS, he was the Abraham Krasnoff Professor in Global Business, Economics, and Management at New York University (**NYU**) Stern School of Business and the Director of the NYU China House. From 1988 to 1999, he taught at the University of Michigan and at the University of Alberta from 1983 to 1988.

Dr. Yeung has published widely in top tier academic journals covering topics in Finance, Economics, and Strategy; his writing also appears in important media publications such as The People's Daily, The Financial Times, The Economist, and The Wall Street Journal.

Dr. Yeung has various major public appointments. He was a member of the Economic Strategies Committee in Singapore (2009), a member of the Social Science Research Council in Singapore (2016-2018) and a member of the Financial Research Council of the Monetary Authority of Singapore (2010-2013). Dr. Yeung sits on the 3rd Advisory Board of the Antai College of Economics and Management at Shanghai Jiao Tong University, the Advisory Council of the Economics and Management School of Wuhan University and the Advisory Committee of the Institute of Economics, Academia Sinica.

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

Senior Management

Mr. Robert MARTIN

Please refer to his biography on page 28.

Mdm. ZHANG Xiaolu

Please refer to her biography on page 28.

Mr. Steven TOWNEND

Deputy Managing Director and Chief Financial Officer, aged 53. Mr. Townend joined the Company in January 2001 and was appointed as Chief Commercial Officer in July 2004. Mr. Townend assumed the role of Chief Financial Officer in October 2020. He currently oversees the Accounting and Reporting, Financial Control, Financial Planning and Analysis, Treasury, Tax, Settlement and Investor Relations and Corporate Communications Departments. Mr. Townend has more than 30 years of banking and leasing experience. He graduated from Loughborough University in the United Kingdom with a Bachelor of Science (Honours) degree in Banking and Finance.

Mr. David WALTON

Deputy Managing Director and Chief Operating Officer, aged 61. Mr. Walton joined the Company in November 2014 as Chief Operating Officer. He currently oversees the Legal and Transaction Management, Compliance and Insurance, Technical, Procurement and Information Technology Departments. Mr. Walton has more than 30 years of experience in the aircraft leasing and finance industry. Prior to joining the Company, he served as a general counsel for both privately held and publicly listed companies, with primary responsibility for structuring and documenting capital raising, joint venture and leasing activities. Mr. Walton graduated from Stanford University in the United States with a Bachelor of Arts (Honours) degree and received a law degree from the University of California, Berkeley (Boalt Hall) in the United States.

Mr. DENG Lei

Chief Commercial Officer (Asia Pacific and the Middle East), aged 46. Mr. Deng joined the Company in November 2019. He is responsible for overseeing all revenue activities within the Asia Pacific and the Middle East. He joined Bank of China in July 1998 and held various positions, including serving as the General Manager of the Global Markets Department at the Shanghai Branch and as a Director in the Investment Banking and Asset Management Department at the Head Office. Prior to joining the Company, Mr. Deng was the Assistant General Manager of Bank of China, Singapore Branch. Mr. Deng graduated with a Bachelor's degree in International Finance from Shanghai University in 1998 and a Master's degree in Business Administration from The University of Hong Kong in 2005.

Mr. Paul KENT

Chief Commercial Officer (Europe, Americas and Africa), aged 48. Mr. Kent joined the Company in June 2020. He is based in London and responsible for overseeing all revenue activities in Europe, Americas and Africa. Mr. Kent has more than 25 years of finance and leasing experience, having started his career with nine years at Citibank, before becoming one of the leadership team that launched Doric as a new asset management platform in the aviation industry. He subsequently co-led the set-up of Amedeo where, as a principal shareholder, he managed all commercial activities of the company including aircraft leasing and sales, capital raising and investments, OEM relationships and the company's principal aircraft order positions. Mr. Kent graduated from Cambridge University in the United Kingdom with a Master of Arts (Honours) degree in Management Studies.

Company Secretary

Ms. ZHANG Yanqiu Juliana

Company Secretary, aged 38. Ms. Zhang joined the Company in November 2015 and was appointed as the Company Secretary and an authorised representative of the Company on 1 June 2017. Prior to joining the Company, she worked in international law firms in Hong Kong and Singapore. Ms. Zhang graduated from University of Nottingham in the United Kingdom with a Bachelor of Laws degree. She was admitted as a Solicitor of the High Court of Hong Kong in January 2010.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE POLICY

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

The Company has applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code during the year ended 31 December 2022. The Company will continue to maintain sound corporate governance standards and procedures to ensure the completeness, transparency and quality of the Company's information disclosure. This report sets out a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICE

Corporate governance functions

The Board is responsible for performing the functions set out in provision A.2.1 of the Corporate Governance Code.

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

Constitutional documents

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

Shareholders rights

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

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

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

Shareholder meetings

The Company is required to seek Shareholders' approval according to the requirements under the Listing Rules, the Singapore Companies Act 1967, the Constitution and other relevant and applicable rules and regulations.

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

The Company held its 2022 annual general meeting on 9 June 2022.

Roles of the Board and management

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

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

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

The Chairman and the Chief Executive

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

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

- sets the Board's agenda taking into account any proposal by other Directors to include items in the Board's agenda

- ensures that all Directors are properly briefed on issues arising at Board meetings

- ensures that all Directors receive, in a timely manner, adequate information which is accurate, clear, complete and reliable

- ensures that all key and appropriate issues are discussed by the Board in a timely manner

- leads the Board in establishing good corporate governance practices and procedures for the Company

- encourages efficient and constructive deliberation of issues within the Board

- promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors to the Company's matters and ensures constructive relations between executive and non-executive directors

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

Board composition

The Board comprises four Non-executive Directors, four Independent Non-executive Directors and two Executive Directors. Their biographical details are set out on pages 28 to 32 of this announcement. A list of Directors is set out on page 49 of this announcement.

The position of Chairman is currently vacant following the resignation of Mr. Chen Huaiyu in February 2023. Mr Chen's successor will be appointed in due course and the Vice Chairman performs the duties of the Chairman in the meantime.

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

Board diversity policy

The Company has adopted a Board diversity policy, which was recently updated in December 2022 following review by the Nomination Committee and the Board.

BOC Aviation Limited endorses the principle that its Board should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business.

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, geographical locations, professional experience, skills, knowledge, length of service, regulatory requirements and the legitimate interests of the Company's principal Shareholders. Having said that, all Board appointments are made on the merit of the candidates, in the context of the skills and experience the Board as a whole requires and taking into account the diversity factors described above.

The Company is committed to achieving gender diversity on the Board and in its workforce. The Company targets to maintain at least two female Directors on the Board, and at least 45% women in the workforce.

The Nomination Committee reviews the following matters to ensure that full consideration is given to succession planning for the Board and management in view of the Company's policies and targets:

- Leadership review and succession planning for the Board of Directors and Senior Management

- Review of the Board and Board Committees' evaluation reports

- Review of the Board Diversity Policy and Board Nomination Policy, including the implementation and effectiveness of the Board Diversity Policy

- Directors' rotation and re-election at the next AGM

Such regular review ensures that our policies and procedures complement the Company's corporate strategy and business needs, and reflects current regulatory requirements and good corporate governance practice.

For the year ended 31 December 2022, we are proud to have exceeded the target in respect of gender diversity on the Board with three female directors. We also maintained a diverse workforce with an almost equal balance of male and female employees that has remained relatively consistent in 2022. Females accounted for 30% of the management team, including senior management and heads of department, and 50% of the total workforce at 31 December 2022. This brings us ahead of our targets, and we will continue to focus on diversity in the workforce in the coming year. More information will be presented in the Company's Environmental, Social and Governance Report, which will be published in due course.

Board nomination policy

The Company has adopted a Board nomination policy, which was recently updated in December 2022 following review by the Nomination Committee and the Board.

The Board nomination policy sets out the criteria and process in the nomination and appointment of Directors, so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company's business, and that all appointments are fair, considered and transparent, that there is a formal procedure for appointments and that succession to the Board is orderly.

The entire Board is ultimately responsible for the selection and appointment of Directors. When deciding on appointments to the Board and the continuation of those appointments, the Nomination Committee and the Board should consider all relevant factors, including but not limited to the following:

- Expertise and skills: The candidate should possess international business experience, with proven achievement and experience in his or her area of expertise, ideally in aviation or finance, or other fields relevant to the Company's business.

- Attributes complementary to the Board: The candidate should possess attributes that complement and expand the skill set, experience and expertise of the Board as a whole, having regard to the current structure, size, diversity profile and skills matrix of the Board and the needs of the Board.

- Time commitment: The candidate should be able to devote sufficient time and attention to discharge the duties of a Director effectively, including devoting adequate time for the preparation and participation in meetings at the meeting location, training and other Board activities.

- Personal attributes: The candidate should be a person of integrity, good repute and high professional standing.

- Independence: The Board should ensure that independent views and input are available to the Board, and that there is a strong element of independence in the Board.

- Diversity: The Board should consider factors listed in the Company's Board Diversity Policy.

The Nomination Committee should review at least annually (a) the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, (b) the time and contribution required from Directors and (c) whether independent views and input are available to the Board, and that there is a strong element of independence in the Board. In doing so, the Nomination Committee has reviewed the conclusions of the annual Board evaluation, which collects feedback from all Directors on the Board and each Board Committee on areas such as Board composition, independence, process and accountability, and consider further action as necessary. The Nomination Committee should also conduct an assessment of the independence of each Independent Non-executive Director annually and obtain written confirmation of independence from each Independent Non-executive Director.

The Nomination Committee shall review the Board nomination policy at least annually to ensure it complements the Company's corporate strategy and business needs, and reflects current regulatory requirements and good corporate governance practice.

After annual assessment by the Nomination Committee before the date of this announcement, the Board considers the current structure, size and composition of the Board to be appropriate in enabling it to perform a balanced and independent monitoring function on management practices to complement the Company's corporate strategy. The next review of the Board nomination policy will be conducted by the Nomination Committee at its next meeting in 2023.

Independent non-executive Directors

During the year ended 31 December 2022, the Board at all times met the requirements of Rule 3.10 of the Listing Rules.

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

Changes in composition of the Board and Board committees

From 1 January 2022 to the date of this announcement, the changes in composition of the Board and Board Committees are listed below:

Effective date	Director	Change
3 February 2023	Mr. Chen Huaiyu	Resigned as a Non-executive Director, Chairman of the Board and Chairman of the Nomination Committee
18 April 2022	Mr. Liu Chenggang	Resigned as a Non-executive Director, Chairman of the Strategy and Budget Committee and a member of the Audit Committee
18 April 2022	Mr. Dong Zonglin	Appointed as a Non-executive Director, Chairman of the Strategy and Budget Committee and a member of the Audit Committee
18 April 2022	Mdm. Zhu Lin	Resigned as a Non-executive Director, a member of the Audit Committee and a member of the Risk Committee
18 April 2022	Mdm. Chen Jing	Appointed as a Non-executive Director, a member of the Audit Committee and a member of the Risk Committee

Save as disclosed above, there were no other changes to the composition of the Board and Board Committees from 1 January 2022 to the date of this announcement.

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 2022 interim report dated 27 September 2022 up to 9 March 2023 (being the approval date of this announcement) are set out below:

Experience including other directorships

Mr. DONG Zonglin, a Non-executive Director of the Company, was appointed as a director of BOC Wealth Management Co., Ltd with effect from 1 November 2022 and ceased to be the person in charge of the Equity Investment and Subsidiary Management Department of BOC with effect from 18 January 2023.

Mr. WANG Xiao, a Non-executive Director of the Company, was appointed as the General Manager of the Global Transaction Banking Department of BOC, with effect from 28 September 2022.

Mr. DAI Deming, an Independent Non-executive Director of the Company, was appointed as an independent director of China Great Wall Securities Co., Ltd., which is listed on the Shenzhen Stock Exchange, with effect from 16 December 2022, and ceased to be a director of CSC Financial Co. Ltd. with effect from 2 September 2022.

Appointment and re-election of Directors

All the existing Non-executive Directors and Independent Non-executive Directors of the Company have been appointed for a fixed term of approximately three years, with formal letters of appointment setting out the key terms and conditions of their appointment. In accordance with Article 97 of the Constitution, any Director appointed by the Board during the year shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election at such meeting.

Further, pursuant to Article 90 of the Constitution and code provision B.2.2 of the Corporate Governance Code, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, each of Mr. Wang Xiao, Mdm.Wei Hanguang, Mr. Fu Shula and Dr. Bernard Yeung shall retire by rotation at the forthcoming AGM. Each of Mr. Wang Xiao, Mdm.Wei Hanguang, Mr. Fu Shula and Dr. Bernard Yeung, being eligible, will offer himself or herself for re-election.

It is noted that Mr. Fu Shula has served as an Independent Non-executive Director of the Company for more than 9 years, and the Listing Rules provide that serving more than 9 years is relevant to the determination of a director's independence. In accordance with the Listing Rules, the AGM circular to shareholders will include the reasons why the Board believes Mr. Fu Shula is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board in arriving at such determination.

Board meeting process and attendance

Four Board meetings were held during the year ended 31 December 2022 in accordance with the Corporate Governance Code. In general, a regular meeting schedule for the year is prepared and approved by the Board, and ad hoc Board meetings are convened as appropriate. Formal notice of regular Board meetings is required to be sent to all Directors at least 14 days before the date of scheduled meetings and a Board agenda and meeting materials are sent to all Board members for review at least three days prior to the scheduled meetings.

The Board agenda for each meeting is approved by the Chairman and the Chief Executive Officer following consultation with other Board members and Senior Management. In addition, in order to facilitate open discussion, the Chairman will meet with the Independent Non-executive Directors, in the absence of other Directors and Senior Management, at least once annually.

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

A typical Board meeting would consist of:

- the presentation of papers to support decisions requiring Board approval
- the presentation of discussion papers and information papers
- a report by the chairman of each Board Committee on matters arising since the last Board meeting
- a management report by the Chief Executive Officer providing an update on the Company's results since the last Board meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas
- any declarations of interest

Training and professional development

Each Director received continuous professional development training during the year ended 31 December 2022, including from the Company's external legal advisor. Such training covered topics relevant to their duties as directors including corporate governance, regulatory updates and anti-corruption. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs. The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills. Each Director has provided to the Company a record of the training they received.

The following table provides relevant details concerning attendance at Board and Board Committee meetings and participation in continuous professional development training for the year ended 31 December 2022, and other matters:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Strategy & Budget Committee	2022 Annual General Meeting	Continuous Professional Development
Meetings held:	4	4	2	1	4	4	1	
Meetings attended:								
Non-executive Directors								
Chen Huaiyu *(Note 1)*	4			1			1	A,B
Liu Chenggang *(Note 2)*	1/1	1/1				1/1	N/A	A,B
Dong Zonglin *(Note 3)*	3/3	2/3				2/3	1	A,B
Zhu Lin *(Note 4)*	1/1	1/1			1/1		N/A	A,B
Chen Jing *(Note 5)*	3/3	3/3			3/3		1	A,B
Wang Xiao	4				4	4	1	A,B
Wei Hanguang	4		1	1			1	A,B
Executive Directors								
Robert James Martin	4					4	1	A,B
Zhang Xiaolu	4					4	1	A,B
Independent Non-executive Directors								
Dai Deming	4	4	2	1			1	A,B
Fu Shula	4	4	2	1			1	A,B
Antony Nigel Tyler	4	4			4	4	1	A,B
Yeung Yin Bernard	3			1		4	1	A,B
Average Attendance	98%	95%	83%	100%	100%	96%	100%	

Notes:

1. Mr. Chen Huaiyu resigned on 3 February 2023.
2. Mr. Liu Chenggang resigned on 18 April 2022.
3. Mr. Dong Zonglin was appointed on 18 April 2022.
4. Mdm. Zhu Lin resigned on 18 April 2022.
5. Mdm. Chen Jing was appointed on 18 April 2022.
6. Certain Directors did not attend certain Board or Board Committee meetings due to other business commitments.

A: Attending briefing(s) and/or training session(s).
B: Reading articles, journals, newspapers and/or other materials.

Board's oversight over risk management and internal control

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

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

Good governance begins with the culture of a company, and culture is more important than any process, policy or procedure. The Company strives to always act ethically and with integrity, and this culture begins with the Board and Senior Management and is consistently communicated to all employees, customers, suppliers and partners. The Company has a Code of Conduct that is provided to all new employees, and all employees are required to review the Code of Conduct, and affirm their compliance with it at least annually. Regular training in compliance and ethical standards is provided to all employees.

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

The Board and management each has responsibility to identify and analyse the risk underlying the achievement of business objectives and to determine how such risks should be monitored, evaluated, managed and mitigated. Risk management and internal controls are the day-to-day responsibility of every employee. However, clear organisational structures have been established for risk management and internal control. At the Board level, the Audit Committee and Risk Committee have delegated authority from the Board and these Board Committees report regularly to the Board and make recommendations on Board action. At management level, the Risk Management Committee and ICC have primary oversight of these matters in the day-to-day management of the Company.

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

The Company's Disclosure of Inside Information Policy set out in our Corporate Governance Manual contains guidelines on the protection of confidential information, and the handling and dissemination of insider information. Systems and procedures are in place to identify, control and report on major risks, including business, safety, legal, financial, environmental and reputational risks. Exposures to these risks are monitored by the Board with the assistance of various committees and the Senior Management.

The Company conducts an annual review of the effectiveness of its risk management and internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is coordinated by the Company's Internal Audit Department which, after management and various business departments have performed their self-assessment and management has confirmed the effectiveness of the relevant systems, then carries out an independent examination and other post assessment work on the review process and results. The review also considers the adequacy of resources, employee qualifications and experience and training of the Company's accounting, financial reporting and internal audit functions. The results of the 2022 review, which have been reported to the Audit Committee and the Board, confirmed that the Company's risk management and internal control systems were effective and adequate.

Internal audit

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

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

Directors' responsibility statement in relation to financial statements

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act 1967, applicable disclosure requirements of the Hong Kong Companies Ordinance, International Financial Reporting Standards and the Listing Rules. In addition, the Directors are responsible for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

Board delegation

The Chief Executive Officer is responsible for day-to-day management of the Company and delivering on the Company's strategies and objectives, as approved by the Board. There are clear guidelines and directions as to his powers and in particular the circumstances in which the Chief Executive Officer must report back to, or obtain the prior approval of, the Board before making commitments on behalf of the Company. In addition, the Company's Management Committee has clear delegated authority from the Board to approve new transactions that meet certain criteria, and the Company has a well-established and developed committee and internal governance framework for managing its day-to-day business.

Board Committees

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

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

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

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

Director	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Strategy and Budget Committee
Mdm. Zhang Xiaolu					M
Mr. Robert James Martin					M
Mdm. Chen Jing	M			M	
Mr. Dong Zonglin	M				C
Mr. Wang Xiao				M	M
Mdm. Wei Hanguang		M	M		
Mr. Dai Deming	C	M	M		
Mr. Fu Shula	M	C	M		
Mr. Antony Nigel Tyler	M			C	M
Dr. Yeung Yin Bernard			M		M

Explanatory Notes:

C means committee chairman
M means committee member

The Company will announce the appointment of the Chairman of the Board and Chairman of the Nomination Committee in due course.

Audit Committee

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

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

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

The Audit Committee held four meetings during the year ended 31 December 2022 and its main work included its:

- review, and recommendation to the Board for approval, of the Company's final results announcement, including the financial statements, for the year ended 31 December 2021
- review, and recommendation to the Board for approval, of the Company's interim results announcement, including the financial statements, for the six-month period ended 30 June 2022
- recommendation to the Board for approval of the re-appointment and remuneration of the external auditor of the Company, review and approval of the external audit plan and any external audit reports, and monitoring of the external auditor's independence and objectivity
- review and approval of the internal audit budget for 2023, and review of the effectiveness of the internal audit function of the Company
- review of the effectiveness of the Company's risk management and internal control systems

Nomination Committee

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

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

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

The Nomination Committee held one meeting during the year ended 31 December 2022, supplemented by the circulation of written resolutions, and its main work included its:

- review and recommendation to the Board on the appointment of two Non-executive Directors and the Deputy Chief Financial Officer
- consideration of succession planning for the Directors and Senior Management, and the Company in general
- annual review of the size and structure of the Board
- annual evaluation of the Board and Board Committees
- assessment of the independence of the Independent Non-executive Directors
- review and update of the Nomination Policy and the Board Diversity Policy, including setting numerical targets and times for gender diversity on the Board
- review of the Nomination Committee's terms of reference

Remuneration Committee

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

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2022 and its main work included:

- providing input to the Strategy and Budget Committee and the Board with respect to the Company's staff costs budget for 2023
- reviewing and recommending the bonus pool based on the Company's incentive plan to the Board for approval
- recommending salary increase and discretionary bonus amounts for Executive Directors and Senior Management to the Board for approval
- reviewing remuneration competitiveness against comparable companies' market benchmark
- reviewing the Remuneration Committee's terms of reference

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

Risk Committee

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

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

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

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

- oversight of the Company's ESG strategy and reporting

- providing regular reports to the Board on the foregoing

- approving other matters delegated to it by the Board

The Risk Committee held four meetings during the year ended 31 December 2022 and its main work included the following:

- quarterly review of the overall risk status of the Company, including portfolio credit quality and collections status, liability risk management, geo-political risk factors, risk factors impacting the commercial aviation industry generally, and enterprise risk matters

- quarterly status review of technical and procurement risk factors

- review of corporate tax, insurance and vendor risk management matters

- review of the Company's ESG targets

Strategy and Budget Committee

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

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

The Strategy and Budget Committee held four meetings during the year ended 31 December 2022 and its main work included the following:

- considering and recommending to the Board for approval the final dividend for full-year 2021
- considering and recommending to the Board for approval the interim dividend for the six-month period ending 30 June 2022
- reviewing and reporting to the Board on developments in market conditions and opportunities relevant to the Company's business, including developments in the lease placement and purchase-leaseback markets and developments relating to the procurement of aircraft
- reviewing and recommending to the Board for approval the 2023 budget and the 2023 Corporate Scorecard
- reviewing and recommending to the Board for approval the Company's 2022 Corporate Scorecard result and certain metrics for the Company's short-term and long-term incentive plans

Management structure

The Company also has a clear governance framework for managing the day-to-day business which includes the following management committees:

- The **Management Committee** has decision-making authority, delegated from the Board, to approve transactions that meet certain criteria, including leases and lease extensions, purchase and leasebacks, sales, loan and bond financings, hedging, aircraft specification changes and other procurement matters and general administrative matters. The committee is chaired by the Managing Director and Chief Executive Officer. The six members of the Senior Management team and the Chief Risk Officer are members of the committee.

- The **Risk Management** Committee provides an ongoing and forward-looking review of risk factors impacting the Company's balance sheet, comprising asset/credit risk and liability risk matters. The committee also reviews changes in the external operating environment and the portfolio impact of implementing revenue plans. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Operations Committee** brings together the main business functions involved in executing the Company's aircraft acquisition, leasing and sales transactions and is involved in day-to-day management of the owned and managed aircraft portfolio, including the heads of the legal and transaction management, risk, technical, procurement, airline leasing and sales and aircraft sales departments. The committee is chaired by the Deputy Chief Operating Officer.

- The **Finance Committee** monitors and coordinates issues between the heads of the accounting and reporting, financial control, financial planning and analysis, tax, risk, aircraft sales, treasury, settlement and investor relations departments, including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Deputy Managing Director and Chief Financial Officer.

- The **Funding Committee** provides guidance on funding strategy for both debt maturities and capital expenditure as well as managing the overall costs of funding. The committee is chaired by the Deputy Managing Director and Chief Financial Officer.

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

- The **Investment Committee** reviews overall investment and divestment strategy for the Company's portfolio of aircraft and other assets. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Sales Committee** provides guidance on all matters related to the Company's aircraft sales business including evaluating sales strategy and monitoring external market conditions for aircraft sales. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Internal Control Committee** monitors compliance with internal processes and procedures and provides direction for any needed improvements thereto. The committee is responsible for oversight of the Company's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Company's business. The committee is chaired by the General Counsel.

- The **Disclosure Committee** monitors and approve all disclosures made on the Stock Exchange according to the Listing Rules. The committee is responsible for oversight of the Company's disclosure and the Company's inside information related policies and procedure. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Environmental, Social and Governance Committee** drives the Company's ESG initiatives, and reviews and monitors the Company's ESG commitments, targets and reporting obligations at management level. The committee is chaired by the Deputy Managing Director and Chief Operating Officer.

Further underpinning the Company's overall risk management approach are specific policies and procedures for each department within the Company, together with clear written delegations of authority to specified heads of department, each of which are reviewed, revised and re-approved, as appropriate, on a regular basis.

D&O liability insurance policy

The Company has arranged appropriate insurance cover for the benefit of Directors and officers against liability which may lawfully be insured by the Company.

Company Secretary

The Company Secretary is a full time employee of the Company based in Singapore and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with Shareholders and with management. The Company Secretary attended sufficient professional training for the year ended 31 December 2022 to update her skills and knowledge.

Directors' securities transactions

The Company has established and implemented the Dealing Policy to govern the Directors' dealings in securities of the Company. Terms of the Dealing Policy are not less exacting than the mandatory standards set out in the Model Code.

Upon specific enquiry by the Company, all Directors confirmed that they complied with the Dealing Policy during the year ended 31 December 2022.

External auditor and auditor's remuneration

Independence of the Company's external auditor is very important to Shareholders, the Board and the Audit Committee. The auditor confirms annually to the Audit Committee that they are independent accountants based on Institute of Singapore Chartered Accountants Code of Professional Conduct and Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities and that they are not aware of any matters which could be reasonably thought to bear on their independence. The Audit Committee will assess the independence of the auditor at least annually.

PricewaterhouseCoopers LLP (**PwC**) was appointed as the Company's auditor at the annual general meeting of the Company on 3 June 2021 and has been the Company's auditor since the financial year ended 31 December 2021.

For 2022, the total fees charged by PwC and its affiliates were US$0.6 million, of which US$0.4 million was for audit services, US$0.1 million was for audit related services mainly relating to the Company's issuance of notes under its Global Medium Term Note Program and US$0.1 million was for non-audit related services mainly relating to tax compliance and advisory services. Apart from audit services, PwC was appointed to provide audit related services and non-audit related services to the Group in relation to matters closely associated with the audit or where PwC's understanding of the Group's business was beneficial in improving efficiency and effectiveness. The percentage of fee ratio between audit related services and non-audit related services versus total fees charged was 36.5%, while the percentage of fee ratio between non-audit related services versus total fees charged was 18.6%.

The Audit Committee reviewed the fees paid to PwC for the year ended 31 December 2022 for the purposes of Section 206(1A) of the Singapore Companies Act 1967, and is satisfied that the non-audit services (comprising audit related and non-audit related services) provided by PwC in 2022 did not affect the independence of PwC in carrying out their audit services provided to the Group.

Investor relations

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

The methods used to communicate with Shareholders include the following:

- the Head of Investor Relations makes himself available for regular meetings with major Shareholders, investors and analysts

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

- publication of interim and annual reports

- publication of press releases and announcements

- the annual general meeting of the Company

Shareholders Communication Policy

BOC Aviation is committed to enhancing Shareholder value by achieving high standards of corporate ethics, conduct, transparency and accountability. We are guided by our Shareholders Communication Policy, which aims to set out the provisions with the objective of ensuring that the Shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company. This includes its financial performance, strategic goals and plans, material developments, governance and risk profile, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. We aim to ensure the effective and timely dissemination of information to Shareholders at all times.

During the year we hosted an investor day in Singapore that featured Senior Management and heads of departments. In addition, we hosted two earnings calls with the investment community, attended 12 investor conferences and participated in 550 meetings and calls with investors and research analysts, which we consider represents a substantial effort to ensure that our Shareholders remain as well informed as possible. As at 31 December 2022, BOC Aviation was rated as a consensus Buy by all 18 research analysts that publish on the Company[1] and therefore, the implementation and effectiveness of the Shareholders Communication Policy is satisfactory.

Putting forward enquiries to the Board

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

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1 Source: Bloomberg

DIRECTORS' STATEMENT

The Directors are pleased to present this statement and the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2022. In our opinion:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

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

Principal activities

The principal activities of the Company, which are conducted in Singapore, are the leasing of aircraft, management of aircraft leases and other related activities. The Company's subsidiaries, which are listed in Note 34 to the financial statements, are also primarily engaged in the leasing of aircraft and other related activities.

Business review and principal risks

Please refer to "Year in Review", "Chief Executive's Comments", "Business and Financial Review", "Management Discussion and Analysis" and "Corporate Governance Report" sections for a review of the Company's business for the year ended 31 December 2022. The Company's business model and details of the principal risks faced by the Company, the potential impact of such risks on the Company and measures taken by the Company to mitigate such risks are set out on pages 13 to 14 of this announcement. The Company's Environmental, Social and Governance Report will be published in due course.

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

Annual General Meeting

The AGM will be held on 30 May 2023.

Results

The financial performance of the Group for the year ended 31 December 2022 and the financial position of the Group and the Company at that date are set out in the financial statements in the Appendix A to this announcement.

Dividend policy

The Company's dividend policy is to distribute up to 35% of net profit after tax for a full financial year. 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.

Dividends

The Board has recommended a final dividend of US$0.1770 per share for the year ended 31 December 2022, amounting to approximately US$122.8 million, subject to the approval of Shareholders at the AGM. If approved, the final dividend will be paid on 23 June 2023 to Shareholders whose names appear on the Register of Members of the Company on the record date, being 7 June 2023. The final dividend will be paid in Hong Kong Dollar, converted from US Dollar at the prevailing market rate at least one week before the dividend payment date.

Together with the interim dividend of US$0.0889 per share declared in August 2022, the total dividend payout for the year ended 31 December 2022 would be US$0.2659 per share, representing a total distribution to Shareholders of approximately US$184.5 million.

Closure of register of members – Annual General Meeting

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the AGM, from 24 May 2023 to 30 May 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfer documents, accompanied by the relevant Share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 23 May 2023.

Closure of register of members – Final dividend

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to the proposed final dividend, from 5 June 2023 to 7 June 2023 (both days inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the proposed final dividend, all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 2 June 2023.

Financial summary

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 1 June 2016. A five year financial summary of the Group is set out on page 77 of this announcement.

Property, plant and equipment

Details of the property, plant and equipment of the Group as at 31 December 2022 are set out in Note 13 to the financial statements.

Pre-emptive rights

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

Donations

For the year ended 31 December 2022, the Company donated approximately US$27,000 for charitable purposes. We did not make any donation of a political nature.

Share capital

Details of the Shares issued by the Company are set out in Note 29 to the financial statements. There was no movement in the share capital of the Company during the year ended 31 December 2022. There was no purchase, sale or redemption of Shares by the Company or any of its subsidiaries during the year ended 31 December 2022. In connection with the RSU plan, the independent trustee (Computershare Hong Kong Trustees) purchased 1,103,807 Shares on-market for a total consideration of approximately HK$68.8 million, which are held on trust in accordance with the rules of the RSU Plan.

Public float

Based on information that is publicly available and within the knowledge of the Directors, the Company maintained the prescribed public float of more than 25% of the total issued share capital required under the Listing Rules from 1 January 2022 to the date of this announcement.

Tax relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Shares. If Shareholders are uncertain about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult an expert.

Bank loans, debentures issued and other borrowings

Details of the Company's bank loans, debentures issued and other borrowings are set out in Notes 22 and 32 to the financial statements.

Distributable reserves

The distributable reserves of the Company as at 31 December 2022, calculated according to the Singapore Companies Act 1967, amounted to approximately US$2.2 billion and are set out as retained earnings in the Company's statement of financial position in the financial statements.

Contingent liabilities

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 38 to the financial statements, the Company had no material contingent liabilities as at 31 December 2022.

Directors

A list of Directors in office at the date of this statement is set out on page 49 of this announcement. The Company will announce the appointment of the Chairman of the Board and Chairman of the Nomination Committee in due course.

The changes in Board composition, and the biographical details of the Directors and their terms of office are set out on pages 28 to 32 and 42 to 43 of this announcement.

In accordance with Articles 90 and 97 of the Constitution, Mr. Wang Xiao, Mdm.Wei Hanguang, Mr. Fu Shula and Dr. Bernard Yeung will retire at the forthcoming AGM. Each of the above retiring Directors, being eligible, will offer himself or herself for re-election at the forthcoming AGM.

Directors' service contracts

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

Directors' interests in transactions, arrangements or contracts

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

During the year ended 31 December 2022 and as at 31 December 2022, none of the Directors has interests in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

The Constitution requires each Director to observe the provisions of the Singapore Companies Act 1967 in relation to the disclosure of his interest in transactions or proposed transactions with the Company or of any office held or property possessed by him which might create duties or interests in conflict with his duties or interests as a Director. The Constitution further provides that a Director shall not vote in respect of any contract or arrangement or any other proposal in which he or any of his close associates has any personal material interest, directly or indirectly, except in certain prescribed circumstances. Please refer to the Constitution available at the Company's website at www.bocaviation.com for further details.

At no time during the year or at the end of the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements whose objects are, or one of whose objects is to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, except for the RSU Plan which is applicable to all employees including the Executive Directors as described below.

Remuneration of Directors and Senior Management

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

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

Under the Company's compensation arrangements, the Executive Directors and Senior Management receive cash compensation in the form of salaries as well as annual bonuses that are subject to annual performance targets and other benefits. The Executive Directors and Senior Management may also be remunerated under the RSU Plan described below.

Details of the remuneration of the Directors and a summary of the remuneration of the five highest paid individuals and Senior Management by band for the year ended 31 December 2022 are set out in Note 10 to the financial statements.

Restricted Share Unit Long Term Incentive Plan

As part of the Company's long-term employee incentive plans, the RSU Plan has been established to attract skilled and experienced management and professional employees, to motivate and reward them to maximise profit and long-term investment returns for Shareholders by providing them with the opportunity to acquire equity interests in the Company, thereby aligning the respective interests of employees and Shareholders.

The first RSU Plan was adopted on 18 December 2017 governing the awards made by the Company in respect of the five financial years from 2017 to 2021 (inclusive) and will terminate in December 2024 when the final awards have vested. The second RSU Plan was adopted on 28 February 2023 governing the awards made by the Company in respect of the four financial years from 2022 to 2025 (inclusive) and will terminate in either April 2029 or (depending on the satisfaction of certain conditions) April 2030 when the final awards have vested.

Eligible participants of the RSU Plan are selected employees (including Executive Directors) of the Company or any of its subsidiaries. There is no cap to the total number of shares available for grants under the RSU Plan, or the maximum entitlement of each participant under the RSU Plan. No consideration is required to be paid by the grantee on acceptance of the awards. An independent trustee (Computershare Hong Kong Trustees Limited) purchases Shares of the Company from the market and holds such Shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new Shares by the Company.

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

The RSU Plan is a share scheme funded by existing Shares of the Company and is subject to the requirements of Rule 17.2 of the Listing Rules.

During the year ended 31 December 2022, the Company granted awards under the first RSU Plan on 18 May 2022, details of which are set out in the Company's announcement dated 18 May 2022 on the websites of the Stock Exchange and the Company. In addition, certain awards under the first RSU Plan vested or lapsed during the year in accordance with the terms thereof, whilst no awards were cancelled during the year. Details are set out below:

Grantees	Unvested RSUs as at 1 January 2022[1]		RSUs granted during the year[1]		Number of RSUs vested during the year[1,3]	Number of RSUs cancelled during the year	Number of RSUs lapsed during the year	Unvested RSUs as at 31 December 2022[1]	
	Number	Date of grant	Number	Date of grant[2]				Number	Date of grant
Mr. Robert James Martin	324,946	Note A	104,022	18 May 2022	243,535	Nil	Nil	185,433	Note B
Mdm. Zhang Xiaolu	44,409	7 May 2021	66,197	18 May 2022	Nil	Nil	Nil	110,606	Note B
Five highest paid individuals[4]	748,325	Note A	323,896	18 May 2022	496,859	Nil	Nil	575,362	Note B
Other grantees	1,666,417	Note A	713,714	18 May 2022	1,127,089	Nil	114,504	1,138,538	Note B

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

As at 31 December 2022, interests of the Directors and the Chief Executive Officer and their respective associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO and Section 164 of the Singapore Companies Act 1967, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

1 Subject to the terms and conditions of the first RSU Plan, the Shares underlying each award will vest in the December of the third year after the end of the financial year for which the award was granted. There are no performance targets attached to the vesting of the award, and no consideration is required from the relevant grantee at the time of vesting.

2 The closing price of the Company's Shares on 17 May 2022, the day preceding the date of grant, was HK$61. The fair value of each RSU award at the date of grant was HK$62.36, as determined by the average market price at which the shares of the Company were purchased from the secondary market by an independent trustee.

3 The closing price of the Company's Shares on 14 December 2022, the day preceding the vesting date, was HK$61.

4 The information includes the grants to one Director who is one of the five highest paid individuals in 2022.

A Granted on 28 April 2020 and 7 May 2021, as applicable.

B Granted on 7 May 2021 and 18 May 2022, as applicable.

Long position (ordinary Shares)

Name of Director	Total Number of Shares held *(Note)*	Approximate percentage of total issued share capital *(%)*
Mr. Robert James MARTIN	801,676	0.12
Mdm. ZHANG Xiaolu	110,606	0.02

Note: As at 31 December 2022, Mr. Martin had a beneficial interest in a total of 801,676 Shares, which included 185,433 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan.

None of the Directors or the Chief Executive Officer of the Company or their respective associates had any short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO and Section 164 of the Singapore Companies Act 1967, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2022.

Substantial Shareholders

The register maintained by the Company pursuant to Section 336 of the SFO recorded that, as at 31 December 2022, 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
Pandanus Associates Inc.	Interest of controlled corporation (L)	56,203,200 (Ordinary)	8.10
Pandanus Partners L.P.	Interest of controlled corporation (L)	56,203,200 (Ordinary)	8.10
FIL Limited	Interest of controlled corporation (L)	56,203,200 (Ordinary)	8.10
FIL Asia Holdings Pte Limited	Interest of controlled corporation (L)	36,136,100 (Ordinary)	5.2

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.

4. Pandanus Partners L.P. controls more than one-third of voting rights in FIL Limited. Accordingly, for the purpose of the SFO, Pandanus Partners L.P. is deemed to have the same interest in the Company as FIL Limited, which in turn is deemed to be interested in 56,203,200 Shares held by its controlled corporations for the purpose of the SFO.
5. Pandanus Associates Inc. holds the entire issued share capital of Pandanus Partners L.P. Accordingly, for the purpose of the SFO, Pandanus Associates Inc. is deemed to have the same interest in the Company as Pandanus Partners L.P.
6. FIL Limited is deemed to be interested in 56,203,200 Shares held by its controlled corporations for the purpose of the SFO.
7. FIL Asia Holdings Pte Limited is deemed to be interested in 36,136,100 Shares held by its controlled corporations for the purpose of the SFO.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2022, so far as the Directors are aware, no other persons or corporations had 5% or more interests or short positions in Shares and underlying shares of the Company which were recorded in the register maintained by the Company under Section 336 of the SFO.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

Permitted indemnity

Pursuant to the Constitution, every Director shall be entitled to be indemnified by the Company against all liabilities incurred by him/her to the extent permitted by the Singapore Companies Act 1967. The Company has maintained insurance for the benefit of Directors against liability which may lawfully be insured by the Company.

Share option scheme

The Company has not adopted a share option scheme.

Equity-linked agreements

Save for the RSU Plan, no equity-linked agreements were entered into by the Company during the year ended 31 December 2022 or subsisted as at 31 December 2022.

Shares under option

No options over unissued Shares of the Company or its subsidiaries were granted by the Company or its subsidiaries, or exercised, during the year ended 31 December 2022 or subsisted as at 31 December 2022.

Major customers

10% of our revenue was attributable to our largest customer in 2022. The total revenue from the five largest customers of the Group accounted for approximately 32% of total revenue of the Group.

To the best knowledge and belief of the Directors, none of the Directors or their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interest in any of the five largest customers in 2022 (to the extent applicable to such customers).

Major suppliers

The Group's largest supplier in 2022 was Boeing, representing 66% of total capital expenditure of the Group under a combination of the Group's direct orders with Boeing and purchase and leaseback transactions with airlines where the Group acquires aircraft from Boeing under an assignment of the relevant airline's purchase agreement. The total purchases from the five largest suppliers of the Group accounted for approximately 96% of total capital expenditure of the Group.

The five largest suppliers to the Group are independent third parties and, to the best knowledge and belief of the Directors, none of the Directors or their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interest in any of the five largest suppliers in 2022 (to the extent applicable to such suppliers).

Continuing connected transactions

The following transactions constituted continuing connected transactions under the Listing Rules during the year ended 31 December 2022:

A. Bank deposits

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

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

The maximum daily balance of deposit placed by the Group with the BOC Group (other than the BOCHK Holdings Group) (including interest accrued thereon) for the year ended 31 December 2022 was approximately US$67 million and it had not exceeded the cap of US$500 million during the year ended 31 December 2022.

2. Bank deposits with the BOCHK Holdings Group

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

The maximum daily balance of deposits placed by the Group with the BOCHK Holdings Group (including interest accrued thereon) for the year ended 31 December 2022 was US$495 million and it had not exceeded the cap of US$500 million during the year ended 31 December 2022.

Other terms

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

Each of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement expires on 31 December 2024 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the BOC Deposit Framework Agreement or the BOCHK Deposit Framework Agreement, as the case may be.

B. Secured loans and other banking services

1. Secured loans and other banking services from the BOC Group (other than the BOCHK Holdings Group)

The Group did not enter into any secured loans with the BOC Group (other than the BOCHK Holdings Group) during the year ended 31 December 2022 and no secured loans with BOC Group (other than the BOCHK Holdings Group) were outstanding as at 31 December 2022.

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

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

The aggregate of the outstanding principal amount of the secured loans from the BOC Group (other than the BOCHK Holdings Group) and the fees paid for the provision of the Other Banking Services by the BOC Group (other than the BOCHK Holdings Group) for the year ended 31 December 2022 was nil and it had not exceeded the cap of US$500 million for the year ended 31 December 2022.

2. *Secured loans and other banking services from the BOCHK Holdings Group*

The Group did not enter into any secured loans with BOCHK during the year ended 31 December 2022 and no secured loans with BOCHK were outstanding as at 31 December 2022.

BOCHK had provided services as arranger in respect of unsecured loans provided by BOCHK to the Group (the **Other Banking Services**).

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

The aggregate of the outstanding principal amount of the secured loans from the BOCHK Holdings Group and the fees paid for the provision of the Other Banking Services by the BOCHK Holdings Group for the year ended 31 December 2022 was US$1 million and it had not exceeded the cap of US$500 million for the year ended 31 December 2022.

Other terms

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

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

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

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

C. Listing Rule Implications

BOC is a connected person of the Company by virtue of being a controlling shareholder of the Company. As BOCHK Holdings is a subsidiary of BOC, BOCHK Holdings is also a connected person of the Company by virtue of being an associate of the Company's connected person. Accordingly, transactions under the BOC Deposit Framework Agreement, BOCHK Deposit Framework Agreement, BOC Loan Framework Agreement and BOCHK Loan Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

D. Annual review

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

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

(i) have not been approved by the Board;

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

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

(iv) have exceeded their respective annual caps for the financial year ended 31 December 2022 set out in the prospectus or previous announcements of the Company.

In accordance with paragraph 14A.57 of the Listing Rules, a copy of the auditor's letter will be provided by the Company to the Stock Exchange at least 10 business days before the bulk printing of the Annual Report.

The Company has complied with the requirements of Chapter 14A of the Listing Rules in relation to the connected transactions and continuing connected transactions to which any Group member was a party during the year ended 31 December 2022. Details of the related party transactions entered into by the members of the Group for the year ended 31 December 2022 and whether such related party transactions are connected transactions under the Listing Rules are set out below.

E. Related party transactions

Note 17 and 18 to the financial statements disclosed the short-term deposits and cash and bank balances of the Group. Such bank balances included the Group's bank deposits with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group pursuant to the deposit framework agreement with BOC, which constituted non-exempt continuing connected transactions of the Company under the Listing Rules.

Note 22 to the 2022 financial statements disclosed the loans and borrowings of the Group. Such loans and borrowings included (a) unsecured loans from the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group in the aggregate amount of US$1.595 billion and (b) US$3.5 billion in unutilised committed revolving credit facilities from the BOC Group (other than the BOCHK Holdings Group), all of which constituted fully exempt continuing connected transactions of the Company pursuant to Listing Rule 14A.90.

Note 36 to the financial statements disclosed certain significant transactions of the Group with related parties in the normal course of business and on commercial terms, other than those that were disclosed in other notes to the financial statements. In relation to the interest expense payable to the intermediate holding company and other related parties in 2022, (a) a de minimis amount related to office lease liabilities owing to the BOC Group (other than the BOCHK Holdings Group) and (b) an aggregate amount of US$43.56 million related to interest expenses payable on unsecured loans due to the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group, all of which constituted fully exempt continuing connected transactions of the Company pursuant to Listing Rules 14A.76 and 14A.90 respectively. The Directors' remuneration paid by the Company in 2022 and payable as at 31 December 2022 constituted fully exempt continuing connected transactions of the Company pursuant to Listing Rule 14A.95.

Debentures issued

In 2022, the Company issued (or in the case of bonds issued by its subsidiary, guaranteed) the following debentures to raise funds to fund capital expenditure and our general corporate expenses:

Class	Issuing entity	Amount issued/ guaranteed	Term
Senior Unsecured Notes	BOC Aviation Limited	US$300,000,000	5 years

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

Review by the Audit Committee

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Company and discussed auditing, internal controls and financial reporting matters. The Audit Committee has also reviewed the audited financial statements of the Group for the year ended 31 December 2022.

Auditor

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as the Company's auditor and a resolution for their re-appointment will be proposed for approval at the forthcoming AGM.

On behalf of the Board
BOC Aviation Limited

ZHANG Xiaolu
Vice Chairman and Executive Director

Robert James MARTIN
Executive Director

Singapore, 9 March 2023

FIVE YEAR FINANCIAL SUMMARY

The financial highlights of the Group for the financial years 2018 to 2022 are summarised below:

	2022	2021	2020	2019	2018
	US$m	*US$m*	*US$m*	*US$m*	*US$m*
Statement of Profit or Loss					
Revenues and other income	2,307	2,183	2,054	1,976	1,726
Costs and expenses	(2,278)	(1,545)	(1,491)	(1,201)	(1,040)
Profit before income tax	29	639	563	775	685
Net profit after income tax	**20**	**561**	**510**	**702**	**620**
Earnings per share (US$)[1]	0.03	0.81	0.73	1.01	0.89
Statement of Financial Position					
Cash and short-term deposits	397	486	408	287	243
Total current assets	845	673	656	739	257
Total non-current assets	21,226	23,207	22,913	19,025	17,999
Total assets	**22,071**	**23,879**	**23,568**	**19,764**	**18,256**
Total current liabilities	2,719	2,206	2,157	2,141	1,709
Total non-current liabilities	14,150	16,408	16,634	13,043	12,349
Total liabilities	**16,869**	**18,613**	**18,792**	**15,184**	**14,057**
Net assets	**5,202**	**5,266**	**4,777**	**4,581**	**4,199**
Financial Ratios					
Net assets per share (US$)[2]	7.50	7.59	6.88	6.60	6.05
Gross debt to equity (times)[3]	2.9	3.2	3.5	2.9	3.0
Net debt to equity (times)[4]	2.8	3.1	3.4	2.9	2.9

1 Earnings per share is calculated by dividing net profit after tax by total number of shares outstanding at 31 December of the relevant year. Number of shares outstanding at 31 December 2018 to 31 December 2022 was 694,010,334.

2 Net assets per share is calculated by dividing net assets by total number of shares outstanding at 31 December of the relevant year.

3 Gross debt to equity is calculated by dividing gross debt by total equity of the relevant year.

4 Net debt is defined as gross debt less cash and short-term deposits. Net debt to equity is calculated by dividing net debt by total equity of the relevant year.

CORPORATE INFORMATION

As at 9 March 2023

Board of Directors

Vice Chairman
ZHANG Xiaolu

Directors
Robert James MARTIN
CHEN Jing*
DONG Zonglin*
WANG Xiao*
WEI Hanguang*
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
ZHANG Xiaolu

Deputy Managing Director and Chief Financial Officer
Steven TOWNEND

Deputy Managing Director and Chief Operating Officer
David WALTON

Chief Commercial Officer (Asia Pacific and the Middle East)
DENG Lei

Chief Commercial Officer (Europe, Americas and Africa)
Paul KENT

Company Secretary
ZHANG Yanqiu Juliana

Principal Place of Business and Registered Office
79 Robinson Road
#15-01
Singapore 068897

Place of Business in Hong Kong
5/F Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Independent Auditor
Recognised Public Interest Entity Auditor
PricewaterhouseCoopers LLP

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

Credit Ratings
Fitch Ratings
S&P Global Ratings

Stock Codes
Ordinary shares:

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

Website
www.bocaviation.com

DEFINITIONS

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

Terms	**Meanings**
"AGM"	The annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statements for the financial year ended 31 December 2022. The meeting will be held on 30 May 2023
"Airbus"	Airbus S.A.S., a societe par actions simplifiee duly created and existing under French law
"Annual Report"	The annual report of the Company for the financial year ended 31 December 2022 which contains, among others, the audited financial statements for the financial year ended 31 December 2022 and the Directors' Statement
"Board"	The board of Directors of the Company
"Board Committees"	The five sub-committees of the Board comprising the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy and Budget Committee and the Risk Committee
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-shares and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules
"BOC Group"	BOC and its subsidiaries (excluding the Group)
"BOCGI"	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, a wholly-owned subsidiary of BOC, a controlling shareholder of the Company and a connected person of the Company under the Listing Rules

"BOCHK"	Bank of China (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 16 October 1964, a wholly-owned subsidiary of BOCHK Holdings and an associate of a connected person of the Company under the Listing Rules
"BOCHK Holdings"	BOC Hong Kong (Holdings) Limited (中銀香港(控股)有限公司), a company incorporated in Hong Kong with limited liability on 12 September 2001, the shares of which are listed on the Stock Exchange, a subsidiary of BOC and a connected person of the Company under the Listing Rules
"BOCHK Holdings Group"	BOCHK Holdings and its subsidiaries
"Boeing"	The Boeing Company, a corporation organised and existing under the General Corporation Law of the State of Delaware, U.S.A., and its affiliates
"Constitution"	The constitution of the Company approved on 12 May 2016 which became effective on the Listing Date
"Company" or "BOC Aviation"	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related business
"Corporate Governance Code"	Appendix 14 Corporate Governance Code to the Listing Rules
"Dealing Policy"	The Directors'/Chief Executive Officer's Dealing Policy adopted by the Board on 12 May 2016
"Director(s)"	The director(s) of the Company
"Group"	The Company together with its subsidiaries
"HKD", "HK$" or "HK Dollar"	The lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"IPO"	The initial public offering of the Company the details of which can be found in the prospectus of the Company dated 19 May 2016
"Listing Date"	1 June 2016, being the date on which the Shares of the Company were first listed for trading on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NBV"	Net book value
"NPAT"	Net profit after tax
"Operating cash flow net of interest"	Net cash flow from operating activities less finance expenses paid
"RSU Plan"	Collectively, the BOC Aviation Limited Restricted Share Unit Long Term Incentive Plans adopted by the Company on 18 December 2017 covering awards for the period from 2017 to 2021 (inclusive) and on 28 February 2023 covering awards for the period from 2022 to 2025 (inclusive)
"Senior Management"	Managing Director and Chief Executive Officer, Vice Chairman and Deputy Managing Director, Deputy Managing Director and Chief Financial Officer, Deputy Managing Director and Chief Operating Officer, Chief Commercial Officer (Asia Pacific and the Middle East) and Chief Commercial Officer (Europe, Americas and Africa)
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder"	A holder of Shares
"Shares"	Ordinary shares in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"USD", "US$" or "US Dollar"	The lawful currency of the United States of America
"USD LIBOR"	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US Dollar

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT, ANNUAL REPORT, ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT AND NOTICE OF AGM

This final results announcement is published on the websites of the Company at www.bocaviation.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The AGM is scheduled to be held on 30 May 2023. The notice of the AGM and the 2022 Annual Report, including our Environmental, Social and Governance Report and audited financial statements for the year ended 31 December 2022, will be dispatched and made available to the Shareholders in due course.

By order of the Board
BOC Aviation Limited
Zhang Yanqiu Juliana
Company Secretary

Hong Kong, 9 March 2023

As at the date of this announcement, the Board of Directors of the Company comprises Mdm. Zhang Xiaolu as Vice Chairman and Executive Director, Mr. Robert James Martin as Executive Director, Mdm. Chen Jing, Mr. Dong Zonglin, Mr. Wang Xiao and Mdm. Wei Hanguang as Non-executive Directors and Mr. Dai Deming, Mr. Fu Shula, Mr. Antony Nigel Tyler and Dr. Yeung Yin Bernard as Independent Non-executive Directors.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

The directors present their statement to the members together with the audited consolidated financial statements of BOC Aviation Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2022.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

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

2. Directors

The directors of the Company in office at the date of this statement are as follows:

Zhang Xiaolu	Vice-Chairman and Deputy Managing Director
Robert James Martin	Managing Director and Chief Executive Officer
Chen Jing	Non-executive Director (appointed on 18 April 2022)
Dong Zonglin	Non-executive Director (appointed on 18 April 2022)
Wang Xiao	Non-executive Director
Wei Hanguang	Non-executive Director
Dai Deming	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Yeung Yin Bernard	Independent Non-executive Director

3. Arrangements to enable directors to acquire shares and debentures

Except for the "Restricted Share Unit Long Term Incentive Plan" disclosed in section 4 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, options and debentures of the Company or any other body corporate.

4. Restricted Share Unit Long Term Incentive Plan

The Company adopted the Restricted Share Unit Long Term Incentive Plan on 18 December 2017 which covers awards for the financial years 2017 to 2021 (inclusive) and adopted a new plan in February 2023 that will cover awards for financial years 2022 to 2025 (inclusive) (collectively, the "RSU Plan"). The purpose of the RSU Plan is to attract skilled and experienced management and professional staff, to motivate and reward them to maximise profit and long-term investment returns for shareholders by providing them with the opportunity to acquire equity interests in the Company, thereby aligning the interests of employees with shareholders.

Eligible participants of the RSU Plan are selected employees (including executive directors) of the Company or any of its subsidiary companies. An independent trustee purchases shares of the Company from the market and holds such shares on trust in accordance with the rules of the RSU Plan. The RSU Plan does not involve any issue of new shares by the Company.

5. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act 1967, interests in shares of the Company or of related companies as stated below:

Name of director	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares:		
Robert James Martin	372,708	616,243
Zhang Xiaolu	–	–
Restricted share units granted by the Company but not yet vested:		
Robert James Martin	324,946	185,433
Zhang Xiaolu	44,409	110,606

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares of the Company or of related companies either at the beginning of the financial year, or date of appointment if appointed during the financial year, or at the end of the financial year.

6. Audit Committee

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

Dai Deming	Chairman, Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Chen Jing	Non-executive Director
Dong Zonglin	Non-executive Director

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

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

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

7. Auditor

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

On behalf of the Board of Directors:

Zhang Xiaolu
Director

Robert James Martin
Director

Singapore
9 March 2023

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

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

Report on the audit of the financial statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of BOC Aviation Limited ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act"), International Financial Reporting Standards ("IFRSs") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

We have audited the financial statements of the Company and the Group which comprise the consolidated statement of profit or loss of the Group for the financial year then ended 31 December 2022; the consolidated statement of comprehensive income of the Group for the financial year then ended; the consolidated statement of financial position of the Group as at 31 December 2022; the statement of financial position of the Company as at 31 December 2022; the consolidated statement of changes in equity of the Group for the financial year then ended; the consolidated statement of cash flows of the Group for the financial year then ended; and the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of property, plant and equipment – aircraft

As at 31 December 2022, the carrying value of aircraft in property, plant and equipment was $19,104 million (refer to Note 13), representing approximately 87% of the Group's total assets. During the year ended 31 December 2022 the Group has recognised an impairment loss of $856.0 million, of which approximately 92% relates to 17 aircraft that remain in Russia notwithstanding the termination in March 2022 of the leases of those aircraft in compliance with applicable sanctions against Russia and that the Group has been unable to recover. The remaining impairment relates to the write-down of the carrying amount of affected aircraft to the estimated recoverable amount in accordance with the requirements of IAS36/ SFRS(I) 1-36 Impairment of Assets.

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

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

The value in use is determined by calculating the estimated future cash flows expected to be generated by the asset discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Other Information

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Wanyi.

PricewaterhouseCoopers LLP
Public Accountants and
Chartered Accountants
Singapore

9 March 2023

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2022

	Note	Group **2022** **US$'000**	2021 US$'000
Revenues and other income			
Lease rental income	43(a)	**1,784,461**	1,865,151
Interest income from finance leases		**40,697**	42,006
Other interest and fee income	4	**96,123**	135,046
		1,921,281	2,042,203
Other sources of income:			
Net gain on sale of aircraft	5	**63,867**	43,772
Income arising from termination of leases*		**222,876**	73,855
Other income	6	**99,028**	23,405
		2,307,052	2,183,235
Costs and expenses			
Depreciation of property, plant and equipment	13	**786,084**	765,561
Finance expenses	7	**483,661**	465,287
Amortisation of deferred debt issue costs	8	**26,615**	24,991
Staff costs	9	**49,122**	68,703
Marketing and travelling expenses		**5,058**	911
Impairment of aircraft	13	**855,991**	145,800
Impairment/(Write-back of) losses on financial assets	15	**1,235**	(7,921)
Other operating expenses	11	**69,790**	81,235
		(2,277,556)	(1,544,567)
Profit before income tax		**29,496**	638,668
Income tax expense	12	**(9,436)**	(77,350)
Profit for the year attributable to owners of the Company		**20,060**	561,318

Earnings per share attributable to owners of the Company:

Basic earnings per share (US$)	42	**0.03**	0.81
Diluted earnings per share (US$)	42	**0.03**	0.81

* *Income arising from termination of leases for 2022 was in respect of termination of leases of 17 aircraft with Russian airlines. Refer to Note 13(a) for more details. Income arising from termination of leases for 2021 was in respect of termination of leases of six aircraft arising from a separate unrelated event.*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Note	Group 2022 US$'000	2021 US$'000
Profit for the year		**20,060**	561,318
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to statement of profit or loss:			
Effective portion of changes in fair value of cash flow hedges, net of tax	30	**83,081**	15,833
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	30	**16,727**	70,360
Total comprehensive income for the year attributable to owners of the Company		**119,868**	647,511

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	Group 2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment	13	**20,628,570**	22,363,617
Derivative financial instruments	14	**12,567**	–
Finance lease receivables	37(b)	**413,194**	643,104
Trade receivables	15	**98,334**	135,116
Other receivables	16	**62,298**	53,175
Deferred income tax assets	27	**159**	153
Other non-current assets		**11,045**	11,525
		21,226,167	23,206,690
Current assets			
Trade receivables	15	**64,933**	47,101
Prepayments		**1,469**	2,419
Derivative financial instruments	14	**10,724**	–
Finance lease receivables	37(b)	**229,909**	21,849
Other receivables	16	**132,765**	104,141
Income tax receivables		**664**	604
Short-term deposits	17	**306,707**	248,224
Cash and bank balances	18	**90,159**	237,872
Other current assets		**7,878**	10,464
		845,208	672,674
Total assets		**22,071,375**	23,879,364
Current liabilities			
Derivative financial instruments	14	**–**	11,821
Trade and other payables	20	**146,398**	200,090
Deferred income	21	**123,856**	104,249
Income tax payables		**1,328**	1,337
Loans and borrowings	22	**2,420,180**	1,849,754
Lease liabilities	23	**2,516**	1,490
Security deposits	25	**24,798**	36,808
		2,719,076	2,205,549
Net current liabilities		**(1,873,868)**	(1,532,875)
Total assets less current liabilities		**19,352,299**	21,673,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	Note	Group 2022 US$'000	2021 US$'000
Non-current liabilities			
Derivative financial instruments	14	**19,949**	82,417
Loans and borrowings	22	**12,701,485**	14,865,627
Lease liabilities	23	**14,138**	1,267
Security deposits	25	**148,121**	169,323
Deferred income	21	**45,694**	35,166
Maintenance reserves	26	**645,116**	672,110
Deferred income tax liabilities	27	**557,596**	547,208
Other non-current liabilities	28	**18,101**	34,783
		14,150,200	16,407,901
Total liabilities		**16,869,276**	18,613,450
Net assets		**5,202,099**	5,265,914
Equity attributable to owners of the Company			
Share capital	29	**1,157,791**	1,157,791
Retained earnings		**4,020,130**	4,182,119
Statutory reserves		**913**	834
Share-based compensation reserves		**8,053**	9,766
Hedging reserves	30	**15,212**	(84,596)
Total equity		**5,202,099**	5,265,914
Total equity and liabilities		**22,071,375**	23,879,364

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Company	
	Note	**2022 US$'000**	2021 US$'000
Non-current assets			
Property, plant and equipment	13	**11,705,169**	12,493,908
Derivative financial instruments	14	**12,567**	–
Finance lease receivables	37(b)	**413,194**	643,104
Trade receivables	15	**21,197**	46,552
Other receivables	16	**7,831**	41,956
Amounts due from subsidiary companies	33	**2,293,600**	2,235,850
Investments in subsidiary companies	34	**747,140**	747,140
Other non-current assets		**9,243**	9,540
		15,209,941	16,218,050
Current assets			
Trade receivables	15	**57,851**	33,399
Prepayments		**1,338**	1,696
Derivative financial instruments	14	**10,724**	–
Finance lease receivables	37(b)	**229,909**	21,849
Other receivables	16	**21,502**	26,547
Short-term deposits	17	**38,577**	62,239
Cash and bank balances	18	**40,769**	65,415
Other current assets		**6,866**	9,258
		407,536	220,403
Total assets		**15,617,477**	16,438,453
Current liabilities			
Derivative financial instruments	14	**–**	11,821
Trade and other payables	20	**150,407**	159,172
Deferred income	21	**82,883**	62,084
Loans and borrowings	22	**2,013,081**	1,103,785
Security deposits	25	**–**	2,618
Lease liabilities	23	**1,818**	953
Lease liabilities to subsidiary companies	32	**45,427**	63,066
		2,293,616	1,403,499
Net current liabilities		**(1,886,080)**	(1,183,096)
Total assets less current liabilities		**13,323,861**	15,034,954

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	Note	Company 2022 US$'000	Company 2021 US$'000
Non-current liabilities			
Derivative financial instruments	14	**19,949**	82,417
Loans and borrowings	22	**9,221,864**	10,885,238
Security deposits	25	**83,452**	85,530
Deferred income	21	**27,465**	19,318
Maintenance reserves	26	**339,488**	326,509
Deferred income tax liabilities	27	**160,956**	141,066
Lease liabilities	23	**11,986**	–
Lease liabilities to subsidiary companies	32	**30,758**	112,644
Other non-current liabilities	28	**15,043**	28,129
		9,910,961	11,680,851
Total liabilities		**12,204,577**	13,084,350
Net assets		**3,412,900**	3,354,103
Equity attributable to owners of the Company			
Share capital	29	**1,157,791**	1,157,791
Retained earnings		**2,234,909**	2,234,743
Share-based compensation reserves		**6,652**	8,551
Hedging reserves	30	**13,548**	(46,982)
Total equity		**3,412,900**	3,354,103
Total equity and liabilities		**15,617,477**	16,438,453

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

		Attributable to owners of the Company					
	Note	**Share capital US$'000**	**Retained earnings US$'000**	**Statutory reserves* US$'000**	**Share-based compensation reserves US$'000**	**Hedging reserves US$'000**	**Total equity US$'000**
At 1 January 2021		1,157,791	3,778,620	624	10,554	(170,789)	4,776,800
Profit for the year		–	561,318	–	–	–	561,318
Transfers to statutory reserves		–	(210)	210	–	–	–
Other comprehensive income for the year, net of tax	30	–	–	–	–	86,193	86,193
Total comprehensive income for the year		–	561,108	210	–	86,193	647,511
Transactions with owners of the Company:							
Dividends	35	–	(157,609)	–	–	–	(157,609)
Amortisation of share-based compensation	9	–	–	–	8,548	–	8,548
Restricted Share Units – amount vested		–	–	–	(9,336)	–	(9,336)
At 31 December 2021 and 1 January 2022		**1,157,791**	**4,182,119**	**834**	**9,766**	**(84,596)**	**5,265,914**
Profit for the year		**–**	**20,060**	**–**	**–**	**–**	**20,060**
Transfers to statutory reserves		**–**	**(79)**	**79**	**–**	**–**	**–**
Other comprehensive income for the year, net of tax	30	**–**	**–**	**–**	**–**	**99,808**	**99,808**
Total comprehensive income for the year		**–**	**19,981**	**79**	**–**	**99,808**	**119,868**
Transactions with owners of the Company:							
Dividends	35	**–**	**(181,970)**	**–**	**–**	**–**	**(181,970)**
Amortisation of share-based compensation	9	**–**	**–**	**–**	**8,749**	**–**	**8,749**
Restricted Share Units – amount vested		**–**	**–**	**–**	**(10,462)**	**–**	**(10,462)**
At 31 December 2022		**1,157,791**	**4,020,130**	**913**	**8,053**	**15,212**	**5,202,099**

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

	Note	Group 2022 US$'000	Group 2021 US$'000
Cash flows from operating activities:			
Profit before income tax		**29,496**	638,668
Adjustments for:			
Depreciation of property, plant and equipment	13	**786,084**	765,561
Impairment of aircraft	13	**855,991**	145,800
Amortisation of deferred debt issue costs	8	**26,615**	24,991
Amortisation of share-based compensation	9	**8,749**	8,548
Interest income from finance leases		**(40,697)**	(42,006)
Other interest and fee income	4	**(96,123)**	(135,046)
Net gain on sale of aircraft	5	**(63,867)**	(43,772)
Finance expenses	7	**483,661**	465,287
Income arising from termination of lease		**(222,876)**	(54,806)
Impairment/(Write-back of) losses on financial assets	15	**1,235**	(7,921)
Other income		**(49,575)**	–
Operating profit before working capital changes		**1,718,693**	1,765,304
Decrease/(Increase) in receivables		**1,780**	(126,481)
(Decrease)/Increase in payables		**(74,773)**	12,376
Increase/(Decrease) in maintenance reserves, net		**127,352**	(25,952)
Increase/(Decrease) in deferred income		**28,483**	(23,034)
Cash generated from operations		**1,801,535**	1,602,213
Security deposits received/(paid), net		**79,447**	(55,471)
Lease transaction closing costs paid		**(466)**	(503)
Income tax (paid)/received, net		**(8,613)**	81,820
Interest and fee income received		**136,649**	176,310
Net cash flows from operating activities		**2,008,552**	1,804,369
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(1,207,989)**	(2,124,352)
Proceeds from sale of property, plant and equipment		**1,309,190**	825,257
Refund of pre-delivery payments by airlines		**91,835**	243,735
Net cash flows from/(used in) investing activities		**193,036**	(1,055,360)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the financial year ended 31 December 2022

	Note	Group 2022 US$'000	2021 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**1,685,000**	2,170,000
Repayment of loans and borrowings		**(3,108,391)**	(1,948,953)
Decrease in borrowings from revolving credit facilities, net		**(185,000)**	(225,000)
Repayment of lease liabilities		**(2,902)**	(2,371)
Finance expenses paid		**(492,019)**	(477,681)
Debt issue costs paid		**(5,536)**	(28,856)
Dividends paid	35	**(181,970)**	(157,609)
Increase in cash and bank balances - encumbered		**(3,742)**	(1,210)
Net cash flows used in financing activities		**(2,294,560)**	(671,680)
Net (decrease)/increase in cash and cash equivalents		**(92,972)**	77,329
Cash and cash equivalents at beginning of year		**484,885**	407,556
Cash and cash equivalents at end of year	31	**391,913**	484,885

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

1. Corporate information

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

The registered address of the Company is 79 Robinson Road, #15-01, Singapore 068897.

The principal activities of the Company, which are conducted in Singapore, are the leasing of aircraft, management of aircraft leases and other related activities. The subsidiary companies are primarily engaged in the leasing of aircraft and other related activities as disclosed in Note 34.

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

As at 31 December 2022, the Group’s and the Company’s current liabilities exceeded its current assets by US$1,873.9 million (2021: US$1,532.9 million) and US$1,886.1 million (2021: US$1,183.1 million), respectively. The financial statements have been prepared on a going concern basis as management is reasonably confident that after taking into account cash generated by the Group and unutilised committed banking facilities, the Group will have sufficient resources to pay its debts as and when they fall due.

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

In preparing the financial statements for the year, the Group has considered the impact of the Russia-Ukraine conflict and Covid-19 on the impairment of aircraft assets, expected credit losses on financial assets and funding requirements based on the information available as of the date of this report.

The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The financial statements are presented in the United States Dollar (“US$” or “US Dollar”), which is the functional currency of the Company, and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated. Where necessary, comparative information has been re-represented to conform with the presentation in the current year.

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all new and revised standards which are effective for annual periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company for the current or prior financial years.

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

Standards	**Applicable for financial year beginning on or after**
Amendments to IAS 1/SFRS(I) 1-1 on Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1/SFRS(I) 1-1 and IFRS Practice Statement 2/SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8/SFRS(I) 1-8 on Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12/SFRS(I) 1-12 on Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Based on a preliminary assessment using currently available information, the Group does not expect the adoption of the above standards to have a material impact on the financial statements in the period of initial application. These preliminary assessments may be subject to changes arising from ongoing analyses when the Group adopts the standards. The Group plans to adopt the above standards on the effective date.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2022. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

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

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

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

2.4 Functional and foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured based on the currency of the primary economic environment in which the entity generates revenues and incurs costs ("functional currency"). Refer to Note 2.1 for details on the presentation currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of each year. Exchange differences arising from the translation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.5 Property, plant and equipment

(a) Aircraft

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

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

(b) Aircraft pre-delivery payments

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

(c) Other plant and equipment

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

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

2.5 Property, plant and equipment (cont'd)

(*d*) *Right-of-use assets*

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

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

(e) Depreciation

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

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

Office renovations	- 3 to 5 years
Furniture, fittings and office equipment	- 1 to 3 years
Right-of-use asset - Office and facilities spaces	- 1 to 5 years

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

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

(f) Disposal

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

2.6 Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. Assets classified as held for sale are not depreciated. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

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

2.7 Impairment of non-financial assets

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

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

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

2.8 Subsidiary companies

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In structured entities, the ability to control does not come from holding the majority of voting shares, but rather from contractual agreements. Entities are consolidated from the time that the ability to control begins and cease to be consolidated when the ability to control ends.

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

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

2.9 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group's financial assets are categorised as either financial assets at fair value through profit or loss or financial assets measured at amortised cost at initial recognition. The classification depends on the Group's business model for managing financial assets as well as the contractual terms of the cash flows of the financial asset.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Subsequent measurement

(i) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

(ii) Financial assets measured at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Derecognition

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

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

2.9 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group's financial liabilities are categorised as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost at initial recognition.

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

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

(ii) Other financial liabilities

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

(c) Offsetting of financial instruments

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

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

2.10 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

(a) Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

(b) General approach

The Group applies the general approach to provide for ECLs on all other financial assets not held at fair value through profit or loss. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

For the purpose of recognition of an allowance for ECL, the Group considers a financial asset to be in default:

- when the lessee does not pay the amounts due under its lease and/or deferral agreements to the Group in excess of any security deposit or the value of any collateral related to the lease; or

- in the case where the financial asset is not secured, when the financial asset is more than 90 days past due.

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

2.10 Impairment of financial assets (cont'd)

Write-off

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

2.11 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross-currency interest rate swap, interest rate swap and foreign exchange forward contracts to hedge its risks associated with foreign currency and interest rate fluctuations. The Group's policy requires that derivatives are used solely for managing risks and not for speculative purposes.

Such derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The full fair values of hedging derivatives are classified as current if the hedge relationships are for less than 12 months, and as non-current if those relationships are for more than 12 months.

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

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

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

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

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

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

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

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

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

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

(a) Fair value hedges

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

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest method. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

(b) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in hedging reserve, while the ineffective portion is recognised in profit or loss.

Amounts recognised in hedging reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs.

If the hedged future cash flows are no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in other comprehensive income until the future cash flows occur.

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

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

Phase 1 amendments: when there is uncertainty arising from interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of the interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of the reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

For assessing the economic relationship between the hedged item and the hedging instrument, the Group will cease to apply the specific policy when (i) the uncertainty arising from the reform is no longer present with respect to the timing and the amount of the contractual cash flows of the respective item or instrument or when (ii) the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will cease to apply the specific policy when (i) the uncertainty arising from the reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when (ii) the hedging relationship is discontinued.

Phase 2 amendments: when there is no longer uncertainty arising from interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged item or the hedging instrument changes as a result of the reform and therefore there is no longer uncertainty arising from the cash flows of the hedge item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by the reform. A change in the basis for determining the contractual cash flows is required by the reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately before the change).

For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

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

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

<u>Phase 2 amendments: when there is no longer uncertainty arising from interest rate benchmark reform (cont'd)</u>

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by the reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and

- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by the reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by the reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge relationship. If the additional changes do not result in discontinuation of the hedge relationship, then the Group amends the formal hedge documentation for changes required by the reform as mentioned above.

When the interest rate benchmark is changed as required by the reform, the Group deems that the hedging reserve recognised in other comprehensive income for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, fixed deposits, and short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Provisions

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

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

2.14 Security deposits

Security deposits represent cash received from the lessee as security in accordance with the lease agreement. The deposits are repayable to the lessees on the expiration/termination of the lease agreements subject to satisfactory compliance with the lease agreement by the lessee. Security deposits are recognised at amortised cost using the effective interest method.

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

2.15 Maintenance reserves

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

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

2.16 Borrowing costs

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

2.17 Debt issue costs

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

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

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

2.18 Trade and other payables

Liabilities for trade and other payables including payables to related parties, which are normally contracted between 30 and 45 days credit terms, are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest method.

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

2.19 Employee benefits

(a) Short-term employee benefits

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

(b) Short-term incentive plan

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

(c) Long-term incentive plan

For financial years 2017 to 2021
Selected employees of the Group are eligible to participate in the long-term incentive plan, which comprises a cash portion and the Restricted Share Unit Long Term Incentive Plan (the "RSU Plan"). Cash amounts are payable to the participants based on the achievement of certain key performance targets at the end of a pre-determined period. The cash amount is accrued and recognised in profit or loss in the period in which the participants render their services to the Group. Any over or under provision will be recognised in profit or loss. Payment of accrued cash amounts will be made over a period after each pre-determined period. Details have been disclosed in Note 28.

With respect to the RSU Plan, a cash amount which is determined based on the achievement of certain key performance targets of the Group for a financial year will be paid to an independent trustee in the following year to purchase shares of the Company in the secondary market. These shares and any accrued dividends will be held on trust for the participants during the vesting period. The cost of these equity-settled share-based compensation transactions with employees is measured by reference to the fair value of each RSU at grant date. This cost is recognised in profit or loss over the vesting period (from the date of grant to the date the shares vest) or the period of service of any relevant employee who has retired, whichever is shorter. The vesting period is typically over a period of approximately three years.

For financial years 2022 to 2025
Long-term incentive plan awards for financial years 2022 to 2025 will be settled fully by RSUs with no cash portion.

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

2.19 Employee benefits (cont'd)

(d) Employers' defined contributions

As required by law, the Group participates in defined contribution retirement schemes for its employees. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

In Singapore, the Company makes contributions to the Central Provident Fund ("CPF"). In general, an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service. An employer must pay both the employer's and employee's share of the monthly CPF contribution. However, an employer can recover the employee's share of CPF contributions from their wages when the contributions are paid for that month. CPF contributions are payable at the applicable prescribed rates which are dependent on factors including the amount of monthly wages and the age of the employee.

The Group also makes contributions to National Insurance and Workplace Pension in the United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in the United States of America and Social Insurance in China at the applicable rates based on the amounts stipulated by the relevant government authorities.

None of the defined contribution retirement schemes described above provide for the forfeiture of contributions made by the Group.

2.20 Leases

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

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

Leases where the Group or the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.21.

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

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

2.20 Leases (cont'd)

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

The Group or the Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group or the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Refer to Note 2.5 (d) and (e) for the accounting policies.

(ii) Lease liabilities

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

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

(iii) Short-term leases and leases of low-value assets

The Group or the Company applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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

2.21 Revenue and other income recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) Lease rental income

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

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

(b) Fee income from aircraft pre-delivery payments

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

(c) Remarketing and lease management fees

Remarketing and lease management fees are recognised as revenue at a point in time or over time following the timing of satisfaction of the performance obligation.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(e) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method.

(f) Other income

Other income is recognised based on contractual agreements with the relevant parties.

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

2.22 Taxes

(a) Current income tax

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

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

(b) Deferred income tax

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

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

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

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

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

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

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

2.22 Taxes (cont'd)

(b) Deferred income tax (cont'd)

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

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

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

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

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

2.23 Contingencies

A contingent liability is:

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

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

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

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

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

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

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

2.24 Related parties

A related party is defined as follows:

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

(a) Maintenance of aircraft by lessees

Maintenance, repairs and overhaul of the aircraft placed on operating and finance leases are generally undertaken and paid for by the lessees. Certain lease agreements require the lessees to make monthly maintenance contributions to the Group which can subsequently be drawn on for certain maintenance events carried out during the lease term or end-of-lease payments based on aircraft utilisation during the lease term. Management has made a judgement that lessees are able to fulfil their obligations as stipulated in the lease agreements.

(b) Classification of leases

(i) Operating lease – As lessor

The majority of the Group's aircraft are subject to leases under which the Group retains substantially all the risks and rewards of ownership of the aircraft. Accordingly, the Group has classified these leases as operating leases.

(ii) Finance lease – As lessor

Certain of the Group's aircraft are subject to leases under which the lessee has assumed substantially all the risks and rewards of ownership of the aircraft. Accordingly, the Group has classified these leases as finance leases and has recorded the finance lease receivables in the statement of financial position.

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

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

(c) Deferred income taxes

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgement is required to determine that the undistributed profits of the subsidiary companies will not be distributed and remitted into Singapore in the foreseeable future. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiary companies and overseas unremitted income as at 31 December 2022 was US$323.4 million (2021: US$258.9 million) for which deferred tax liabilities have not been recognised.

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

The Company was awarded the Aircraft Leasing Scheme ("ALS") Incentive for five years from 1 July 2017 to 30 June 2022 at a concessionary income tax rate of 5%. The Company has met all the conditions required to qualify for the five years of concessionary income tax rate of 5%. In June 2022, the Company was awarded the Aircraft Leasing Scheme ("ALS") Incentive for another five years from 1 July 2022 to 30 June 2027 at a concessionary income tax rate of 8%, subject to meeting certain conditions as amended from time to time. Management is reasonably confident that the conditions of the award will be met.

While the concessionary income tax rates under the ALS have been streamlined to 8% for approvals on or after 1 April 2017, the Singapore Government amended the Income Tax Act 1947 in October 2018 for existing ALS recipients to apply the tax rate under their existing award until 31 December 2027 on qualifying income from leasing of aircraft or aircraft engines acquired during their existing award tenure. Management has exercised judgement in determining the timing in which the existing portfolio of aircraft are expected to be sold. Consequently, the deferred tax liability arising from the temporary differences between the carrying amounts of the aircraft and their tax written down values is computed based on the tax rates applicable in those years.

Details have been disclosed in Note 12 and Note 27.

(d) Assets held for sale

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

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Depreciation of aircraft and estimation of residual values

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

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A one-year decrease in the expected useful lives of these assets from management's estimates would result in an increase in annual depreciation charges of US$33.9 million (2021: US$32.6 million). Such a decrease in the useful lives of the Group's aircraft could affect the Group's annual profit before tax in future.

(b) Carrying value of aircraft

The Group follows the guidance provided by IAS 36/SFRS(I) 1-36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. Management assesses at the end of each reporting period whether there is any indication that the carrying value of any aircraft may have been impaired. This exercise involves management consideration of both internal and external sources of information which include but are not limited to: observable indications that the value of an aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of an aircraft, or the technological or aviation environment have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence of or physical damage to an aircraft; and worse than expected economic performance of the aircraft. If any indication exists, the Group makes an estimate of the asset's recoverable amount. Analysis of impairment loss provision is disclosed in Note 13.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of financial assets

The Group assesses when a financial asset is impaired and recognises an allowance for ECL for all financial assets not held at fair value through profit or loss. The Group considers a receivable to be in default for the purpose of assessing ECL provision when the lessee has not paid the amounts due under its lease agreements, unless mutually agreed to be deferred, in excess of any security deposits or the value of any collaterals related to the lease. If the total overdue receivables are in excess of the security deposits, provision for ECL is made for the excess amounts. Analysis of impairment of trade receivables is disclosed in Note 15.

(d) Income taxes and deferred income taxes

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

Details have been disclosed in Note 12 and Note 27.

4. Other interest and fee income

	Group	
	2022	2021
	US$'000	US$'000
Fee income from aircraft pre-delivery payments	**74,856**	115,668
Interest income from deferred payments	**5,314**	3,552
Interest income from short-term deposits and bank balances	**5,022**	322
Lease management and remarketing fee income	**4,145**	4,391
Others	**6,786**	11,113
	96,123	135,046

5. Net gain on sale of aircraft

	Note	Group 2022 US$'000	2021 US$'000
Proceeds from sale of aircraft		**1,309,190**	825,257
Net book value of aircraft classified as:			
Property, plant and equipment		**(1,191,589)**	(464,278)
Assets held for sale	19	**(52,806)**	(316,203)
Expenses, net of costs written back		**(928)**	(1,004)
		63,867	43,772

6. Other income

During the year ended 31 December 2022, other income was mainly related to income arising from the release of unutilised maintenance reserves and security deposits collected in a prior lease to profit or loss and amounts paid by manufacturers based on mutual agreements. The remaining other income was related to tax rebates.

During the year ended 31 December 2021, other income was mainly related to tax rebates and amounts paid by manufacturers based on mutual agreements.

7. Finance expenses

	Group 2022 US$'000	2021 US$'000
Interest expense and other charges on:		
Loans and borrowings	**483,324**	465,058
Lease liabilities	**337**	229
	483,661	465,287

8. Amortisation of deferred debt issue costs

During the year ended 31 December 2022 and 2021, the amortisation of deferred debt issue costs was related to loans and borrowings.

9. Staff costs

	Group 2022 US$'000	Group 2021 US$'000
Salaries, bonuses and other staff costs	**37,894**	57,475
Employers' defined contributions	**2,479**	2,680
Amortisation of share-based compensation	**8,749**	8,548
	49,122	68,703

Share-based compensation (equity-settled)

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

Movements of RSUs:

2022

Year of grant	Fair value at grant date HK$	Fair value at grant date US$	Number of RSUs: At 1 January 2022	Granted during the year	Lapsed during the year	Vested during the year	At 31 December 2022
2020	47.08	6.06	**1,665,326**	**–**	**(41,378)**	**(1,623,948)**	**–**
2021	74.10	9.55	**793,825**	**–**	**(34,825)**	**–**	**759,000**
2022	62.36	7.97	**–**	**1,103,807**	**(38,301)**	**–**	**1,065,506**
			2,459,151	**1,103,807**	**(114,504)**	**(1,623,948)**	**1,824,506**

2021

Year of grant	Fair value at grant date HK$	Fair value at grant date US$	Number of RSUs: At 1 January 2021	Granted during the year	Lapsed during the year	Vested during the year	At 31 December 2021
2019	65.64	8.36	1,153,695	–	(49,152)	(1,104,543)	–
2020	47.08	6.06	1,755,376	–	(67,727)	(22,323)	1,665,326
2021	74.10	9.55	–	820,600	(26,775)	–	793,825
			2,909,071	820,600	(143,654)	(1,126,866)	2,459,151

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

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

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

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2022					
Chairman, Non-executive director[1]					
Chen Huaiyu[2]	–	–	–	–	–
Executive directors					
Zhang Xiaolu (Vice-Chairman)	–	585	645	–	1,230
Robert James Martin	–	1,107	3,071	3	4,181
Independent non-executive directors					
Antony Nigel Tyler	154	45	–	–	199
Dai Deming	66	19	–	–	85
Fu Shula	66	19	–	–	85
Yeung Yin Bernard	50	–	–	–	50
Non-executive directors[1]					
Dong Zonglin[3]	–	–	–	–	–
Wang Xiao[4]	–	–	–	–	–
Wei Hanguang[5]	–	–	–	–	–
Chen Jing[3]	–	–	–	–	–
	336	**1,775**	**3,716**	**3**	**5,830**

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

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

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2021					
Chairman, Non-executive director[1]					
Chen Huaiyu[2]	–	–	–	–	–
Executive directors					
Zhang Xiaolu (Vice-Chairman)	–	590	363	–	953
Robert James Martin	–	1,104	3,402	3	4,509
Independent non-executive directors					
Antony Nigel Tyler	140	40	–	–	180
Dai Deming	60	17	–	–	77
Fu Shula	60	17	–	–	77
Yeung Yin Bernard	45	–	–	–	45
Non-executive directors[1]					
Liu Chenggang[6]	–	–	–	–	–
Wang Xiao[4]	–	–	–	–	–
Wei Hanguang[5]	–	–	–	–	–
Zhu Lin[6]	–	–	–	–	–
	305	1,768	3,765	3	5,841

[1]In 2021 and 2022, the non-executive Chairman and non-executive directors were not entitled to any emoluments under their respective engagement letters
[2]Appointed on 23 April 2021 and resigned on 3 February 2023
[3]Appointed on 18 April 2022
[4]Appointed on 17 June 2021
[5]Appointed on 4 June 2021
[6]Resigned on 18 April 2022

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

(b) Five highest paid individuals

During the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group include one (2021: one) executive director whose emoluments are reflected in Note 10(a).

The emoluments paid to the remaining four (2021: four) individuals during the year ended 31 December 2022 and 2021 were as follows:

	2022	2021
	US$'000	US$'000
Salaries, allowances and other benefits	**2,475**	2,537
Discretionary bonus	**3,985**	4,157
Employers' defined contributions	**15**	33
	6,475	6,727

The number of such individuals whose emoluments paid during the year ended 31 December 2022 and 2021 fell within the following bands:

	2022	2021
HK$9,500,001 to HK$10,000,000	**1**	–
HK$10,500,001 to HK$11,000,000	**1**	1
HK$11,000,001 to HK$11,500,000	**–**	1
HK$14,000,001 to HK$14,500,000	**1**	1
HK$15,500,001 to HK$16,000,000	**–**	1
HK$16,000,001 to HK$16,500,000	**1**	–

During the year ended 31 December 2022, 496,859 (2021: 355,898) of RSUs granted in 2020 (2021: 2019) to the five highest paid individuals had vested.

During the year ended 31 December 2022 and 2021, no director and none of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group as compensation for loss of office as a director of the Company or any of its subsidiaries, or any other office in connection with the management of the affairs of the Group.

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

(c) *Senior management's emoluments*

The number of senior management whose emoluments paid during the year ended 31 December 2022 and 2021 fell within the following bands are as follows:

	2022	2021
HK$6,000,001 to HK$6,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	2
HK$8,000,001 to HK$8,500,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	–
HK$14,000,001 to HK$14,500,000	**1**	1
HK$15,500,001 to HK$16,000,000	**–**	1
HK$16,000,001 to HK$16,500,000	**1**	–
HK$32,500,001 to HK$33,000,000	**1**	–
HK$35,000,001 to HK$35,500,000	**–**	1

During the year ended 31 December 2022, 397,558 (2021: 275,650) of RSUs granted in 2020 (2021: 2019) to the senior management had vested.

11. Other operating expenses

	Group	
	2022	2021
	US$'000	US$'000
General office expenses	**8,023**	6,174
Operating lease expenses	**495**	423
Technical services expenses	**42,727**	57,394
Professional fees	**7,031**	5,236
Amortisation of lease transaction closing costs	**342**	239
Auditors' remuneration	**389**	438
Net foreign exchange losses[1]	**822**	150
Other taxes and expenses	**9,961**	11,181
	69,790	81,235

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

[1] Included foreign exchange gain of US$12.1 million (2021: loss of US$26.1 million) in revaluation of financial liabilities which was offset by fair value loss of US$12.1 million (2021: gain of US$26.1 million) in derivative financial instruments.

12. Income tax expense

The major components of income tax expense for the year ended 31 December 2022 and 2021 were:

	Group 2022 US$'000	Group 2021 US$'000
Current income tax		
Singapore	**–**	–
Foreign	**8,018**	4,723
Under/(Over) provision in respect of prior years	**512**	(449)
	8,530	4,274
Deferred income tax		
Singapore	**18,558**	15,708
Foreign	**(14,533)**	55,308
(Over)/Under provision in respect of prior years	**(3,119)**	2,060
	906	73,076
	9,436	77,350

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2022 and 2021 is as follows:

	Group 2022 US$'000	Group 2021 US$'000
Profit before income tax	**29,496**	638,668
Tax at the Singapore tax rate of 17% (2021:17%)	**5,014**	108,574
Adjustments:		
Different tax rates in foreign jurisdictions	**22,763**	4,063
Effects of Aircraft Leasing Scheme incentive on the Company's results	**(13,823)**	(24,083)
Income not subject to tax	**(16,224)**	(26,145)
Expenses not deductible for tax purposes	**14,313**	13,330
(Over)/Under provision in respect of prior years, net	**(2,607)**	1,611
Income tax expense	**9,436**	77,350

13. Property, plant and equipment

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Cost:						
At 1 January 2021	21,610,032	3,300,130	1,890	15,730	12,778	24,940,560
Additions	1,751,714	144,099	32	494	–	1,896,339
Disposals	(593,774)	–	–	–	–	(593,774)
Transfers	726,465	(726,465)	–	–	–	–
Transfer to assets held for sale	(460,729)	–	–	–	–	(460,729)
Remeasurement	–	–	–	–	(4,298)	(4,298)
Adjustments	2,561	–	–	64	–	2,625
At 31 December 2021 and 1 January 2022	23,036,269	2,717,764	1,922	16,288	8,480	25,780,723
Additions/(Reductions)	1,618,750	(490,375)	2,889	750	16,350	1,148,364
Disposals	(1,367,073)	–	(1,549)	(11,971)	(5,208)	(1,385,801)
Transfers	722,772	(722,772)	–	–	–	–
Transfer to assets held for sale	(77,517)	–	–	–	–	(77,517)
Adjustments	3,062	–	–	–	(3)	3,059
At 31 December 2022	**23,936,263**	**1,504,617**	**3,262**	**5,067**	**19,619**	**25,468,828**

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

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Accumulated depreciation and impairment:						
At 1 January 2021	2,759,515	–	1,665	14,573	4,014	2,779,767
Charge for the year	761,986	–	191	1,271	2,113	765,561
Disposals	(129,496)	–	–	–	–	(129,496)
Impairment of aircraft	145,800	–	–	–	–	145,800
Transfer to assets held for sale	(144,526)	–	–	–	–	(144,526)
At 31 December 2021 and 1 January 2022	3,393,279	–	1,856	15,844	6,127	3,417,106
Charge for the year	782,777	–	265	494	2,548	786,084
Disposals	(175,484)	–	(1,549)	(11,971)	(5,208)	(194,212)
Impairment of aircraft	855,991	–	–	–	–	855,991
Transfer to assets held for sale	(24,711)	–	–	–	–	(24,711)
At 31 December 2022	**4,831,852**	–	**572**	**4,367**	**3,467**	**4,840,258**
Net book value:						
At 31 December 2021	19,642,990	2,717,764	66	444	2,353	22,363,617
At 31 December 2022	**19,104,411**	**1,504,617**	**2,690**	**700**	**16,152**	**20,628,570**

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

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets (Aircraft) US$'000	Right-of-use assets (Others) US$'000	Total US$'000
Cost:							
At 1 January 2021	12,152,024	780,009	1,563	15,165	1,085,881	9,420	14,044,062
Additions	907,244	115,807	32	439	–	–	1,023,522
Disposals	(226,414)	–	–	–	–	–	(226,414)
Transfer from right-of-use assets (aircraft)	120,291	–	–	–	–	–	120,291
Transfer to aircraft	–	–	–	–	(120,291)	–	(120,291)
Adjustments	1,688	–	–	64	–	–	1,752
Remeasurement	–	–	–	–	–	(4,298)	(4,298)
At 31 December 2021 and 1 January 2022	12,954,833	895,816	1,595	15,668	965,590	5,122	14,838,624
Additions/(Reductions)	797,714	(94,502)	2,504	674	–	14,600	720,990
Disposals	(529,000)	(447,194)	(1,548)	(11,649)	–	(4,756)	(994,147)
Transfer from right-of-use assets (aircraft)	355,500	–	–	–	–	–	355,500
Transfer to aircraft	–	–	–	–	(355,500)	–	(355,500)
Adjustments	138	–	–	–	–	–	138
At 31 December 2022	**13,579,185**	**354,120**	**2,551**	**4,693**	**610,090**	**14,966**	**14,565,605**

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

Company	**Aircraft US$'000**	**Aircraft pre-delivery payments US$'000**	**Office renovations US$'000**	**Furniture, fittings and office equipment US$'000**	**Right-of-use assets (Aircraft) US$'000**	**Right-of-use assets (Others) US$'000**	**Total US$'000**
Accumulated depreciation and impairment:							
At 1 January 2021	1,531,666	–	1,416	14,015	249,982	3,013	1,800,092
Charge for the year	426,658	–	147	1,263	35,543	1,464	465,075
Impairment of aircraft	100,000	–	–	–	33,200	–	133,200
Disposals	(53,651)	–	–	–	–	–	(53,651)
Transfer from right-of-use assets (aircraft)	30,102	–	–	–	–	–	30,102
Transfer to aircraft	–	–	–	–	(30,102)	–	(30,102)
At 31 December 2021 and 1 January 2022	2,034,775	–	1,563	15,278	288,623	4,477	2,344,716
Charge for the year	449,887	–	201	402	23,883	1,869	476,242
Impairment of aircraft	248,515	–	–	–	3,800	–	252,315
Disposals	(194,884)	–	(1,548)	(11,649)	–	(4,756)	(212,837)
Transfer from right-of-use assets (aircraft)	94,498	–	–	–	–	–	94,498
Transfer to aircraft	–	–	–	–	(94,498)	–	(94,498)
At 31 December 2022	**2,632,791**	–	**216**	**4,031**	**221,808**	**1,590**	**2,860,436**
Net book value:							
At 31 December 2021	10,920,058	895,816	32	390	676,967	645	12,493,908
At 31 December 2022	**10,946,394**	**354,120**	**2,335**	**662**	**388,282**	**13,376**	**11,705,169**

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

(a) Impairment of assets

As at 31 December 2022, the accumulated impairment loss on the Group's and the Company's property, plant and equipment was US$1,106.0 million (2021: US$253.6 million) and US$421.7 million (2021: US$231.8 million) respectively. The weighted average discount rate applied to the forecast cash flows was 4.7% (2021:2.8%) per annum.

Movement of accumulated impairment loss provision:

	Group		**Company**	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
At 1 January	**253,600**	108,600	**231,800**	98,600
Impairment loss	**868,286**	145,800	**252,315**	133,200
Reversal of impairment loss	**(12,295)**	–	–	–
Utilised	**(3,600)**	(800)	**(62,400)**	–
At 31 December	**1,105,991**	253,600	**421,715**	231,800

The impairment loss for year ended 31 December 2022 represented the write-down of the book value of certain aircraft to their recoverable amounts. The recoverable amount was determined based on management's best estimate of each aircraft value from appraisers' valuation and its value in use as at 31 December 2022 less costs of disposal. The reversal of impairment loss for year ended 31 December 2022 represented the recovery of the written down value of certain aircraft to their recoverable amount.

Russia exposure

Due to the military activity in Ukraine that began in February 2022, the European Union (EU), the USA, the UK, Singapore and certain other countries imposed sanctions that affect commercial relations with businesses in Russia. As at 31 December 2022, 17 of the Group's owned aircraft whose leases were terminated in March 2022 in compliance with the sanctions remain in Russia and the Group believes that it is unlikely to be able to recover those aircraft from Russia in the foreseeable future, if ever. During the year ended 31 December 2022, the Group recognised an asset write-down of US$791.3 million in respect of the net book value of 17 aircraft in Russia as at 31 December 2022. The write-down was partially offset by cash collateral in respect of these 17 aircraft held by the Group in the form of maintenance reserves and security deposits amounting to US$200.4 million and US$22.5 million respectively, recorded as income arising from termination of leases in the statement of profit or loss. This results in a net pre-tax write-down of US$568.4 million for the year ended 31 December 2022. As at 31 December 2022, the Group had made claims under insurance policies related to the aircraft in Russia and had commenced litigation in the Irish High Court against the insurers under certain of those policies.

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

(b) Right-of-use assets

The Group and the Company have lease contracts for its offices and facilities spaces. The Company also has lease contracts for aircraft as a lessee with its subsidiary companies.

The Group has certain leases that are of low value. The Group applies the exemption under IFRS16/SFRS(I) 16 *Leases* not to recognise right-of-use assets and liabilities for these leases.

(c) Reconciliation of capital expenditure in property, plant and equipment to net cash flows from/(used in) investing activities

	Group	
	2022	2021
Extract from Consolidated Statement of Cash Flows	**US$'000**	US$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(1,207,989)**	(2,124,352)
Proceeds from sale of property, plant and equipment	**1,309,190**	825,257
Refund of pre-delivery payments by airlines	**91,835**	243,735
Total capital expenditure in property, plant and equipment	**193,036**	(1,055,360)
Net cash flows from/(used in) investing activities in the consolidated statement of cash flows	**193,036**	(1,055,360)
Reconciliation:		
Additions of aircraft	**(1,618,750)**	(1,751,714)
Reductions/(Additions) of aircraft pre-delivery payments	**398,340**	(387,834)
Additions of other property, plant and equipment	**(3,639)**	(526)
Proceeds from sale of aircraft	**1,309,190**	825,257
Refund of pre-delivery payments by airlines	**91,835**	243,735
Adjustments for capitalised borrowing costs	**16,060**	15,722
Total capital expenditure in property, plant and equipment	**193,036**	(1,055,360)

(d) Assets pledged as security

The net book value of aircraft and aircraft held for sale (Note 19) owned by the Group and the Company, including aircraft held under lease arrangements (Note 32), that have been charged for loan facilities granted (Note 22 and Note 32) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft (Note 34) amounted to US$688.1 million (2021: US$1,566.7 million) and US$496.8 million (2021: US$1,078.4 million), respectively.

(e) Capitalisation of borrowing costs

The borrowing costs capitalised as cost of aircraft by the Group and the Company amounted to US$16.1 million (2021: US$15.7 million) and US$10.4 million (2021: US$13.6 million) respectively. The interest rates used to determine the amount of borrowing costs for capitalisation ranged from 2.5% to 3.6% (2021: 2.5% to 3.6%) per annum.

14. Derivative financial instruments

	Group and Company					
	2022			2021		
	Outstanding notional amounts US$'000	**Assets US$'000**	**Liabilities US$'000**	Outstanding notional amounts US$'000	Assets US$'000	Liabilities US$'000
Current:						
Cross-currency interest rate swaps	**–**	**–**	**–**	48,301	–	(1,158)
Interest rate swaps	**860,000**	**10,724**	**–**	745,000	–	(10,663)
		10,724	**–**		–	(11,821)
Non-current:						
Cross-currency interest rate swaps	**459,020**	**1,687**	**(19,949)**	459,020	–	(12,222)
Interest rate swaps	**350,000**	**10,880**	**–**	1,960,000	–	(70,195)
		12,567	**(19,949)**		–	(82,417)

The fair values of interest rate swaps and cross-currency interest rate swaps as shown above are determined with reference to marked-to-market values based on valuation techniques that use data from observable markets.

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

The Group determines the economic relationship between the loans and borrowings and the derivatives by matching the critical terms of the hedging instruments with the terms of the hedged items. The hedge ratio (the ratio between the notional amount of the derivative financial instrument to the amount of the loans and borrowings being hedged) is determined to be 1:1. Hedge ineffectiveness arises from the difference in timing of cash flows of hedged items and hedging instruments, but it was negligible for 2022 and 2021.

14. Derivative financial instruments (cont'd)

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

	Outstanding notional amounts US$'000	**Assets/ (Liabilities) US$'000**	**Hedge rates**		**Maturity (Year)**
			USD interest rates (p.a.)	**Foreign currency rates**	
Group and Company					
2022					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Chinese Yuan	49,710	(6,246)	6-month LIBOR + Margin ranging from 2.26% to 2.28%	US$1 : CNY6.04	2024
Cash flow hedge					
Cross-currency interest rate swaps[2]					
- Australian Dollar	140,590	(11,925)	3.43%	US$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(1,778)	3.72% to 4.13%	US$1 : HK$7.81 to HK$7.84	2026 to 2027
- Singapore Dollar	108,883	1,687	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	1,210,000	21,604	3.595% to 4.242%	–	2023 to 2025
2021					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Chinese Yuan	98,011	(3,836)	6-month LIBOR + Margin ranging from 1.45% to 2.28%	US$1 : CNY6.04 to CNY6.21	2022 to 2024
Cash flow hedge					
Cross-currency interest rate swaps[2]					
- Australian Dollar	140,590	(5,276)	3.43%	US$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(2,885)	3.72% to 4.13%	US$1 : HK$7.81 to HK$7.84	2026 to 2027
- Singapore Dollar	108,883	(1,383)	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	2,705,000	(80,858)	2.612% to 4.242%	–	2022 to 2025

14. Derivative financial instruments (cont'd)

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

[2] The Group uses these cross-currency interest rate swaps to hedge against the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest, and pays US Dollar principal and fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these cross-currency interest rate swaps are recognised in hedging reserve.

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

15. Trade receivables

	Group		**Company**	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables – gross carrying amount				
Current	**64,933**	67,238	**57,851**	53,536
Non-current	**109,684**	135,116	**25,553**	46,552
	174,617	202,354	**83,404**	100,088
Less: Allowance for expected credit losses	**(11,350)**	(20,137)	**(4,356)**	(20,137)
	163,267	182,217	**79,048**	79,951
Trade receivables – net of allowance for expected credit losses				
Current	**64,933**	47,101	**57,851**	33,399
Non-current	**98,334**	135,116	**21,197**	46,552
	163,267	182,217	**79,048**	79,951

15. Trade receivables (cont'd)

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables are generally secured by cash security deposits (Note 40(e)) or letters of credit (Note 25).

As at 31 December 2022, included in the Group's current and non-current portion of trade receivables was an amount of US$44.7 million and US$98.3 million (2021: US$40.4 million and US$135.1 million), respectively, that was contractually deferred by mutual agreement, not overdue and was generally interest bearing.

As at 31 December 2022, included in the Company's current and non-current portion of trade receivables was an amount of US$41.4 million and US$21.2 million (2021: US$28.9 million and US$46.6 million), respectively, that was contractually deferred by mutual agreement, not overdue and was generally interest bearing.

Impairment of financial assets – trade receivables

The Group and the Company apply the IFRS 9/SFRS(I) 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The cash security deposits and letters of credit that the Group and the Company hold on behalf of its lessees are considered in the calculation of the loss allowance.

As at 31 December 2022 and 31 December 2021, the aging of trade receivables based on the receivables due date was as follows:

	Group						
	Deferred	**Current**	**Less than 30 days past due**	**30 to 60 days past due**	**61 to 90 days past due**	**More than 90 days past due**	**Total**
2022	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount	**154,361**	**6,397**	**3,158**	**7,887**	**789**	**2,025**	**174,617**
Allowance for expected credit losses	**(11,350)**	**–**	**–**	**–**	**–**	**–**	**(11,350)**
2021							
Gross carrying amount	175,505	–	646	3,236	646	22,321	202,354
Allowance for expected credit losses	–	–	–	–	–	(20,137)	(20,137)

15. Trade receivables (cont'd)

Impairment of financial assets – trade receivables (cont'd)

For the financial year ended 31 December 2022, the allowance for expected credit loss rate for the Group was assessed to be immaterial for current, less than 30 days past due, 30 to 60 days past due, 61 to 90 days past due and more than 90 days past due as the outstanding exposure is secured by cash security deposits (Note 40(e)) (2021: immaterial for deferred, current, less than 30 days past due, 30 to 60 days past due and 61 to 90 days past due). The allowance for expected credit loss rate for the gross carrying amounts which are deferred and not yet due was 7% (2021: more than 90 days past due was 90%).

	Company						
	Deferred	**Current**	**Less than 30 days past due**	**30 to 60 days past due**	**61 to 90 days past due**	**More than 90 days past due**	**Total**
2022	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount	**66,983**	**3,742**	**2,848**	**7,137**	**669**	**2,025**	**83,404**
Allowance for expected credit losses	**(4,356)**	**–**	**–**	**–**	**–**	**–**	**(4,356)**
2021							
Gross carrying amount	75,466	–	646	2,156	646	21,174	100,088
Allowance for expected credit losses	–	–	–	–	–	(20,137)	(20,137)

For the financial year ended 31 December 2022, the allowance for expected credit loss rate for the Company was assessed to be immaterial for current, less than 30 days past due, 30 to 60 days past due, 61 to 90 days past due and more than 90 days past due as the outstanding exposure is secured by cash security deposits (Note 40(e)) (2021: immaterial for deferred, current, less than 30 days past due, 30 to 60 days past due and 61 to 90 days past due). The allowance for expected credit loss rate for the gross carrying amounts which are deferred and not yet due was 7% (2021: more than 90 days past due was 95%).

15. Trade receivables (cont'd)

Impairment of financial assets – trade receivables (cont'd)

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**20,137**	68,047	**20,137**	27,424
Charged/(Credited) to profit or loss	**1,235**	(7,921)	**(6,708)**	8,078
Write-off*	**(10,022)**	(39,989)	**(9,073)**	(15,365)
At end of year	**11,350**	20,137	**4,356**	20,137

* Trade receivables of the Group with a contractual amount of US$0.2 million (2021: US$2.4 million) written off during the year are still subject to enforcement activities.

16. Other receivables

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Current:				
Deposits	**704**	1,509	**597**	1,144
Interest receivables	**1,700**	1,399	**717**	880
Sundry receivables	**2,143**	5,704	**258**	132
Receivables from manufacturers	**109,629**	92,350	**–**	–
Accrued receivables	**18,589**	3,179	**11,223**	4,953
Amounts due from subsidiary companies	**–**	–	**8,707**	19,438
	132,765	104,141	**21,502**	26,547
Non-current:				
Receivables from airlines	**18,000**	18,000	**–**	–
Accrued receivables	**42,762**	33,448	**7,682**	7,998
Interest receivables	**1,536**	1,727	**149**	200
Amounts due from subsidiary companies	**–**	–	**–**	33,758
	62,298	53,175	**7,831**	41,956

The sundry receivables of the Group and the Company are non-trade related, unsecured and non-interest bearing.

As at 31 December 2022, included in the Group's receivables was an amount of US$109.6 million (2021: US$90.2 million) due from a manufacturer which was deferred by agreement in return for a fee.

16. Other receivables (cont'd)

The Group's receivables from airlines are non-trade related, secured by letter of credit, fee bearing and are repayable based on agreed repayment schedule.

Accrued receivables relate to future receipts for revenues and other income for which services have been rendered.

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

As there has been no significant increase in the risk of default of these other receivables since initial recognition, the Group and the Company assess that there is no material expected credit losses and accordingly no allowance for expected credit losses is required.

17. Short-term deposits

		Group		Company	
	Note	**2022**	2021	**2022**	2021
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	31	**306,707**	248,224	**38,577**	62,239

Short-term deposits consist of investments in money market funds and fixed deposits (maturing between one day and three months) which are placed depending on cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates for money market funds and fixed deposits were 1.9% (2021: 0.04%) and 2.3% (2021: 0.1%) per annum, respectively.

As at 31 December 2022, the Group and the Company have no short-term deposits (2021: US$50 million) placed with the intermediate holding company.

As at 31 December 2022, the Group's short-term deposits included an amount of US$52 million (2021: US$87 million) placed with a related party.

18. Cash and bank balances

		Group		Company	
	Note	**2022**	2021	**2022**	2021
		US$'000	US$'000	**US$'000**	US$'000
Encumbered		**4,953**	1,211	**2,310**	632
Unencumbered	31	**85,206**	236,661	**38,459**	64,783
		90,159	237,872	**40,769**	65,415

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations (Note 22) and contingency provisions under such obligations.

18. Cash and bank balances (cont'd)

The Group's and Company's cash and bank balances included an amount of US$40.3 million (2021: US$125.6 million) and US$36.5 million (2021: US$55.1 million), respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2022, the Group's cash and bank balances included an amount of US$18.4 million (2021: US$16.9 million) placed with the intermediate holding company.

Cash and bank balances were denominated in US Dollar except for the following:

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Australian Dollar	**84**	90	**–**	–
Chinese Yuan	**7,219**	8,378	**–**	–
Euro	**618**	2,417	**240**	1,049
Hong Kong Dollar	**722**	736	**722**	736
Japanese Yen	**925**	5,169	**–**	–
Sterling Pound	**1,324**	534	**–**	–
Singapore Dollar	**149**	883	**149**	883
	11,041	18,207	**1,111**	2,668

19. Assets held for sale

As at 31 December 2022 and 31 December 2021, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale were as follows:

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Property, plant and equipment – aircraft				
At beginning of year	**–**	–	**–**	–
Additions	**52,806**	316,203	**–**	–
Disposals	**(52,806)**	(316,203)	**–**	–
At end of year	**–**	–	**–**	–

20. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**27**	2,436	**27**	135
Sundry payables	**5,417**	20,023	**1,309**	6,562
Accrued finance expenses	**95,951**	95,150	**79,816**	87,443
Accrued maintenance reserve payables	**444**	10,278	**444**	8,730
Accrued technical expenses	**11,383**	33,550	**6,965**	26,477
Staff costs related accruals	**28,396**	32,597	**23,143**	26,237
Other accruals and liabilities	**4,780**	6,056	**1,495**	2,130
Amounts due to subsidiary companies	**–**	–	**37,208**	1,458
	146,398	200,090	**150,407**	159,172

The trade payables and sundry payables of the Group and the Company are substantially denominated in US Dollar (2021: US Dollar), non-interest bearing, current in nature and are normally contracted between 30 and 45 days credit terms.

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

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Current	**20**	1,758	**20**	127
1 – 30 days	**7**	85	**7**	8
31 – 60 days	**–**	593	**–**	–
	27	2,436	**27**	135

21. Deferred income

Deferred income (current) relates to advance receipts for lease and other income for which services have not yet been rendered.

Deferred income (non-current) relates to advance receipts for lease income for which services have not yet been rendered and the difference between the nominal value of the security deposits (Note 25) and their amortised value using the effective interest method. The deferred income is recognised in profit or loss on a straight-line basis over the lease term.

22. Loans and borrowings

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Current:				
Medium term notes	**1,890,000**	1,048,301	**1,890,000**	1,048,301
Loans	**534,432**	808,577	**124,882**	58,228
Medium term notes discount (net of premium)	**(482)**	(630)	**(482)**	(630)
Fair value and revaluation adjustments	**–**	(1,158)	**–**	(1,158)
Deferred debt issue costs	**(3,770)**	(5,336)	**(1,319)**	(956)
	2,420,180	1,849,754	**2,013,081**	1,103,785
Non-current:				
Medium term notes	**8,109,020**	9,999,020	**7,109,020**	8,999,020
Loans	**4,663,546**	4,950,756	**2,170,000**	1,947,268
Medium term notes discount (net of premium)	**(16,456)**	(22,872)	**(15,664)**	(21,495)
Fair value and revaluation adjustments	**(12,973)**	(112)	**(12,973)**	(112)
Deferred debt issue costs	**(41,652)**	(61,165)	**(28,519)**	(39,443)
	12,701,485	14,865,627	**9,221,864**	10,885,238
Total loans and borrowings	**15,121,665**	16,715,381	**11,234,945**	11,989,023

22. Loans and borrowings (cont'd)

The deferred debt issue costs relating to obtaining loans and borrowings are analysed as follows:

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Cost:				
At beginning of year	**151,402**	166,949	**71,175**	64,145
Additions	**4,852**	21,174	**1,167**	12,953
Fully amortised costs written off	**(41,219)**	(36,687)	**(8,658)**	(5,897)
Adjustments	**684**	(34)	**339**	(26)
At end of year	**115,719**	151,402	**64,023**	71,175
Accumulated amortisation:				
At beginning of year	**84,901**	96,597	**30,776**	25,189
Charge for the year	**26,615**	24,991	**12,067**	11,484
Fully amortised costs written off	**(41,219)**	(36,687)	**(8,658)**	(5,897)
At end of year	**70,297**	84,901	**34,185**	30,776
Net book value:				
At end of year	**45,422**	66,501	**29,838**	40,399
Deferred debt issue costs, net	**45,422**	66,501	**29,838**	40,399
Less: Current portion	**(3,770)**	(5,336)	**(1,319)**	(956)
Non-current portion	**41,652**	61,165	**28,519**	39,443

22. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the loans and borrowings at the end of each year for the Group and the Company.

	Group				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2022					
Medium term notes	**1,888,414**	**2,286,997**	**4,251,552**	**1,523,808**	**9,950,771**
Loans	**531,766**	**1,025,565**	**3,574,376**	**39,187**	**5,170,894**
Total loans and borrowings	**2,420,180**	**3,312,562**	**7,825,928**	**1,562,995**	**15,121,665**
2021					
Medium term notes	1,045,991	2,186,053	5,432,033	2,332,814	10,996,891
Loans	803,763	658,400	4,217,461	38,866	5,718,490
Total loans and borrowings	1,849,754	2,844,453	9,649,494	2,371,680	16,715,381

	Company				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2022					
Medium term notes	**1,888,413**	**1,289,710**	**4,251,552**	**1,523,809**	**8,953,484**
Loans	**124,668**	**193,476**	**1,963,317**	**–**	**2,281,461**
Total loans and borrowings	**2,013,081**	**1,483,186**	**6,214,869**	**1,523,809**	**11,234,945**
2021					
Medium term notes	1,045,991	2,186,053	4,436,558	2,332,814	10,001,416
Loans	57,794	230,386	1,699,427	–	1,987,607
Total loans and borrowings	1,103,785	2,416,439	6,135,985	2,332,814	11,989,023

22. Loans and borrowings (cont'd)

As at 31 December 2022, secured loans amounted to US$223.0 million (2021: US$609.3 million) and US$54.9 million (2021: US$225.5 million) for the Group and the Company, respectively. These amounts are secured by the related aircraft (Note 13), certain cash and bank balances and designated bank accounts (Note 18) and/or a pledge of the shares in certain subsidiary companies (Note 34) that hold title to aircraft.

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

(a) Medium term notes

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

			Group 2022		
		Maturity	**Outstanding amounts**	**Amounts swapped to US$ and floating rates**	**Amounts swapped to US$ and fixed rates**
		(Year)	**US$'000**	**US$'000**	**US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15%	2029	**140,590**	**–**	**140,590**
Chinese Yuan	5.5%	2024	**49,710**	**49,710**	**–**
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	**159,837**	**–**	**159,837**
Singapore Dollar	3.93%	2025	**108,883**	**–**	**108,883**
United States Dollar	1.625% to 4.375%	2023 to 2030	**8,600,000**	**–**	**–**
			9,059,020	**49,710**	**409,310**
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.125% to 1.30%	2023 to 2025	**940,000**	**–**	**840,000**
			9,999,020	**49,710**	**1,249,310**

22. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

			Company 2022		
		Maturity	**Outstanding amounts**	**Amounts swapped to US$ and floating rates**	**Amounts swapped to US$ and fixed rates**
		(Year)	**US$'000**	**US$'000**	**US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15%	2029	**140,590**	**–**	**140,590**
Chinese Yuan	5.5%	2024	**49,710**	**49,710**	**–**
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	**159,837**	**–**	**159,837**
Singapore Dollar	3.93%	2025	**108,883**	**–**	**108,883**
United States Dollar	1.75% to 4.375%	2023 to 2030	**7,600,000**	**–**	**–**
			8,059,020	**49,710**	**409,310**
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.125% to 1.30%	2023 to 2025	**940,000**	**–**	**840,000**
			8,999,020	**49,710**	**1,249,310**

			Group 2021		
		Maturity	**Outstanding amounts**	**Amounts swapped to US$ and floating rates**	**Amounts swapped to US$ and fixed rates**
		(Year)	**US$'000**	**US$'000**	**US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15%	2029	140,590	–	140,590
Chinese Yuan	4.7% to 5.5%	2022 to 2024	98,011	98,011	–
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	1.625% to 4.375%	2022 to 2030	9,600,000	–	–
			10,107,321	98,011	409,310
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.125% to 1.30%	2023 to 2025	940,000	–	840,000
			11,047,321	98,011	1,249,310

22. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

			Company 2021		
		Maturity	Outstanding amounts	Amounts swapped to US$ and floating rates	Amounts swapped to US$ and fixed rates
		(Year)	US$'000	US$'000	US$'000
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15%	2029	140,590	–	140,590
Chinese Yuan	4.7% to 5.5%	2022 to 2024	98,011	98,011	–
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	1.75% to 4.375%	2022 to 2030	8,600,000	–	–
			9,107,321	98,011	409,310
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.125% to 1.30%	2023 to 2025	940,000	–	840,000
			10,047,321	98,011	1,249,310

As at 31 December 2022, an amount of US$49.7 million (2021: US$98.0 million) in medium term notes of the Group and the Company has been swapped to floating rate liabilities and US Dollars (for non-US Dollar denominated notes) via cross-currency interest rate swap contracts. The carrying amount of the medium term note was US$43.4 million (2021: US$94.1 million). The note is a liability designated as a hedged item in fair value hedges and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 1.6% to 3.1% (2021: 1.6% to 2.6%) per annum during the year.

22. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

Effects of fair value hedges on the notes in 2022 and 2021 were as follows:

	Group and Company 2022			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value adjustments	Carrying amounts of liabilities
	US$'000	US$'000	US$'000	US$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	**49,710**	**(20)**	**(6,246)**	**43,444**

	Group and Company 2021			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value adjustments	Carrying amounts of liabilities
	US$'000	US$'000	US$'000	US$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	98,011	(47)	(3,836)	94,128

As at 31 December 2022, an amount of US$409.3 million (2021: US$409.3 million) in medium term notes of the Group and the Company which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollars and at fixed rates via cross-currency interest rate swap contracts to hedge the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. The net fair value gain of US$6.4 million (2021: loss of US$6.9 million) on these cross-currency interest rate swaps was recognised in hedging reserve.

As at 31 December 2022, an amount of US$840 million (2021: US$840 million) in medium term notes of the Group and the Company has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value gain of US$50.5 million (2021: US$39.9 million) on these financial instruments was recognised in hedging reserve.

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

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR or Secured Overnight Financing Rate ("SOFR"). Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 2.8% (2021: 1.1%) per annum. The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans are between 2023 and 2028 (2021: 2022 and 2028).

22. Loans and borrowings (cont'd)

(c) Loans (cont'd)

As at 31 December 2022, the loans due to the intermediate holding company for the Group and the Company amounted to US$695 million (2021: US$785 million) and US$695 million (2021: US$695 million), respectively and the loans due to other related parties for the Group and the Company amounted to US$1,887.6 million (2021: US$1,623.2 million) and US$300.3 million (2021: US$300.3 million), respectively.

As at 31 December 2022, loans outstanding amounting to US$370 million (2021: US$1,865 million) have been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The net fair value gain of US$42.9 million (2021: US$53.2 million) was accounted for in hedging reserve.

As at 31 December 2022, the Group and the Company had unutilised unsecured committed revolving credit facilities of US$4,705 million (2021: US$4,575 million) and US$4,465 million (2021: US$4,480 million), respectively. These facilities included US$3,500 million (2021: US$3,410 million) available under a committed revolving credit facility provided by the intermediate holding company that matures in 2026 (2021: 2026). The unutilised committed revolving credit facilities provided by other related parties to the Group totalled US$82.4 million (2021: US$46.8 million) that mature in 2024 (2021: 2024) and to the Company amounted to US$35.7 million (2021: US$35.7 million) that matures in 2024 (2021: 2024).

As at 31 December 2022, unutilised unsecured committed term loan facilities available to the Group totalled US$225 million (2021: US$985 million) and available to the Company amounted to US$125 million (2021: US$485 million). For the Group, these facilities include an amount of US$100 million (2021: US$500 million) which was provided by other related parties.

23. Lease liabilities

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**2,757**	9,448	**953**	6,834
Additions	**16,464**	–	**14,600**	–
Accretion of interest	**337**	229	**256**	164
Payments	**(2,902)**	(2,371)	**(2,296)**	(1,626)
Remeasurement	**–**	(4,308)	**–**	(4,308)
Revaluation adjustments	**(2)**	(241)	**291**	(111)
At end of year	**16,654**	2,757	**13,804**	953
Current	**2,516**	1,490	**1,818**	953
Non-current	**14,138**	1,267	**11,986**	–
	16,654	2,757	**13,804**	953

23. Lease liabilities (cont'd)

The following amounts were recognised in profit or loss:

	Group	
	2022	2021
	US$'000	US$'000
Depreciation expense of right-of-use assets	**2,548**	2,113
Interest expense on lease liabilities	**337**	229
Expense relating to leases of low-value assets	**13**	–
	2,898	2,342

Interest rates on the leases ranged from 2.0% to 3.4% (2021: 2.0% to 3.4%) per annum for the Group and 2.0% to 2.9% (2021: 2.0% to 2.9%) per annum for the Company.

24. Reconciliation of movement of financial liabilities to net cash flows from financing activities

	Group	
	2022	2021
Extract from Consolidated Statement of Cash Flows	**US$'000**	US$'000
Cash flows from financing activities:		
Proceeds from loans and borrowings	**1,685,000**	2,170,000
Repayment of loans and borrowings	**(3,108,391)**	(1,948,953)
Decrease in borrowings from revolving credit facilities, net	**(185,000)**	(225,000)
Repayment of lease liabilities	**(2,902)**	(2,371)
Finance expenses paid	**(492,019)**	(477,681)
Debt issue costs paid	**(5,536)**	(28,856)
Total financial liabilities	**(2,108,848)**	(512,861)
Cash flows used in other financing activities	**(185,712)**	(158,819)
Net cash flows used in financing activities in consolidated statement of cash flows	**(2,294,560)**	(671,680)

24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

Group	Note	2021 US$'000	Cash flows US$'000	Non-cash changes: Fair value and revaluation adjustments US$'000	Non-cash changes: Future lease payments US$'000	Non-cash changes: Amortisation /accretion US$'000	Non-cash changes: Re-classification US$'000	2022 US$'000
Loans and borrowings								
Medium term notes								
- current		1,047,143	(1,048,301)	1,158	–	–	1,890,000	**1,890,000**
- non-current		9,998,908	–	(12,861)	–	–	(1,890,000)	**8,096,047**
Medium term notes discount (net of premium)								
- current		(630)	–	–	–	630	(482)	**(482)**
- non-current		(22,872)	–	–	–	5,934	482	**(16,456)**
Loans								
- current		808,577	(808,315)	(262)	–	–	534,432	**534,432**
- non-current		4,950,756	248,225	(1,003)	–	–	(534,432)	**4,663,546**
Deferred debt issue costs								
- current		(5,336)	–	–	–	5,336	(3,770)	**(3,770)**
- non-current		(61,165)	(5,536)	–	–	21,279	3,770	**(41,652)**
	22	16,715,381	(1,613,927)	(12,968)	–	33,179	–	**15,121,665**
Lease liabilities								
- current		1,490	(2,902)	–	3,185	337	406	**2,516**
- non-current		1,267	–	(2)	13,279	–	(406)	**14,138**
	23	2,757	(2,902)	(2)	16,464	337	–	**16,654**
Trade and other payables								
Accrued finance expenses		95,150	(492,019)	–	–	492,820	–	**95,951**
	20	95,150	(492,019)	–	–	492,820	–	**95,951**
Total		**16,813,288**	**(2,108,848)**	**(12,970)**	**16,464**	**526,336**	**–**	**15,234,270**

24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

				Non-cash changes				
Group	**Note**	**2020 US$'000**	**Cash flows US$'000**	**Fair value and revaluation adjustments US$'000**	**Future lease payments US$'000**	**Amortisation /accretion US$'000**	**Re-classification US$'000**	**2021 US$'000**
Loans and borrowings								
Medium term notes								
- current		1,159,054	(1,185,873)	25,661	–	–	1,048,301	1,047,143
- non-current		9,555,504	1,500,000	(8,295)	–	–	(1,048,301)	9,998,908
Medium term notes discount (net of premium)								
- current		(400)	–	–	–	400	(630)	(630)
- non-current		(22,882)	(7,234)	–	–	6,614	630	(22,872)
Loans								
- current		595,371	(595,371)	–	–	–	808,577	808,577
- non-current		5,482,042	277,291	–	–	–	(808,577)	4,950,756
Deferred debt issue costs								
- current		(8,337)	–	–	–	8,337	(5,336)	(5,336)
- non-current		(62,015)	(21,140)	–	–	16,654	5,336	(61,165)
	22	16,698,337	(32,327)	17,366	–	32,005	–	16,715,381
Lease liabilities								
- current		2,209	(2,371)	–	(4,308)	229	5,731	1,490
- non-current		7,239	(482)	241	–	–	(5,731)	1,267
	23	9,448	(2,853)	241	(4,308)	229	–	2,757
Trade and other payables								
Accrued finance expenses		99,065	(477,681)	–	–	473,766	–	95,150
	20	99,065	(477,681)	–	–	473,766	–	95,150
Total		16,806,850	(512,861)	17,607	(4,308)	506,000	–	16,813,288

25. Security deposits

In addition to the cash security deposits recorded in the statement of financial position, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US$187.2 million (2021: US$208.7 million) and US$67.0 million (2021: US$75.2 million), respectively.

26. Maintenance reserves

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**672,110**	698,062	**326,509**	327,757
Contributions	**175,989**	153,758	**67,387**	60,406
Utilisation	**(31,812)**	(83,991)	**(18,814)**	(65,617)
Transfer (to)/from accrued maintenance reserve payables	**(444)**	14,161	**(444)**	10,668
Transfer to buyers	**(16,211)**	(21,149)	**(3,843)**	(6,705)
Transfer to liabilities associated with assets held for sale	**–**	(88,731)	**–**	–
Transfer from subsidiary company	**–**	–	**(2,282)**	–
Release to profit or loss upon termination of leases	**(154,516)**	–	**(29,025)**	–
At end of year	**645,116**	672,110	**339,488**	326,509

Letters of credit received by the Group and the Company from certain lessees to cover all or a portion of their maintenance contribution payment obligations amounted to US$249.8 million (2021: US$345.0 million) and US$73.5 million (2021: US$151.0 million), respectively.

27. Deferred income tax assets and liabilities

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Deferred income tax liabilities, net	**557,596**	547,208	**160,956**	141,066
Deferred income tax assets, net	**(159)**	(153)	**–**	–
	557,437	547,055	**160,956**	141,066

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are grouped separately.

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

The gross deferred income tax assets and liabilities were as follows:

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	**1,016,570**	996,115	**189,679**	163,732
Gross deferred tax assets	**(459,133)**	(449,060)	**(28,723)**	(22,666)
Net deferred tax liabilities	**557,437**	547,055	**160,956**	141,066

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

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

	Group			
	Differences in depreciation	**Unremitted overseas income**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax liabilities arising from:				
At 1 January 2021	861,092	5,818	313	867,223
Charged/(Credited) to profit or loss	129,298	(544)	138	128,892
At 31 December 2021 and 1 January 2022	**990,390**	**5,274**	**451**	**996,115**
Charged to profit or loss	**14,577**	**1,955**	**3,923**	**20,455**
At 31 December 2022	**1,004,967**	**7,229**	**4,374**	**1,016,570**

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

	Group			
	Unabsorbed capital allowances and unutilised tax losses	**Provisions**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax assets arising from:				
At 1 January 2021	(373,799)	(7,325)	(21,389)	(402,513)
(Credited)/Charged to profit or loss	(55,951)	471	(336)	(55,816)
Charged to other comprehensive income	–	–	9,269	9,269
At 31 December 2021 and 1 January 2022	**(429,750)**	**(6,854)**	**(12,456)**	**(449,060)**
(Credited)/Charged to profit or loss	**(19,379)**	**2,771**	**(2,941)**	**(19,549)**
Charged to other comprehensive income	**–**	**–**	**9,476**	**9,476**
At 31 December 2022	**(449,129)**	**(4,083)**	**(5,921)**	**(459,133)**

	Company			
	Differences in depreciation	**Unremitted overseas income**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax liabilities arising from:				
At 1 January 2021	145,168	5,818	283	151,269
Charged/(Credited) to profit or loss	12,866	(544)	141	12,463
At 31 December 2021 and 1 January 2022	**158,034**	**5,274**	**424**	**163,732**
Charged to profit or loss	**20,042**	**1,955**	**3,950**	**25,947**
At 31 December 2022	**178,076**	**7,229**	**4,374**	**189,679**

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

	Company			
	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax assets arising from:				
At 1 January 2021	(10,814)	(5,127)	(6,003)	(21,944)
(Credited)/Charged to profit or loss	(3,410)	451	(196)	(3,155)
Charged to other comprehensive income	–	–	2,433	2,433
At 31 December 2021 and 1 January 2022	**(14,224)**	**(4,676)**	**(3,766)**	**(22,666)**
(Credited)/Charged to profit or loss	**(12,092)**	**2,206**	**(35)**	**(9,921)**
Charged to other comprehensive income	**–**	**–**	**3,864**	**3,864**
At 31 December 2022	**(26,316)**	**(2,470)**	**63**	**(28,723)**

The unabsorbed capital allowances and unutilised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements applying to the Company and its relevant subsidiaries in their respective countries of incorporation. The unabsorbed capital allowances and unutilised tax losses have no expiry date.

28. Other non-current liabilities

Included in other non-current liabilities are the non-current portion of bonuses and related employers' contributions payable and provided for under the staff cash incentive plans. These bonuses are payable from 2024 to 2025 (2021: 2023 to 2025).

29. Share capital

	Group and Company			
	2022		2021	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of year	**694,010**	**1,157,791**	694,010	1,157,791

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

30. Hedging reserves

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

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Interest rate and foreign currency risk:				
At beginning of year	**(84,596)**	(170,789)	**(46,982)**	(85,102)
Effective portion of changes in fair value of cash flow hedges, net of tax:				
- Interest rate swaps	**87,249**	23,367	**44,303**	12,250
- Cross-currency interest rate swaps	**(4,168)**	(7,534)	**(4,168)**	(7,534)
	83,081	15,833	**40,135**	4,716
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:				
- Interest rate swaps	**6,148**	69,715	**9,816**	32,759
- Cross-currency interest rate swaps	**10,579**	645	**10,579**	645
	16,727	70,360	**20,395**	33,404
	99,808	86,193	**60,530**	38,120
At end of year	**15,212**	(84,596)	**13,548**	(46,982)

31. Cash and cash equivalents

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

		Group	
	Note	**2022**	2021
		US$'000	US$'000
Short-term deposits	17	**306,707**	248,224
Cash and bank balances	18	**85,206**	236,661
		391,913	484,885

32. Lease liabilities to subsidiary companies

	Company	
	2022	2021
	US$'000	US$'000
Current:		
Lease liabilities to subsidiary companies	**47,293**	65,965
Deferred debt issue costs	**(1,866)**	(2,899)
Lease liabilities to subsidiary companies, net	**45,427**	63,066
Non-current:		
Lease liabilities to subsidiary companies	**31,842**	117,683
Deferred debt issue costs	**(1,084)**	(5,039)
Lease liabilities to subsidiary companies, net	**30,758**	112,644
Total lease liabilities to subsidiary companies, net	**76,185**	175,710

	Company	
	2022	2021
	US$'000	US$'000
At beginning of year	**175,710**	254,266
Accretion of interest	**7,773**	5,985
Payments	**(107,298)**	(84,541)
At end of year	**76,185**	175,710
Current	**45,427**	63,066
Non-current	**30,758**	112,644
	76,185	175,710

32. Lease liabilities to subsidiary companies (cont'd)

The lease liabilities to subsidiary companies are secured by a charge over leased assets (Note 13). Interest rates on the leases ranged from 0.3% to 6.1% (2021: 0.3% to 1.5%) per annum.

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

	Company	
	2022	2021
	US$'000	US$'000
Cost:		
At beginning of year	**38,756**	42,732
Fully amortised cost written off	**(15,381)**	(3,976)
At end of year	**23,375**	38,756
Accumulated amortisation:		
At beginning of year	**30,818**	31,271
Charge for the year	**4,988**	3,523
Fully amortised cost written off	**(15,381)**	(3,976)
At end of year	**20,425**	30,818
Net book value:		
At end of year	**2,950**	7,938
Deferred debt issue costs, net	**2,950**	7,938
Less: Current portion	**(1,866)**	(2,899)
Non-current portion	**1,084**	5,039

33. Amounts due from subsidiary companies

The amounts due from subsidiary companies of US$2,293.6 million (2021: US$2,235.9 million) are interest bearing, non-trade related and unsecured. The interest rate ranged from 2.9% to 6.3% (2021: 0.9% to 3.4%) per annum.

34. Investments in subsidiary companies

	Company	
	2022	2021
	US$'000	US$'000
Equity investments at cost:		
At beginning of year	**747,140**	747,140
Dissolutions	**–***	–
At end of year	**747,140**	747,140

* The decrease in cost of investment is less than US$1,000.

34. Investments in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held	
					2022 **%**	2021 %
1	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	US$75,000,000	**100**	100
1	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	US$250,000,000 + €5.08	**100**	100
1	BOC Aviation Leasing (Tianjin) Limited#	People's Republic of China	Investment holding	US$1,800,000	**100**	100
1	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	US$186,400,000	**100**	100
	BOC Aviation Capital Limited	Cayman Islands	Dissolved	–	**–**	100
2	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	US$100	**100**	100
2	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
2	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
2	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100

Company type: Limited liability company (solely invested by a foreign legal person)

34. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held	
					2022	2021
					%	%
	Vanda Leasing Seven Limited	Cayman Islands	Dissolved	–	**–**	100
	Vanda Leasing Eight Limited	Cayman Islands	Dissolved	–	**–**	100
[2]	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100

34. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	2021 %
	Consolidated structured entities*					
[2,3]	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
[2]	Gawain Leasing Limited	Cayman Islands	In dissolution process	US$250	**–**	–
[2]	Green Knight Leasing Limited	Cayman Islands	In dissolution process	US$250	**–**	–
[2,3]	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
[1,3]	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
[1,3]	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
[2,3]	Chilli Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
[2,3]	Laylya Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
[2,3]	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–

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

34. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held	
					2022	2021
					%	%
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
2,3	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by Pacific Triangle Holdings Pte. Ltd.:					
2	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by BOC Aviation (Ireland) Limited:					
2	BOC Aviation (France) SARL	France	Dormant	€1,000	**100**	100

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

34. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	2021 %
	Held by BOC Aviation Leasing (Tianjin) Limited:					
2	博加阿尔法航空租赁（天津）有限公司 (BOCA Alpha Leasing (TJ) Limited)^	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加布拉沃航空租赁（天津）有限公司 (BOCA Bravo Leasing (TJ) Limited)^	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加查理航空租赁（天津）有限公司 (BOCA Charlie Leasing (TJ) Limited)^	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加德达航空租赁（天津）有限公司 (BOCA Delta Leasing (TJ) Limited)^	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加易科航空租赁（天津）有限公司 (BOCA Echo Leasing (TJ) Limited)^	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100

^ Company type: Limited liability company (solely invested by a foreign-invested enterprise)

All subsidiary companies and all consolidated structured entities are incorporated as limited liability entities.

[1] Audited by PricewaterhouseCoopers LLP, Singapore or member firms of PricewaterhouseCoopers.
[2] Not required to be audited by law in its country of incorporation.
[3] The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.

35. Dividends

	Group and Company	
	2022	2021
	US$'000	US$'000
Declared and paid during the year:		
Final dividend for 2021: US$0.1733 (2020: US$0.1173) per share	**120,272**	81,407
Interim dividend for 2022: US$0.0889 (2021: US$0.1098) per share	**61,698**	76,202
	181,970	157,609
Proposed as at 31 December:		
Final dividend for 2022: US$0.1770 (2021: US$0.1733) per share	**122,840**	120,272

On 9 March 2023, the directors proposed to recommend to the Annual General Meeting on 30 May 2023 a final dividend of US$0.1770 per ordinary share for the year ended 31 December 2022 amounting to approximately US$122.8 million, bringing the total dividend for 2022 to US$184.5 million (2021: US$196.5 million) or US$0.2659 (2021: US$0.2831) per ordinary share. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

36. Related party transactions

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

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

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

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

	Group	
	2022	2021
	US$'000	US$'000
Costs and expenses		
(a) Intermediate holding company:		
Interest expense	**19,269**	12,029
(b) Other related parties:		
Interest expense	**54,175**	16,339
Debt issue costs	**1,525**	3,850
Dividend paid to immediate holding company	**127,379**	110,327

36. Related party transactions (cont'd)

	Group 2022 US$'000	Group 2021 US$'000
Directors' and key executives' remuneration paid during the year		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**5,827**	5,838
CPF and other defined contributions	**3**	3
	5,830	5,841
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	**7,617**	8,175
CPF and other defined contributions	**154**	156
	7,771	8,331

During the year ended 31 December 2022, the share-based compensation expense for directors of the Company and key executives of the Group amounted to US$1.3 million (2021: US$1.4 million) and US$1.5 million (2021: US$1.4 million), respectively.

As at 31 December 2022, US$8.9 million (2021: US$11.5 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

During the year ended 31 December 2022, 450,403 (2021: 315,774) of RSUs granted in 2020 (2021: 2019) to the directors of the Company and key executives of the Group had vested.

As at 31 December 2022, 727,674 (2021: 746,615) of RSUs had been granted to directors of the Company and key executives of the Group but had not vested.

37. Commitments

(a) Operating lease commitments

Operating lease commitments - As lessor

Aircraft

The Group and the Company lease its aircraft under operating lease agreements that are non-cancellable.

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

	Group		Company	
	2022	2021	**2022**	2021
	US$ million	US$ million	**US$ million**	US$ million
Within one year	**1,887**	1,747	**1,128**	1,005
Between one and two years	**1,857**	1,815	**1,119**	1,141
Between two and three years	**1,716**	1,729	**1,044**	1,094
Between three and four years	**1,608**	1,577	**969**	1,016
Between four and five years	**1,500**	1,469	**930**	943
After five years	**5,759**	6,122	**3,368**	3,877
	14,327	14,459	**8,558**	9,076

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

	Group		Company	
	2022	2021	**2022**	2021
	US$ million	US$ million	**US$ million**	US$ million
Within one year	**73**	114	**27**	27
Between one and two years	**200**	248	**80**	40
Between two and three years	**232**	270	**98**	40
Between three and four years	**232**	269	**98**	40
Between four and five years	**232**	268	**98**	40
After five years	**1,567**	1,705	**771**	289
	2,536	2,874	**1,172**	476

37. Commitments (cont'd)

(b) Finance lease commitments

Finance lease commitments - As lessor

	Group and Company	
	Minimum lease payments	Minimum lease payments
	2022	2021
	US$'000	US$'000
Within one year	**262,892**	62,496
Between one and two years	**234,132**	262,892
Between two and three years	**204,774**	234,132
Between three and four years	**–**	204,774
Total minimum lease payments	**701,798**	764,294
Less: Amounts representing finance charges	**(58,695)**	(99,341)
	643,103	664,953

The scheduled finance lease receivables are as follows:

	2022	2021
	US$'000	US$'000
Finance lease receivables	**643,103**	664,953
Less: Current portion	**(229,909)**	(21,849)
Non-current portion	**413,194**	643,104

The effective interest rates on the finance lease receivables ranged from 6.1% to 6.3% per annum for the year ended 31 December 2022 and 2021.

As there has been no significant increase in the risk of default of these finance lease receivables since initial recognition, the Group and the Company assess that there is no material expected credit loss and accordingly no loss allowance is required.

(c) Capital expenditure commitments

As at 31 December 2022, the Group had committed to purchase various aircraft delivering between 2023 and 2029. The amount of future commitments under purchase agreements, including assumed escalation to delivery, was US$11.1 billion to the end of 2029 (2021: US$4.7 billion to the end of 2024). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

38. Contingent liabilities

Guarantees of subsidiary companies' obligations

The Company has provided guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2022, the guarantees for loans to subsidiary companies amounted to approximately US$3.9 billion (2021: US$4.8 billion). The guarantees are callable on demand.

39. Classification of financial instruments and their fair values

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

Financial assets measured at amortised cost comprise trade receivables (Note 15), other receivables (Note 16), short-term deposits[1] (Note 17), cash and bank balances (Note 18), amounts due from subsidiary companies (Note 33) and finance lease receivables (Note 37(b)).

As at 31 December 2022, the financial assets measured at amortised cost for the Group and the Company were US$1,180.1 million (2021: US$1,479.9 million) and US$3,105.9 million (2021: US$3,172.2 million), respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 20), loans and borrowings (Note 22), security deposits (Note 25) and other non-current liabilities[2] (Note 28).

As at 31 December 2022, the financial liabilities measured at amortised cost for the Group and the Company were US$15,441.0 million (2021: US$17,121.6 million) and US$11,468.8 million (2021: US$12,236.3 million), respectively.

[1] Excluding investment in money market funds.
[2] Excluding bonuses and related employers' contributions payable and provided for under the staff cash incentive plans.

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

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 14) and investment in money market funds classified as short-term deposits (Note 17).

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the derivative financial instruments and investment in money market funds under the Group are classified under Level 2 of the fair value hierarchy. The fair values of the derivative financial instruments are determined with reference to marked-to-market values based on valuation techniques that use data from observable markets. The fair values of investment in money market funds are determined by reference to marked-to-market values provided by counterparties. There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2022 and 2021.

(b) Financial instruments whose carrying amounts approximate fair values

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

Non-current loans and borrowings (excluding non-current medium term notes as disclosed in Note 39(c) below) and receivables from airlines (Note 16) reasonably approximate their fair values for those that are at floating rate and are re-priced to market interest rates on or near the end of each year for the respective financial year.

Non-current finance lease receivables and trade receivables reasonably approximate their fair values as the implicit interest rate of each financial instrument approximates the market interest rate prevailing at the end of each year.

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

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

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

	Group		**Company**	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Medium term notes :				
Carrying amounts	**8,975,156**	10,462,290	**7,977,869**	10,462,290
Fair values	**8,429,804**	10,282,721	**7,480,334**	10,282,721

As at 31 December 2022, the fair value measurements of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$159.6 million (2021: US$159.6 million) with fair value of US$148.3 million (2021: US$168.9 million) which was classified under Level 2 of the fair value hierarchy as it was determined based on indicative bid price obtained from a counterparty.

40. Financial risk management objectives and policies

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings and lease rental income.

The Group obtains financing through loans and capital market notes. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A portion of the Group's financial assets and liabilities are based on floating interest rates pegged to US Dollar LIBOR or SOFR and are contractually repriced at intervals of less than 12 months from the end of each year. Interest rate exposure for the Group arises when the Group collects fixed rate rentals but pays floating interest rates under its borrowings.

The Group adopts a policy of managing its interest rate exposure by maintaining a debt portfolio with both fixed and floating interest rates.

40. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

Interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates.

The Group has exposure to US Dollar LIBOR on its financial instruments and off-balance sheet items that will be replaced or reformed as part of these market-wide initiatives. US Dollar LIBOR settings (excluding the one week and two months tenors, to which the Group has no exposure beyond their cessation dates) would lose representativeness or discontinue after 30 June 2023.

The table below sets out the Group's exposure to US Dollar LIBOR as at 31 December 2022. These balances have not yet transitioned to an alternative benchmark rate and some of the balances will naturally expire before USD LIBOR ceases to be published in June 2023.

	US$'000
Group	
Assets	
Derivative financial instruments	21,604
Liabilities	
Gross debt	5,637,978
Derivative financial instruments	6,246
Off-balance sheet items	
Operating lease commitments – as lessor	397,490
Unutilised committed credit facilities	4,405,000

	US$'000
Company	
Assets	
Derivative financial instruments	21,604
Liabilities	
Gross debt	3,234,882
Derivative financial instruments	6,246
Amounts due to subsidiary companies	1,902
Off-balance sheet items	
Operating lease commitments – as lessor	292,004
Guarantees of loans to subsidiary companies	2,403,096
Unutilised committed credit facilities	4,115,000

As at 31 December 2022, the notional amount of the Group's and Company's derivative financial instruments exposed to US Dollar LIBOR is US$1,259.7 million.

40. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

The Group's internal Funding Committee monitors and manages the Group's transition to alternative rates. This committee is chaired by the Deputy Managing Director and Chief Financial Officer of the Company. The Funding Committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of the reform and how to manage communication about the reform with counterparties. Management reports interest rate risk and risks arising from the reform to the Risk Committee quarterly. The Group has engaged with counterparties to transition its floating rate liabilities and hedging derivatives to the alternative interest rate benchmarks. Financial liabilities of the Group such as loans and unsecured revolving credit facilities where they were renewed or entered into during the financial year ended 31 December 2022 were based on floating interest rates pegged to SOFR.

Sensitivity analysis for interest rate risk

A sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of the year:

(i) Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments, which include short-term deposits and floating rate loans.

(ii) Changes in interest rates affect the fair values of derivative financial instruments.

(iii) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of the year.

For a more meaningful analysis on the impact of a change in floating interest rates, the sensitivity analysis includes the effect of such a change on the lease rental income in order to determine the potential impact on the Group's net profit after tax.

Under these assumptions, an increase or decrease in US Dollar floating interest rates of 10 basis points (2021: 10 basis points) with all other variables held constant will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

		Group	
	Basis points	**Increase/ (Decrease) on profit net of tax**	**Increase/ (Decrease) on hedging reserve net of tax in equity**
		US$'000	**US$'000**
2022			
Increase in interest rate	+10	**(3,401)**	**848**
Decrease in interest rate	-10	**3,401**	**(850)**
2021			
Increase in interest rate	+10	(2,364)	3,707
Decrease in interest rate	-10	2,364	(3,720)

40. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

The Group's primary sources of liquidity have principally comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. The Group's business is capital intensive, requiring significant aircraft capital expenditures and borrowings to fund these expenditures in order to grow and to maintain a young aircraft fleet. The cash flows from operations, particularly revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

To ensure that the Group is able to meet its financial obligations, the Group's policy is to have its loan repayments typically spread over substantial periods of up to 10 years, and also to have available committed credit facilities from banks.

As at 31 December 2022, the Group had unutilised unsecured committed revolving credit facilities of US$4,705 million (2021: US$4,575 million) and unutilised unsecured committed term loan facilities of US$225 million (2021: US$985 million).

As at 31 December 2022, approximately 16% (2021: 11%) of the Group's gross debt was due to mature in less than one year.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the year based on contractual undiscounted repayment obligations.

	Group			
2022	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables*	**51,687**	**–**	**–**	**51,687**
Loans and borrowings	**2,424,432**	**11,192,353**	**1,580,213**	**15,196,998**
Estimated interest and net swap payments*	**583,652**	**1,103,528**	**108,419**	**1,795,599**
Lease liabilities	**2,954**	**9,684**	**5,751**	**18,389**
Security deposits	**24,798**	**40,798**	**137,934**	**203,530**
Other non-current liabilities	**–**	**18,101**	**–**	**18,101**
Total undiscounted financial liabilities	**3,087,523**	**12,364,464**	**1,832,317**	**17,284,304**

40. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial liabilities by remaining contractual maturities (cont'd)

	Group			
2021	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Financial liabilities:				
Trade and other payables*	105,359	–	–	105,359
Loans and borrowings	1,856,878	12,560,496	2,389,280	16,806,654
Estimated interest and net swap payments*	445,243	887,595	181,201	1,514,039
Lease liabilities	1,540	1,318	–	2,858
Security deposits	36,808	41,564	156,718	235,090
Other non-current liabilities	–	34,783	–	34,783
Total undiscounted financial liabilities	2,445,828	13,525,756	2,727,199	18,698,783

	Company			
2022	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables*	**71,060**	**–**	**–**	**71,060**
Loans and borrowings	**2,014,882**	**7,738,430**	**1,540,590**	**11,293,902**
Estimated interest and net swap payments*	**335,170**	**824,507**	**107,841**	**1,267,518**
Lease liabilities	**2,185**	**8,232**	**4,859**	**15,276**
Lease liabilities to subsidiary companies	**47,293**	**31,842**	**–**	**79,135**
Security deposits	**–**	**22,883**	**78,029**	**100,912**
Other non-current liabilities	**–**	**15,043**	**–**	**15,043**
Total undiscounted financial liabilities	**2,470,590**	**8,640,937**	**1,731,319**	**12,842,846**

40. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial liabilities by remaining contractual maturities (cont'd)

	Company			
	One year or less	One to five years	Over five years	Total
2021	US$'000	US$'000	US$'000	US$'000
Financial liabilities:				
Trade and other payables*	71,975	–	–	71,975
Loans and borrowings	1,106,529	8,603,234	2,343,054	12,052,817
Estimated interest and net swap payments*	387,603	805,377	180,269	1,373,249
Lease liabilities	959	–	–	959
Lease liabilities to subsidiary companies	65,965	117,683	–	183,648
Security deposits	2,618	18,031	82,895	103,544
Other non-current liabilities	–	28,129	–	28,129
Total undiscounted financial liabilities	1,635,649	9,572,454	2,606,218	13,814,321

* Accrued interest expenses of the Group and the Company of US$94.7 million and US$79.3 million (2021: US$94.7 million and US$87.2 million) respectively are excluded in trade and other payables and included in estimated interest and net swap payments.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, finance lease receivables, derivative financial instruments, short-term deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in certain cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continuous revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees at least annually. The Group also evaluates the credit standing of vendors where significant and/or long-term procurement contracts are being contemplated.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group's policy is to undertake deposit and derivative transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of S&P Global Ratings' credit rating of "A-".

40. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

The Group recognises an allowance for expected credit losses of trade receivables and finance lease receivables when the overdue receivables of each lessee are in excess of any security deposit or the value of any collateral related to the lease.

(i) Exposure to credit risk

At the end of the year, the Group's maximum exposure to credit risk was represented by the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values. In addition, the Company also has a credit risk exposure to certain subsidiary companies under guarantees provided by the Company in respect of loans to the subsidiary companies and in respect of certain lease agreements entered into by the subsidiary companies.

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual debtor and regional exposure to its trade receivables and finance lease receivables, net of allowance for impairment losses, on an ongoing basis.

The credit risk concentration profile of the Group's trade receivables by debtor's geographic region based on the jurisdiction of each debtor under the relevant contracts was as follows:

	2022		2021	
	US$'000	**%**	US$'000	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**92,788**	**56.8**	96,061	52.7
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**33,419**	**20.5**	15,443	8.5
Americas	**18,166**	**11.1**	18,447	10.1
Europe	**18,894**	**11.6**	52,266	28.7
	163,267	**100.0**	182,217	100.0

The credit risk concentration profile of the Group's finance lease receivables was entirely from an airline customer in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan.

40. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

(iii) Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired were either creditworthy receivables with good payment records with the Group or receivables which were contractually deferred by mutual agreement or were less than the security deposits held by the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that were either past due or impaired

Information regarding financial assets that were either past due or impaired was disclosed in Note 15.

(d) Foreign currency risk

The Group's revenues and principal assets are denominated in United States Dollar, which is the functional currency of the Group. Foreign currency exposure arises from the Group's borrowings that are denominated in a currency other than the functional currency of the Group.

All loans and borrowings which are denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar are swapped to United States Dollar. The Group primarily utilises cross-currency interest rate swap contracts to hedge its financial liabilities denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar.

As a result of the Group's hedging as described above, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Financial risk management objectives and policies (cont'd)

(e) Offsetting financial assets and financial liabilities

The Group and the Company have the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

	Group					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	Gross amounts-Financial assets US$'000	Gross amounts-Financial liabilities US$'000	Net amounts-presented in balance sheet US$'000	Financial assets/ (liabilities) US$'000	Financial collateral received US$'000	Net amount US$'000
At 31 December 2022						
Derivative financial assets	**23,291**	**–**	**23,291**	**(6,989)**	**–**	**16,302**
Trade receivables	**174,617**	**–**	**174,617**	**–**	**(90,485)**	**84,132**
	197,908	**–**	**197,908**	**(6,989)**	**(90,485)**	**100,434**
Derivative financial liabilities	**–**	**(19,949)**	**(19,949)**	**6,989**	**–**	**(12,960)**
At 31 December 2021						
Derivative financial assets	–	–	–	–	–	–
Trade receivables	202,354	–	202,354	–	(96,035)	106,319
	202,354	–	202,354	–	(96,035)	106,319
Derivative financial liabilities	–	(94,238)	(94,238)	–	–	(94,238)

40. Financial risk management objectives and policies (cont'd)

(e) Offsetting financial assets and financial liabilities (cont'd)

	Company					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	Gross amounts- Financial assets US$'000	**Gross amounts- Financial liabilities US$'000**	**Net amounts- presented in balance sheet US$'000**	**Financial assets/ (liabilities) US$'000**	**Financial collateral received US$'000**	**Net amount US$'000**
At 31 December 2022						
Derivative financial assets	**23,291**	**–**	**23,291**	**(6,989)**	**–**	**16,302**
Trade receivables	**83,404**	**–**	**83,404**	**–**	**(55,098)**	**28,306**
	106,695	**–**	**106,695**	**(6,989)**	**(55,098)**	**44,608**
Derivative financial liabilities	**–**	**(19,949)**	**(19,949)**	**6,989**	**–**	**(12,960)**
At 31 December 2021						
Derivative financial assets	–	–	–	–	–	–
Trade receivables	100,088	–	100,088	–	(41,583)	58,505
	100,088	–	100,088	–	(41,583)	58,505
Derivative financial liabilities	–	(94,238)	(94,238)	–	–	(94,238)

40. Financial risk management objectives and policies (cont'd)

(e) Offsetting financial assets and financial liabilities (cont'd)

Agreements with derivative counterparties are based on an International Swap Derivatives Association Master Agreement. Under the terms of these arrangements, only upon the occurrence of certain credit events (such as default), the net position owing to/receivable from a single counterparty in the same currency are aggregated into a single net amount that is payable by one party to the other and all the relevant arrangements terminated.

Trade receivables are generally secured by cash security deposits (Note 25). In an event of default, based on contractual terms the Group can apply the security deposits against the trade receivables from the same lessee. As the Group does not presently have a legally enforceable right to set off, these amounts have not been offset in the balance sheet but have been presented separately in the table above.

41. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders.

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

There were no changes made in the objectives, policies and processes during the year ended 31 December 2022 and 2021.

During the year ended 31 December 2022, the Group issued US$300 million (2021: US$1,500 million) of notes under its Global Medium Term Note Program and utilised US$1,385 million (2021: US$670 million) in term loans. As at 31 December 2022, the Group had utilised US$735 million (2021: US$920 million) under its committed revolving credit facilities. The Group's gross debt to equity as at 31 December 2022 compared with 31 December 2021 decreased as set out in the table below.

	Group	
	2022	2021
	US$'000	US$'000
Gross debt	**15,196,998**	16,806,654
Total equity	**5,202,099**	5,265,914
Gross debt to equity (times)	**2.9**	3.2

42. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 31 December 2022 and 31 December 2021.

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

	Group	
	2022	2021
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the year attributable to owners of the Company) (US$'000)	**20,060**	561,318
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	**694,010**	694,010
Basic earnings per share (US$)	**0.03**	0.81
Diluted earnings per share (US$)	**0.03**	0.81

43. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management. Senior Management assesses the financial performance and position of the Group and uses the information to support strategic decisions.

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

(a) Lease rental income

Lease rental income is derived from leasing of aircraft on operating lease to various airline customers around the world. The distribution of lease rental income by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2022		2021	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**421**	**23.6**	370	19.8
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**473**	**26.5**	510	27.4
Americas	**311**	**17.4**	287	15.4
Europe	**363**	**20.4**	485	26.0
Middle East and Africa	**216**	**12.1**	213	11.4
	1,784	**100.0**	1,865	100.0

The lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 26.5% and United States of America accounted for 13.0% of the total lease rental income for the year ended 31 December 2022 (2021: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 27.4% and United States of America accounted for 12.2%). Other than as disclosed above, there was no other country concentration in excess of 10% of the total lease rental income in either 2022 or 2021.

43. Segmental analysis (cont'd)

(b) Net book value of aircraft

The distribution of net book value of aircraft by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2022		2021	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**4,654**	**24.4**	4,528	23.0
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**4,535**	**23.7**	4,813	24.5
Americas	**3,702**	**19.4**	3,254	16.6
Europe	**3,894**	**20.4**	4,768	24.3
Middle East and Africa	**2,319**	**12.1**	2,280	11.6
	19,104	**100.0**	19,643	100.0

Note: Off-lease aircraft are allocated to the region of the prospective operator if a lease commitment is in place, or to the region of the prior operator if no lease commitment is in place

The net book value of aircraft leased to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 23.7% (2021: 24.5%) and United States of America accounted for 14.3% (2021: 13.3%) of the total net book value as at 31 December 2022. Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value in either 2022 or 2021.

During the year ended 31 December 2022, the impairment loss recognised on aircraft leased to airline customers in Europe was US$792.9 million (2021: US$30.0 million), Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) was US$52.2 million (2021: US$88.9 million), Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was US$6.1 million (2021: US$12.3 million), Americas was US$4.8 million (2021: nil) and Middle East and Africa was nil (2021: US$14.6 million). During the year ended 31 December 2022, the reversal of impairment loss of US$12.3 million (2021: nil) was in respect of an engine of an aircraft previously leased to an airline customer in Europe.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors passed on 9 March 2023.