2023
INTERIM
REPORT

30 Years of Excellence

BOC AVIATION

BOC AVIATION LIMITED
中銀航空租賃有限公司*

(Incorporated in the Republic of Singapore with limited liability)

STOCK CODE: 2588

*For identification purpose only

INVESTING FOR
GROWTH

As we approach our Company's 30th anniversary, we are delighted to report a return to growth for the first half of 2023 with a net profit after tax (**NPAT**) of US$262 million and earnings per share of US$0.38. This compared with a net loss after tax of US$313 million and a loss per share of US$0.45 in 1H 2022. Core NPAT in 1H 2022 was US$206 million.

The Board of Directors has approved a distribution of US$0.1131 per share by way of interim dividend, which represents 30% of our NPAT and a 27% increase on the interim dividend of US$0.0889 per share paid for 1H 2022. This is the same proportion of NPAT that we have distributed as an interim dividend since 2017 and demonstrates the ongoing strength of the Company's cash flow and the growth evident in our underlying business.

A principal driver of our business is growth in total global passenger traffic, which was close to 2019 levels as at June 2023, reflecting significant activity in most of the world's major markets. According to the International Air Transport Association (**IATA**), not only has demand grown rapidly, up 47% in the first half of 2023 compared to 1H 2022, but load factor — a measure of the efficiency of aircraft utilisation — of 84% in June 2023 was at levels last seen in 2019, reflecting passenger demand. This is driving demand for new aircraft and lease extensions.

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FINANCIAL OVERVIEW

The following is our financial overview for the six months ended 30 June 2023:

- **Total revenues and other income of US$1,061 million**
- **Net profit after tax of US$262 million, compared with net loss after tax of US$313 million, or core net profit[1] after tax of US$206 million, in the first half of 2022**
- **Earnings per share of US$0.38 rose 27% compared with core earnings of US$0.30 per share in the first half of 2022**
- **Interim dividend of US$0.1131 per share compared with US$0.0889 per share for the first half of 2022**
- **Total assets rose 4% to US$22.9 billion as at 30 June 2023 compared with 31 December 2022, reflecting ongoing investments in aircraft**
- **Record first half operating cash flow net of interest of US$721 million**
- **Maintained strong liquidity with US$547 million in cash and short-term deposits[2] in addition to US$5.2 billion in undrawn committed credit facilities as at 30 June 2023**

[1] *Core net profit excludes the impact of the write-down of aircraft in Russia in 1H 2022.*
[2] *Includes encumbered cash and bank balances of US$8.2 million.*

Capitalised terms used but not defined in this interim report are found in pages 35 to 36.

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

FINANCIAL OVERVIEW

	Unaudited 6 months ended 30 June 2023 US$m	2022 US$m
Statement of Profit or Loss		
Revenues and other income	**1,061**	1,196
Costs and expenses	**(765)**	(1,543)[1]
Profit/(Loss) before income tax	**295**	(347)
Net profit/(loss) after income tax	**262**	(313)
Core net profit after tax	**262**	206[2]
Earnings/(Loss) per share (US$)[3]	**0.38**	(0.45)
Core earnings per share (US$)[4]	**0.38**	0.30[2]
	Unaudited 30 June 2023 US$m	Audited 31 December 2022 US$m
Statement of Financial Position		
Cash and short-term deposits[5]	**547**	397
Total current assets	**777**	845
Total non-current assets	**22,140**	21,226
Total assets	**22,918**	22,071
Total current liabilities	**3,958**	2,719
Total non-current liabilities	**13,602**	14,150
Total liabilities	**17,560**	16,869
Net assets	**5,358**	5,202
Financial Ratios		
Net assets per share (US$)[6]	**7.72**	7.50
Gross debt to equity (times)[7]	**3.0**	2.9
Net debt to equity (times)[8]	**2.9**	2.8

1 *Includes the impairment of aircraft in Russia in 1H 2022.*

2 *Excludes the impact of the write-down of aircraft in Russia in 1H 2022.*

3 *Earnings/(Loss) per share is calculated by dividing net profit/(loss) after tax by total number of shares outstanding at 30 June 2023 and 30 June 2022. Number of shares outstanding at 30 June 2023 and 30 June 2022 was 694,010,334.*

4 *Core earnings per share is calculated by dividing core net profit after tax by total number of shares outstanding at 30 June 2023 and 30 June 2022.*

5 *Includes encumbered cash and bank balances of US$8.2 million and US$5.0 million at 30 June 2023 and at 31 December 2022, respectively.*

6 *Net assets per share is calculated by dividing net assets by total number of shares outstanding at 30 June 2023 and 31 December 2022.*

7 *Gross debt to equity is calculated by dividing gross debt by total equity at 30 June 2023 and 31 December 2022.*

8 *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.*

PORTFOLIO AND OPERATIONAL OVERVIEW

Our operational overview as at 30 June 2023 included:

- **A portfolio of 652 aircraft owned, managed and on order[1]**
- **Owned fleet of 404 aircraft, with an average age of 4.7 years and an average remaining lease term of 8.0 years, each weighted by net book value[2]**
- **An orderbook of 213 aircraft scheduled for delivery through to end of 2029[1]**
- **Total new aircraft deliveries of 16 aircraft, including one acquired by an airline customer on delivery, in the first half of 2023**
- **Transitioned eight aircraft to airline customers**
- **Sold three aircraft from the owned fleet**
- **Signed 45 lease commitments in the first half of 2023, with all but five aircraft scheduled for delivery from our orderbook for 2023 placed with airline customers**
- **Customer base of 91 airlines in 42 countries and regions in the owned and managed fleet**
- **Owned aircraft utilisation at 99%**
- **Cash collection from airline customers of 101.8% in the first half of 2023 compared with 96.9% in the first half of 2022**
- **Managed fleet comprised 35 aircraft**

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

2 *Includes finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS16 (Leases).*

PORTFOLIO AND OPERATIONAL OVERVIEW

EXHIBIT 1: AIRCRAFT PORTFOLIO AT 30 JUNE 2023, BY NUMBER OF AIRCRAFT

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order[1]	Total
Airbus A220 family	5	0	0	5
Airbus A320CEO family	95	15	0	110
Airbus A320NEO family	94	0	120	214
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 737-8/9	55	0	88	143
Boeing 777-300ER	27	4	0	31
Boeing 787 family	28	1	5	34
Freighters	5	1	0	6
Total	**404**	**35**	**213**	**652**

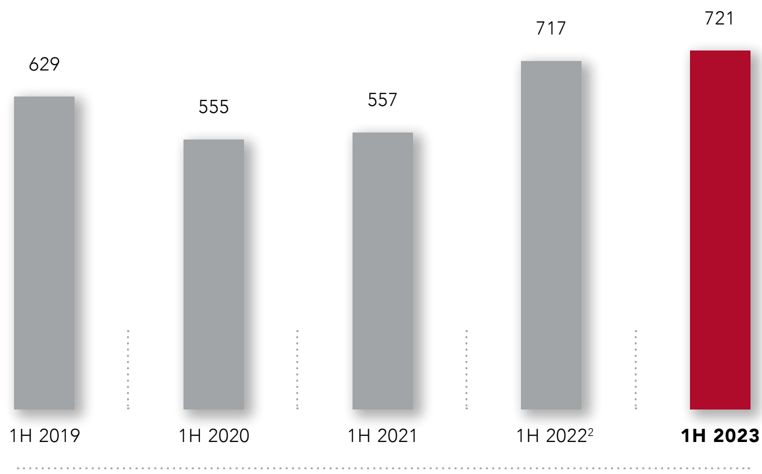
Subsequent to 30 June 2023, the Company committed to acquire 10 Airbus A320NEO aircraft under a finance lease transaction with InterGlobe Aviation Ltd and five Airbus A321NEO and five A220-300 aircraft under a finance lease transaction with JetBlue Airways Corporation. Please refer to the Company's announcements dated 23 August 2023 and 10 September 2023 respectively, on the Company's and the Stock Exchange's websites.

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

PORTFOLIO AND OPERATIONAL OVERVIEW

EXHIBIT 2: REVENUES AND OTHER INCOME BREAKDOWN, US$m

EXHIBIT 3: OPERATING CASH FLOW NET OF INTEREST[1], US$m



1 *Calculated as net cash flow from operating activities less finance expenses paid.*

2 *Included US$94 million of cash collaterals in respect of aircraft in Russia following the termination of leases with Russian airlines.*

PORTFOLIO AND OPERATIONAL OVERVIEW

EXHIBIT 4: NET PROFIT/(LOSS) AFTER TAX, US$m

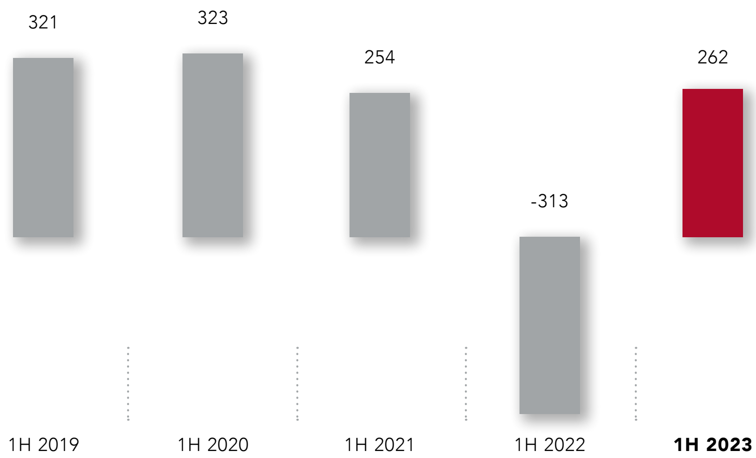
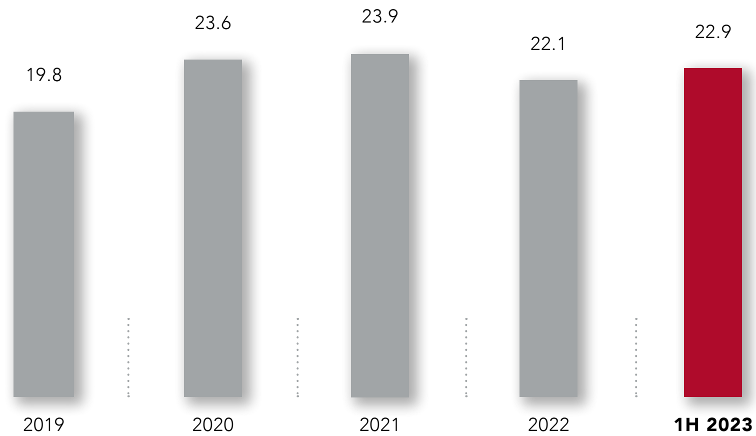


EXHIBIT 5: TOTAL ASSETS[1], US$b



[1] *All data as at the end of the relevant period.*

PORTFOLIO AND OPERATIONAL OVERVIEW

EXHIBIT 6: TOTAL EQUITY[1], US$b

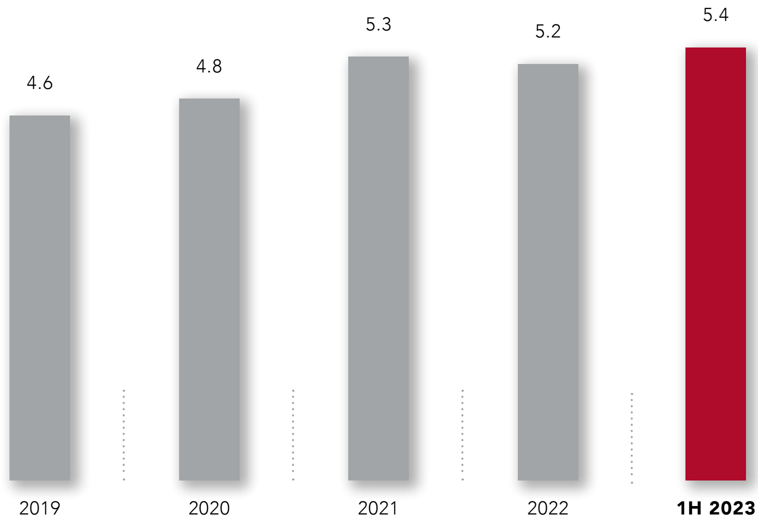
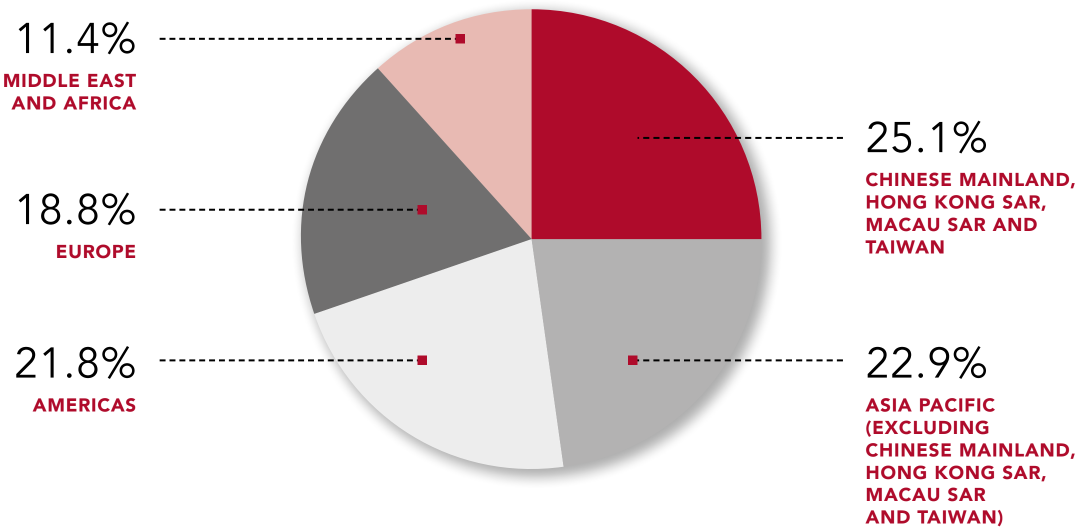


EXHIBIT 7: NET BOOK VALUE[2] OF AIRCRAFT BY REGION[3]



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

2 *Based on net book value of aircraft including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases).*

3 *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.*

PORTFOLIO AND OPERATIONAL OVERVIEW

EXHIBIT 8: LEASE EXPIRIES AS % OF PORTFOLIO[1]

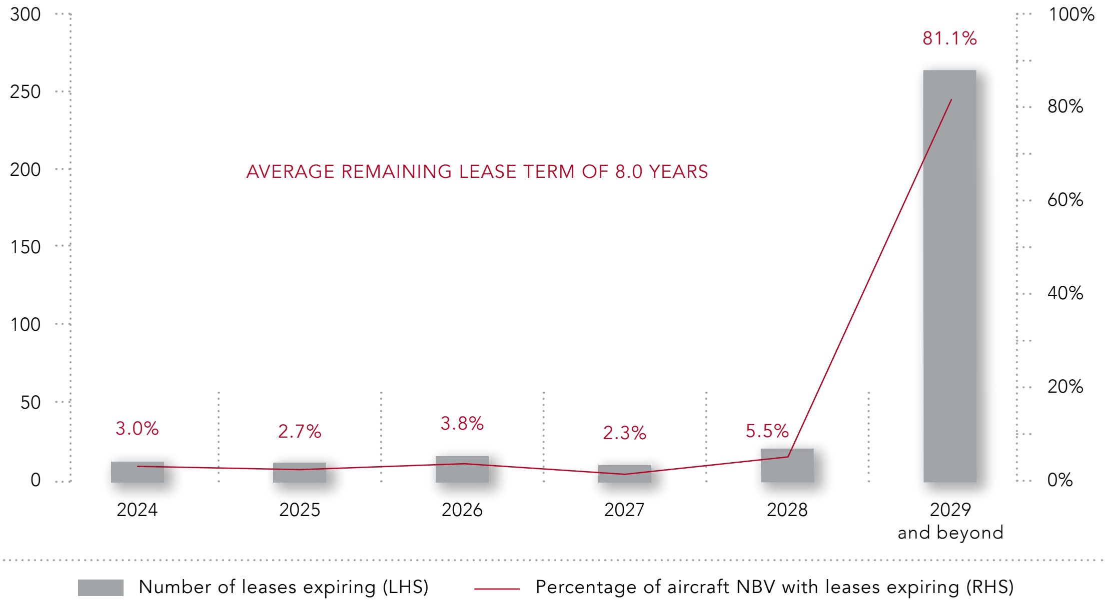
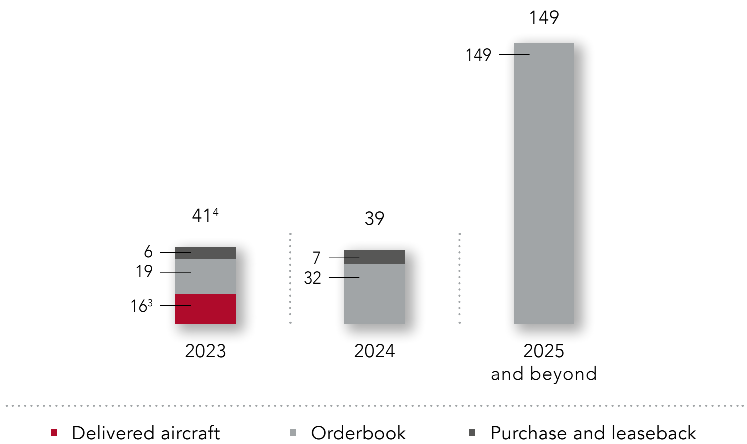


EXHIBIT 9: AIRCRAFT DELIVERIES BY NUMBER OF AIRCRAFT[2]



1 *Owned aircraft with leases expiring in each calendar year, weighted by net book value including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases), and excluding any aircraft for which the Company has sale, lease or lease extension commitments, and any off-lease aircraft.*

2 *Based on expected delivery dates as at 30 June 2023.*

3 *Aircraft delivered in 1H 2023, including one aircraft acquired by an airline customer on delivery.*

4 *Additional commitments to acquire 10 Airbus A320NEO, five Airbus A321NEO and five Airbus A220-300 aircraft were announced subsequent to 30 June 2023.*

HALF YEAR BUSINESS REVIEW

As we approach our Company's 30th anniversary, we are delighted to report a return to growth for the first half of 2023 with a net profit after tax (**NPAT**) of US$262 million and earnings per share of US$0.38. This compared with a net loss after tax of US$313 million and a loss per share of US$0.45 in 1H 2022. Core NPAT in 1H 2022 was US$206 million.

The Board of Directors has approved a distribution of US$0.1131 per share by way of interim dividend, which represents 30% of our NPAT and a 27% increase on the interim dividend of US$0.0889 per share paid for 1H 2022. This is the same proportion of NPAT that we have distributed as an interim dividend since 2017 and demonstrates the ongoing strength of the Company's cash flow and the growth evident in our underlying business.

A principal driver of our business is growth in total global passenger traffic, which was close to 2019 levels as at June 2023, reflecting significant activity in most of the world's major markets. According to the International Air Transport Association (**IATA**)[1], not only has traffic grown rapidly, up 47% in the first half of 2023 compared to 1H 2022, but load factor — a measure of the efficiency of aircraft utilisation — of 84% in June 2023 was at levels last seen in 2019, reflecting passenger demand. This is driving demand for new aircraft and lease extensions.

IATA expects airlines to generate record revenues in 2023 as fares remain high and as recovery in premium cabins exceeds that in economy class. It revised its airline industry profitability projections in June 2023, with US$9.8 billion now anticipated in 2023, more than double that anticipated six months earlier. Airline profits are expected to be ahead of 2022 in every market.

The rebound in airline profits and cash flows is powering demand for new aircraft and lease extensions, with delivery positions for the most popular narrowbody aircraft offered by the world's two largest manufacturers (Boeing and Airbus) sold out until the later part of this decade due to the record orderbooks for narrowbody aircraft.

Demand for used aircraft has been underpinned by rising passenger numbers as well as the slow progress being made by Boeing and Airbus in achieving previous production rates for new aircraft. Shortages of labour, parts and engines are all contributing to delivery delays that will continue to affect our and our airline customers' businesses for the immediate future. This is translating into rising valuations for new and existing aircraft, as well as underpinning a recovery in lease rates, especially for the modern, fuel-efficient models that make up our fleet.

During the first half of 2023, we added 15 aircraft to the fleet and ended the period with an owned fleet of 404 aircraft, which had a young average age of 4.7 years. We also committed to purchase a further 23 aircraft, lifting our orderbook to 213, the largest by value in our history, which will provide a major competitive advantage as we support global airline customer growth. We added 17 net aircraft delivery positions to 2023's orderbook alone increasing this to 41 from 24 in March 2023.

[1] *Air Passenger Market Analysis (June 2023).*

HALF YEAR BUSINESS REVIEW

In further evidence of rising airline demand, the number of our aircraft off-lease declined to only two single-aisle aircraft[1], one of which is committed for lease, from 17 at the end of June 2022. Moreover, in the same period, eight of the 15 aircraft with scheduled lease expiries this year have already been extended and the remaining seven have been committed for lease with new lessees.

Total revenues and other income were US$1.1 billion in 1H 2023. Adjusted for non-recurring income from the termination of leases in 1H 2022, this represented growth of 9% compared with 1H 2022. Operating lease income rose 7% to US$940 million, representing 89% of total revenues. Lease rate factor[2] rose to 9.8% from 9.1% in the first half of 2022. The effect of rising interest rates, however, resulted in net lease yield remaining level at 7%. Core lease rental contribution[3] was in line with 1H 2022 at US$279 million, also reflecting the effects of higher interest rates.

Interest and fee income of US$60 million was down 18% owing to lower fees from pre-delivery payment financing. Meanwhile, contributions from gains on the sale of aircraft of US$14 million were similar to last year.

Total costs dropped sharply in the first half of 2023, primarily because 1H 2022 included US$804 million in write-downs of aircraft net book value in Russia. Depreciation was flat during the period, lagging fleet growth, which occurred towards the end of 1H 2023. Interest expense increased as our debt levels increased and our average cost of funds rose to 3.9% from 2.9% in 1H 2022.

Aircraft impairment (unrelated to aircraft in Russia) declined by US$44 million to US$3.3 million. Impairment losses on financial assets also dropped, falling 42% to US$3.4 million.

Balance sheet growth resumed in 1H 2023, with total assets rising to US$22.9 billion from US$22.1 billion at the end of last year. This was led by the total book value of aircraft (owned fleet and finance lease receivables) returning to growth at US$20.2 billion compared with US$19.7 billion at the end of last year, as we took delivery of new aircraft. The current market value of our operating leased fleet, as assessed by our appraisers, now exceeds net book value by 5%, reflecting the broader rebound in aircraft values.

Trade receivables due from airline customers fell 26% to US$120 million compared to end 2022, as we continued to collect outstanding deferred amounts.

1 *Excludes 17 owned and one managed aircraft in Russia.*

2 *Lease rate factor is defined as annualised operating lease rental income divided by the average of aircraft net book value.*

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

HALF YEAR BUSINESS REVIEW

Robust airline cashflows stemming from the resurgence in passenger demand drove a continued improvement in our collection rate, which rose to 101.8% in 1H 2023 compared with 96.9% in the first half of 2022. Operating cash flow net of interest of US$721 million reflect a highly cash-generative business and was marginally ahead of the first half of last year, which benefitted from non-recurring cashflows associated with lease terminations.

We received strong funding support from the debt capital market, issuing US$1 billion of five- and ten-year notes during 1H 2023. Both issuances were over-subscribed by nine times and five times, respectively, for the ten-year and five-year notes. The spreads achieved for both issuances were the tightest amongst global lessors since January 2022. We were also active in the bank market, where we raised US$660 million in new funding.

With the new transactions that we concluded during 1H 2023, we have lifted committed capital expenditure for 2023 to US$2.2 billion from the US$1.5 billion when we announced our 2022 results in March 2023.

The appointment of Mr. Liu Jin as our new Chairman in April 2023 is an indication of our largest Shareholder's commitment to the Company. Mr. Liu currently serves as Vice Chairman of the Board of Directors and an Executive Director of Bank of China, as well as President of Bank of China. We welcomed our new Chief Operating Officer, Mr. Thomas Chandler. He was promoted to replace Mr. David Walton, who retired at the end of June 2023 and to whom we extend our thanks.

Our ESG activities demonstrated our commitment to our communities in 1H 2023, as we undertook nine CSR events, with participation by over 90 employees around the world. These included cleaning wheelchairs for the Red Cross, screen monitor donations to TOUCH Community Services and packing supplies for Food From The Heart in Singapore. We participated in a food distribution programme in New York, tidied streets in Tianjin and helped the homeless in London as well as donating US$10,000 to Airlink, which has been providing humanitarian aid following Turkey's earthquake in February.

For the sixth time since our initial public offering in 2016, we have been recognised as a "Most Honoured Company" in Institutional Investor's Asia Pacific (Ex-Japan) Executive Team annual survey of the investment community, reflecting our commitment to transparent and timely communications with our stakeholders.

BUSINESS OVERVIEW

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

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

From our inception to 30 June 2023, we have:

- **Recorded more than US$5.7 billion of cumulative NPAT**
- **Purchased and committed to purchase over 1,000 aircraft with an aggregate purchase price of around US$60 billion**
- **Executed more than 1,250 leases with over 190 airlines in 66 countries and regions**
- **Raised over US$40 billion in debt financing since 1 January 2007**
- **Sold over 400 owned and managed aircraft**
- **Transitioned more than 130 aircraft at lease end**
- **Repossessed and redeployed 65 aircraft, from customers based in 19 countries and regions**

As at 30 June 2023 our fleet comprised 439 owned and managed aircraft on lease to 91 customers in 42 countries and regions. We also had commitments to acquire 213 aircraft through to the end of 2029. All of our orderbook comprises the latest technology aircraft, principally single aisle A320NEO family and 737-8 aircraft. As at 30 June 2023, 71% of our owned portfolio was latest technology aircraft.

We benefit from a low average cost of debt, which was 3.9% during the first half of 2023 supported by our strong investment grade credit ratings, which were reaffirmed as A-/Stable outlook by both Fitch Ratings and S&P Global Ratings in June 2023, and by our access to diverse debt funding sources. Unsecured bonds and third-party commercial bank debt are our primary sources of debt funding. We enjoy strong and committed support from Bank of China, a top four global bank by total assets as at 30 June 2023[1]. Bank of China has provided us with a US$3.5 billion committed unsecured revolving credit facility which matures in December 2026, none of which was utilised as at 30 June 2023. Our cash and undrawn credit facilities gave us total available liquidity of US$5.7 billion as at 30 June 2023.

[1] *Sourced from Bloomberg, 30 June 2023.*

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

We recorded a net profit after tax of US$262 million for 1H 2023 compared with net loss after tax of US$313 million for the same period last year. Net profit after tax rose by 27.2% in 1H 2023 compared with 1H 2022 (when adjusted for the one-off after-tax impact of US$518 million on the write-down of aircraft in Russia in 2022), largely due to higher lease rental income partially offset by higher finance expenses.

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

	Unaudited			
	6 months ended 30 June			
	2023	2022	Change	Change
	US$'000	US$'000	US$'000	%
Lease rental income	**940,081**	876,788	63,293	7.2
Interest income from finance leases	**20,018**	20,466	(448)	(2.2)
Other interest and fee income	**40,476**	53,472	(12,996)	(24.3)
	1,000,575	950,726	49,849	5.2
Other sources of income:				
Net gain on sale of aircraft	**13,942**	13,126	816	6.2
Income arising from termination of leases	**–**	222,876	(222,876)	(100.0)
Other income	**46,236**	9,412	36,824	391.2
Total revenues and other income	**1,060,753**	1,196,140	(135,387)	(11.3)
Depreciation of property, plant and equipment	**393,142**	395,028	(1,886)	(0.5)
Impairment of aircraft	**3,300**	850,571	(847,271)	(99.6)
Finance expenses	**296,462**	228,548	67,914	29.7
Staff costs	**25,444**	26,270	(826)	(3.1)
Impairment losses on financial assets	**3,428**	5,918	(2,490)	(42.1)
Other operating costs and expenses	**43,702**	36,670	7,032	19.2
Total costs and expenses	**(765,478)**	(1,543,005)	(777,527)	(50.4)
Profit/(Loss) before income tax	**295,275**	(346,865)	642,140	185.1
Income tax (expense)/credit	**(33,720)**	34,317	68,037	198.3
Profit/(Loss) for the period	**261,555**	(312,548)	574,103	183.7

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUES AND OTHER INCOME

Our total revenues and other income decreased by 11.3% to US$1,061 million in 1H 2023 compared with US$1,196 million in 1H 2022. Included in total revenues and other income for 1H 2022 was income arising from termination of leases with Russian airlines of US$223 million. Excluding this income, total revenues and other income increased by 9.0% in 1H 2023 primarily due to increase in lease rental income and other income as described below.

LEASE RENTAL INCOME

Our lease rental income increased by 7.2% to US$940 million in 1H 2023 compared with US$877 million in 1H 2022. The growth of our fleet to 392 aircraft on operating lease as at 30 June 2023 compared with 384 aircraft as at 30 June 2022 was the main driver of the increase in lease rental income. During 1H 2023, we added nine aircraft on operating lease and sold three aircraft. The lease rental yield[1] for aircraft subject to operating leases was 9.8% for 1H 2023 compared with 9.1% for 1H 2022.

INTEREST INCOME FROM FINANCE LEASES

Our interest income from finance leases was US$20 million in 1H 2023, similar to 1H 2022. During 1H 2023, we added six aircraft on leases classified as finance leases.

The lease rental yield[2] for aircraft on leases classified as finance leases in accordance with IFRS 16 *(Leases)* was 6.2% for 1H 2023, similar to 1H 2022.

OTHER INTEREST AND FEE INCOME

Our other interest and fee income, mainly in respect of fees from pre-delivery payment transactions, and lease management and remarketing fee income, was US$40 million in 1H 2023 compared with US$53 million in 1H 2022. The decrease was primarily due to lower fees from pre-delivery payment transactions.

NET GAIN ON SALE OF AIRCRAFT

Net gain on sale of aircraft increased by 6.2% to US$14 million in 1H 2023 compared with US$13 million in 1H 2022 due to higher profit per aircraft from the sale of three aircraft in 1H 2023 compared with five aircraft in 1H 2022.

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

2 *Lease rental yield for finance leases is defined as the weighted effective interest rate per annum on finance lease receivables as at 30 June 2023 and 30 June 2022, respectively.*

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME ARISING FROM TERMINATION OF LEASES

Income arising from termination of leases was nil in 1H 2023 compared with US$223 million in 1H 2022, which arose from cash collateral held by us in respect of aircraft in Russia following the termination of leases with Russian airlines.

OTHER INCOME

Other income increased by 391.2% to US$46 million in 1H 2023 compared with US$9 million in 1H 2022 mainly due to tax rebates and the release to profit or loss of unutilised maintenance reserves collected under prior leases.

COSTS AND EXPENSES

The increase in costs and expenses by 3.5% to US$765 million in 1H 2023 from US$739 million in 1H 2022 (excluding the write-down of net book value of 17 aircraft in Russia of US$804 million in 1H 2022), was mainly due to higher finance expenses partially offset by lower aircraft impairment as described below.

IMPAIRMENT OF AIRCRAFT

Impairment of aircraft decreased to US$3 million in 1H 2023 for four aircraft compared with US$47 million in 1H 2022 for eight aircraft (excluding the write-down of 17 aircraft in Russia), where the recoverable value for each affected aircraft was assessed to be lower than its net book value.

FINANCE EXPENSES

Finance expenses increased by 29.7% to US$296 million in 1H 2023 from US$229 million in 1H 2022 mainly due to a higher cost of debt of 3.9% per annum in 1H 2023 compared with 2.9% per annum in 1H 2022, partially offset by a 6.2% decrease in our average total indebtedness of US$15.5 billion in 1H 2023 compared with US$16.5 billion in 1H 2022.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Impairment losses on financial assets of US$3 million in 1H 2023 decreased by 42.1% from US$6 million in 1H 2022 mainly due to improvement in cash collections from lessees.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER OPERATING COSTS AND EXPENSES

Other operating costs and expenses mainly comprise amortisation of deferred debt issue costs, repossession and transition costs, general and administration costs, taxes (other than income tax expense) and professional fees. The increase in these costs of 19.2% to US$44 million in 1H 2023 from US$37 million in 1H 2022 was mainly due to an increase in professional fees.

PROFIT/(LOSS) BEFORE INCOME TAX AND PRE-TAX PROFIT/(LOSS) MARGIN

We recorded a profit before income tax of US$295 million in 1H 2023 compared with a loss before income tax of US$347 million in 1H 2022. Our pre-tax profit margin was 27.8% in 1H 2023 compared with a pre-tax loss margin of 29.0% in 1H 2022.

INCOME TAX (EXPENSE)/CREDIT

In 1H 2023, we recorded an income tax expense of US$34 million compared with a tax credit of US$34 million in 1H 2022. Our effective tax rate was 11.4% and 9.9% in 1H 2023 and 1H 2022, respectively. The income tax credit and lower effective tax rate in 1H 2022 was primarily a result of the impact of the asset write-down and income arising from the termination of leases with Russian airlines in 1H 2022.

PROFIT/(LOSS) FOR THE PERIOD

As a result of the foregoing, we recorded a profit after tax in 1H 2023 of US$262 million compared with a loss after tax of US$313 million in 1H 2022.

Since the publication of our audited financial statements for the year ended 31 December 2022 on 9 March 2023, there have been no material changes to our business.

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 3.8% to US$22.9 billion as at 30 June 2023 from US$22.1 billion as at 31 December 2022. Our total equity increased by 3.0% to US$5.4 billion as at 30 June 2023 compared with US$5.2 billion as at 31 December 2022.

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

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000	Change US$'000	Change %
Property, plant and equipment	**21,115,218**	20,628,570	486,648	2.4
Finance lease receivables	**873,662**	643,103	230,559	35.9
Trade receivables	**120,348**	163,267	(42,919)	(26.3)
Cash and short-term deposits	**547,416**	396,866	150,550	37.9
Derivative financial instruments	**37,276**	23,291	13,985	60.0
Other assets	**223,614**	216,278	7,336	3.4
Total assets	**22,917,534**	22,071,375	846,159	3.8
Loans and borrowings	**15,779,389**	15,121,665	657,724	4.3
Maintenance reserves	**666,438**	645,116	21,322	3.3
Security deposits and non-current deferred income	**224,566**	218,613	5,953	2.7
Derivative financial instruments	**22,154**	19,949	2,205	11.1
Trade and other payables	**147,964**	146,398	1,566	1.1
Deferred income tax liabilities	**588,918**	557,596	31,322	5.6
Other liabilities	**130,500**	159,939	(29,439)	(18.4)
Total liabilities	**17,559,929**	16,869,276	690,653	4.1
Net assets	**5,357,605**	5,202,099	155,506	3.0
Share capital	**1,157,791**	1,157,791	–	–
Retained earnings	**4,158,580**	4,020,130	138,450	3.4
Statutory reserves	**1,178**	913	265	29.0
Share-based compensation reserves	**11,326**	8,053	3,273	40.6
Hedging reserves	**28,730**	15,212	13,518	88.9
Total equity	**5,357,605**	5,202,099	155,506	3.0

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY, PLANT AND EQUIPMENT

We had property, plant and equipment of US$21.1 billion as at 30 June 2023, which increased by 2.4% from US$20.6 billion as at 31 December 2022 mainly due to the net addition of six aircraft on operating leases in 1H 2023. Aircraft constituted the largest component, amounting to US$19.3 billion and US$19.1 billion as at 30 June 2023 and 31 December 2022, respectively.

FINANCE LEASE RECEIVABLES

Finance lease receivables of US$874 million as at 30 June 2023 increased by 35.9% from US$643 million as at 31 December 2022 due to the addition of six aircraft on leases classified as finance leases in accordance with IFRS 16 *(Leases)*.

TRADE RECEIVABLES

Trade receivables decreased by 26.3% to US$120 million as at 30 June 2023 from US$163 million as at 31 December 2022 mainly due to improvement in cash collections from lessees. As at 30 June 2023, net of an allowance of US$12 million for expected credit losses, we had trade receivables of US$105 million which were contractually deferred by mutual agreement, not overdue and generally interest bearing, and an amount of US$15 million which 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, increased to US$547 million as at 30 June 2023 from US$397 million as at 31 December 2022. The increase in cash and short-term deposits was mainly due to net cash inflows from operating activities, financing activities and proceeds from sale of property, plant and equipment being greater than cash outflows from capital expenditure during 1H 2023.

DERIVATIVE FINANCIAL INSTRUMENTS

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, which were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we contracted as at 30 June 2023 and 31 December 2022, respectively. Under assets, our derivative financial instruments increased to US$37 million as at 30 June 2023 from US$23 million as at 31 December 2022. Under liabilities, our derivative financial instruments increased to US$22 million as at 30 June 2023 from US$20 million as at 31 December 2022. The movements in derivative financial assets and liabilities were primarily due to changes in marked-to-market values of the derivative financial instruments as a result of higher USD interest rates and an increase in interest rate swap contracts entered into by the Group in 1H 2023. Accordingly, the unrealised gain in the hedging reserve increased to US$29 million as at 30 June 2023 from US$15 million as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

LOANS AND BORROWINGS

Our loans and borrowings increased by 4.3% to US$15.8 billion as at 30 June 2023 from US$15.1 billion as at 31 December 2022 mainly due to the issuance of US$1 billion of notes under our Global Medium Term Note Program and the utilisation of US$625 million in term loans. This was partially offset by repayment and prepayment of US$962 million in term loans, revolving credit facilities and medium term notes in 1H 2023.

MAINTENANCE RESERVES

Our maintenance reserves increased to US$666 million as at 30 June 2023 from US$645 million as at 31 December 2022 primarily due to the contributions from lessees arising from increased utilisation of aircraft leased with cash maintenance reserves.

DEFERRED INCOME TAX LIABILITIES

Our deferred income tax liabilities increased by 5.6% to US$589 million as at 30 June 2023 from US$558 million as at 31 December 2022 due to additional deferred tax provisions made on the Group's 1H 2023 profits.

OTHER LIABILITIES

The decrease in other liabilities by 18.4% to US$131 million as at 30 June 2023 from US$160 million as at 31 December 2022 was mainly due to a decrease in deferred income relating to advance receipts for lease income.

TOTAL EQUITY

Total equity increased to US$5.4 billion as at 30 June 2023, compared with US$5.2 billion as at 31 December 2022. The increase in total equity was mainly attributable to profit for the period, partially offset by payment of dividends amounting to US$123 million.

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 disclosed in Note 23 to the interim condensed consolidated financial statements as set out in the Appendix (Interim Financial Statements) hereto, the Company had no material contingent liabilities as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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 have historically provided a significant portion of the liquidity for these investments. Operating cash flow net of interest paid was US$721 million in the first six months of 2023 compared with US$717 million in 1H 2022.

In the first half of 2023, we raised US$1.7 billion of debt including issuing US$1 billion of notes under our Global Medium Term Note Program and US$660 million from new bank facilities. We utilised US$625 million under term loan facilities, including US$225 million which was raised in the previous years. We also had US$490 million utilised under our revolving credit facilities as at 30 June 2023 compared with US$735 million of utilisation under these facilities as at 31 December 2022. Our liquidity remains strong, with cash and short-term deposits of US$547 million[1] and US$5.2 billion in undrawn committed credit facilities as at 30 June 2023.

[1] *Includes encumbered cash and bank balances of US$8.2 million.*

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

Our gearing as at 30 June 2023 compared with 31 December 2022 increased as set out in the table below.

	30 June 2023 US$m	31 December 2022 US$m
Gross debt	**15,861**	15,197
Net debt	**15,314**	14,800
Total equity	**5,358**	5,202
Gross debt to equity (times)	**3.0**	2.9
Net debt to equity (times)	**2.9**	2.8

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.

MANAGEMENT DISCUSSION AND ANALYSIS

A description of our indebtedness is set out below:

	30 June 2023 US$m	31 December 2022 US$m
Secured		
Term loans	**68**	140
Export credit agency supported financing	**39**	83
Total secured debt	**107**	223
Unsecured		
Term loans	**4,815**	4,240
Revolving credit facilities	**490**	735
Medium term notes	**10,449**	9,999
Total unsecured debt	**15,754**	14,974
Total indebtedness	**15,861**	15,197
Less: deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes	**(82)**	(75)
Total debt	**15,779**	15,122
Number of aircraft pledged as security	**7**	14
Net book value of aircraft pledged as security	**394**	688
Number of unencumbered aircraft[1]	**385**	372
Net book value of unencumbered aircraft	**18,931**	18,416

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$11.6 billion as at 30 June 2023 compared with US$10.2 billion as at 31 December 2022.

1 *Excludes aircraft on leases classified as finance leases.*

MANAGEMENT DISCUSSION AND ANALYSIS

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 at 30 June 2023 represents less than 1% of total indebtedness.

As at 30 June 2023, our debt repayment profile was as follows:

DEBT REPAYMENT PROFILE

	30 June 2023
	US$b
2H 2023	**1.4**
2024	**3.1**
2025	**3.6**
2026 and beyond	**7.8**
Total	**15.9**

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 pay US Dollar to the counterparties.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS

Our estimated cash outflows based on aircraft capital expenditure commitments as at 30 June 2023 are set out below:

	30 June 2023 US$b
2H 2023	**1.0**
2024	**1.8**
2025	**0.9**
2026 and beyond	**7.3**
Total	**11.0**

The table above is based on estimated contractual capital expenditure commitments as at 30 June 2023 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 period include anticipated escalation and are net of advance payments made before 30 June 2023.

SOURCES OF FUNDING

Our aircraft purchase commitments as at 30 June 2023 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 48 financial institutions. As at 30 June 2023, we have US$5.2 billion in undrawn committed unsecured credit facilities including a US$3.5 billion facility from Bank of China which matures in December 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 30 June 2023 and 30 June 2022, we had 195 and 187 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 regularly 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. Employee bonuses in respect of financial years from 2022 to 2025 (inclusive) comprise two incentive plans as follows: (i) our short-term incentive plan which is cash-based, 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 Restricted Share Units (RSUs), fulfilled through the purchase of Shares in the secondary market by a 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 trustee to the employee. As at 30 June 2023, the unvested long-term incentives include grants from financial years 2020 to 2022, which comprise a mix of cash-based and share-based elements. Each RSU award is amortised over the vesting period of approximately three to four years commencing from the date of grant.

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

For the six months ended 30 June 2023 and 30 June 2022, our staff costs were US$25 million and US$26 million, respectively, representing approximately 2.4% and 2.2% of the Group's total revenues and other income for each period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2023, there was no material acquisition or disposal of subsidiaries and affiliated companies by the Company.

GENERAL INFORMATION

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.

INTERIM DIVIDEND

Consistent with the dividend policy, the Directors have declared an interim dividend of US$0.1131 per Share for the six months ended 30 June 2023. The interim dividend will be paid in Hong Kong Dollar (converted from US Dollar at the prevailing market rate at least one week before the payment date) on 12 October 2023 to Shareholders registered at the close of business on the record date, being 29 September 2023. This declared interim dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

The register of members will be closed from 27 September 2023 to 29 September 2023 (both dates inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's 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, for registration not later than 4:30 p.m. on 26 September 2023.

GENERAL INFORMATION

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2023, 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	Long Position	485,807,334 (Ordinary)	70
BOC	Interest of controlled corporation	Long Position	485,807,334 (Ordinary)	70
BOCGI	Interest of controlled corporation	Long Position	485,807,334 (Ordinary)	70
Sky Splendor Limited	Beneficial owner	Long Position	485,807,334 (Ordinary)	70
Pandanus Associates Inc.	Interest of controlled corporation	Long Position	69,374,900 (Ordinary)	9.99
Pandanus Partners L.P.	Interest of controlled corporation	Long Position	69,374,900 (Ordinary)	9.99
FIL Limited	Beneficial owner/ Interest of controlled corporation	Long Position	69,374,900 (Ordinary)	9.99
Fidelity Funds	Beneficial owner	Long Position	34,994,472 (Ordinary)	5.04
Brown Brothers Harriman & Co.	Lending agent	Long Position	34,781,956 (Ordinary)	5.01

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 has interest in 69,374,900 Shares.*
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 69,374,900 Shares held by its controlled corporations for the purpose of the SFO.*
7. *Brown Brothers Harriman & Co. is an approved lending agent under the Hong Kong Securities and Futures Commission (SFC). The 34,781,956 Shares were held in a lending pool in its capacity as an approved lending agent.*

GENERAL INFORMATION

Save as disclosed on page 28 and so far as the Directors are aware as at 30 June 2023, no other persons or corporations had 5% or more interests or short positions in the Shares or underlying shares of the Company which were recorded in the register maintained by the Company under section 336 of the SFO.

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

As at 30 June 2023, 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 as at 30 June 2023 were as follows:

LONG POSITION (ORDINARY SHARES)

Name of Director	Number of underlying Shares held under equity derivatives (Note)	Approximate percentage of total issued share capital (%)
Mr. Robert James MARTIN	946,051	0.14
Mdm. ZHANG Xiaolu	187,796	0.03

Note: *As at 30 June 2023, Mr. Martin had a beneficial interest in a total of 946,051 Shares, which included 329,808 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan. Mdm. Zhang had a beneficial interest in a total of 187,796 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 30 June 2023.

GENERAL INFORMATION

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. A 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 17.12 of the Listing Rules.

GENERAL INFORMATION

During the six months ended 30 June 2023, the Company granted awards under the RSU Plan on 9 June 2023. For more information on the grant of awards under the RSU Plan on 9 June 2023, please refer to the Company's announcement dated 9 June 2023 on the websites of the Stock Exchange and the Company. In addition, certain awards under the first RSU Plan vested or lapsed during the period in accordance with the terms thereof, whilst no awards were cancelled during the period. Details are set out below:

	Unvested RSUs as at 1 January 2023[1]		RSUs granted during the six months ended 30 June 2023[1]		Number of RSUs vested during the six months ended 30 June 2023[1,3]	Number of RSUs cancelled during the six months ended 30 June 2023	Number of RSUs lapsed during the six months ended 30 June 2023	Unvested RSUs as at 30 June 2023[1]	
	Number	Date of grant	Number	Date of grant[2]				Number	Date of grant
Mr. Robert James Martin	185,433	Note A	144,375	9 June 2023	Nil	Nil	Nil	329,808	Note B
Mdm. Zhang Xiaolu	110,606	Note A	77,190	9 June 2023	Nil	Nil	Nil	187,796	Note B
Five highest paid individuals	620,250	Note A	481,331	9 June 2023	Nil	Nil	Nil	1,101,581	Note B
Other grantees	1,204,256	Note A	1,163,320	9 June 2023	32,414	Nil	14,658	2,320,504	Note B

Notes:

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 8 June 2023, the day preceding the date of grant, was HK$62.60. The fair value of each RSU award at the date of grant was HK$60.40, as determined by the average market price at which the shares of the Company were purchased from the secondary market by a trustee.*
3. *The closing price of the Company's Shares on 20 January 2023, the day preceding the vesting date, was HK$67.05.*

A: *Granted on 7 May 2021 and 18 May 2022, as applicable.*

B: *Granted on 7 May 2021, 18 May 2022 and 9 June 2023, as applicable.*

GENERAL INFORMATION

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 annual report dated 28 April 2023, up to 18 September 2023 (being the approval date of this interim report) is set out below:

EXPERIENCE INCLUDING OTHER DIRECTORSHIPS

Mr. Dong Zonglin, a Non-executive Director of the Company, was appointed as the General Manager of the Financial Management Department of Bank of China with effect from 23 April 2023, as announced by Bank of China and notified to the Company in May 2023.

Dr. Yeung Yin Bernard, an Independent Non-executive Director of the Company, retired from the National University of Singapore Business School effective 30 June 2023. He is the Emeritus President of the Asian Bureau of Finance and Economics Research and Emeritus Professor of the NUS Business School, effective 1 July 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors and two non-executive Directors. It is chaired by Mr. Dai Deming. The other members are Mdm. Chen Jing, Mr. Dong Zonglin, Mr. Fu Shula and Mr. Antony Nigel Tyler.

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

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

GENERAL INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. During the six months ended 30 June 2023, the Company was in full compliance with all code provisions of the Corporate Governance Code as contained in Part 2 of Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established and implemented a Dealing Policy on terms no less exacting than the Model Code to govern the Directors' securities transactions of the Company. In this connection, the Company had made specific enquiry of all Directors, who confirmed that they had strictly complied with the provisions set out in both the Dealing Policy and the Model Code throughout the six months ended 30 June 2023.

FORWARD-LOOKING STATEMENTS

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

INTERIM REPORT

This interim report is available in both English and Chinese. A copy prepared in the language different from that which you have received is available by writing to the Company's 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 or email to bocaviation.ecom@computershare.com.hk. This interim report is also available (in both English and Chinese) on the Company's website at www.bocaviation.com and the Stock Exchange's website at www.hkexnews.hk. You are encouraged to access the interim report and other corporate communications of the Company through these websites in lieu of receiving printed copies to help protect the environment. We believe that it is also the most efficient and convenient method of communication with our shareholders.

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

CORPORATE INFORMATION

As at 18 September 2023

BOARD OF DIRECTORS

Chairman
LIU Jin*

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

Chief Operating Officer
Thomas CHANDLER

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

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

COMPANY SECRETARY

LIM Zi Yuan

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

TERMS	MEANINGS
"1H 2022"	The six months ended 30 June 2022
"1H 2023"	The six months ended 30 June 2023
"Airbus"	Airbus S.A.S., a societe par actions simplifiee duly created and existing under French law
"Board"	The board of Directors of the Company
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-share and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules
"BOCGI"	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, and a wholly-owned subsidiary of BOC, a controlling shareholder of the Company and a connected person of the Company under the Listing Rules
"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
"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 businesses
"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

DEFINITIONS

"Group"	The Company together with its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"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
"Operating cash flow net of interest"	Net cash flow from operating activities less finance expenses paid
"RSU"	A restricted share unit, which is a contingent right to receive Shares, awarded pursuant to the RSU Plan
"RSU Plan"	The BOC Aviation Limited Restricted Share Unit Long Term Incentive Plan
"Senior Management"	Managing Director and Chief Executive Officer, Vice Chairman and Deputy Managing Director, Deputy Managing Director and Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer (Asia Pacific and the Middle East) and Chief Commercial Officer (Europe, Americas and Africa)
"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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2023 to 30 June 2023

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF BOC AVIATION LIMITED

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of BOC Aviation Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting* ("SFRS(I) 1-34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review. This report, including our conclusion, has been prepared solely for the Company in accordance with the contract between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 17 August 2023

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2023 to 30 June 2023

	Note	**Unaudited 1 January 2023 to 30 June 2023 US$'000**	Unaudited 1 January 2022 to 30 June 2022 US$'000
Revenues and other income			
Lease rental income	28(a)	**940,081**	876,788
Interest income from finance leases		**20,018**	20,466
Other interest and fee income	3	**40,476**	53,472
		1,000,575	950,726
Other sources of income:			
Net gain on sale of aircraft	4	**13,942**	13,126
Income arising from termination of leases*		**–**	222,876
Other income	5	**46,236**	9,412
		1,060,753	1,196,140
Costs and expenses			
Depreciation of property, plant and equipment		**393,142**	395,028
Finance expenses	6	**296,462**	228,548
Amortisation of deferred debt issue costs		**10,498**	12,822
Staff costs	7	**25,444**	26,270
Marketing and travelling expenses		**3,119**	2,416
Impairment of aircraft^		**3,300**	850,571
Impairment losses on financial assets		**3,428**	5,918
Other operating expenses		**30,085**	21,432
		(765,478)	(1,543,005)
Profit/(Loss) before income tax		**295,275**	(346,865)
Income tax (expense)/credit	8	**(33,720)**	34,317
Profit/(Loss) for the period attributable to owners of the Company		**261,555**	(312,548)
Earnings/(Loss) per share attributable to owners of the Company:			
Basic earnings/(loss) per share (US$)	27	**0.38**	(0.45)
Diluted earnings/(loss) per share (US$)	27	**0.38**	(0.45)

** Income arising from termination of leases for 2022 was in respect of termination of leases of 17 aircraft with Russian airlines.*
^ Impairment of aircraft for 2022 includes asset write-down of US$803.6 million in respect of the net book value of 17 aircraft in Russia.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2023 to 30 June 2023

	Unaudited 1 January 2023 to 30 June 2023 US$'000	Unaudited 1 January 2022 to 30 June 2022 US$'000
Profit/(Loss) for the period	**261,555**	(312,548)
Other comprehensive income for the period, net of tax:		
Items that may be reclassified subsequently to statement of profit or loss:		
Effective portion of changes in fair value of cash flow hedges, net of tax	**26,229**	48,612
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	**(12,711)**	33,941
Total comprehensive income/(loss) for the period attributable to owners of the Company	**275,073**	(229,995)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	**Unaudited 30 June 2023 US$'000**	Audited 31 December 2022 US$'000
Non-current assets			
Property, plant and equipment	9	**21,115,218**	20,628,570
Derivative financial instruments	17	**30,629**	12,567
Finance lease receivables	22(b)	**839,046**	413,194
Trade receivables	10	**88,312**	98,334
Other receivables	11	**43,930**	62,298
Deferred income tax assets	18	**193**	159
Other non-current assets		**22,771**	11,045
		22,140,099	21,226,167
Current assets			
Trade receivables	10	**32,036**	64,933
Prepayments		**7,616**	1,469
Derivative financial instruments	17	**6,647**	10,724
Finance lease receivables	22(b)	**34,616**	229,909
Other receivables	11	**140,602**	132,765
Income tax receivables		**624**	664
Short-term deposits	12	**460,411**	306,707
Cash and bank balances	12	**87,005**	90,159
Other current assets		**7,878**	7,878
		777,435	845,208
Total assets		**22,917,534**	22,071,375
Current liabilities			
Derivative financial instruments	17	**8,239**	–
Trade and other payables	14	**147,964**	146,398
Deferred income	15	**104,385**	123,856
Income tax payables		**594**	1,328
Loans and borrowings	16	**3,666,535**	2,420,180
Lease liabilities		**2,484**	2,516
Security deposits		**24,263**	24,798
Other current liabilities		**3,157**	–
		3,957,621	2,719,076
Net current liabilities		**(3,180,186)**	(1,873,868)
Total assets less current liabilities		**18,959,913**	19,352,299

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

As at 30 June 2023

	Note	**Unaudited 30 June 2023 US$'000**	Audited 31 December 2022 US$'000
Non-current liabilities			
Derivative financial instruments	17	**13,915**	19,949
Loans and borrowings	16	**12,112,854**	12,701,485
Lease liabilities		**13,002**	14,138
Security deposits		**148,224**	148,121
Deferred income	15	**52,079**	45,694
Maintenance reserves		**666,438**	645,116
Deferred income tax liabilities	18	**588,918**	557,596
Other non-current liabilities		**6,878**	18,101
		13,602,308	14,150,200
Total liabilities		**17,559,929**	16,869,276
Net assets		**5,357,605**	5,202,099
Equity attributable to owners of the Company			
Share capital	19	**1,157,791**	1,157,791
Retained earnings		**4,158,580**	4,020,130
Statutory reserves		**1,178**	913
Share-based compensation reserves		**11,326**	8,053
Hedging reserves	20	**28,730**	15,212
Total equity		**5,357,605**	5,202,099
Total equity and liabilities		**22,917,534**	22,071,375

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2023 to 30 June 2023

		Attributable to owners of the Company					
	Note	**Share capital US$'000**	**Retained earnings US$'000**	**Statutory reserves* US$'000**	**Share-based compensation reserves US$'000**	**Hedging reserves US$'000**	**Total equity US$'000**
Unaudited 2023							
At 1 January 2023		**1,157,791**	**4,020,130**	**913**	**8,053**	**15,212**	**5,202,099**
Profit for the period		**–**	**261,555**	**–**	**–**	**–**	**261,555**
Transfers to statutory reserves		**–**	**(265)**	**265**	**–**	**–**	**–**
Other comprehensive income for the period, net of tax	20	**–**	**–**	**–**	**–**	**13,518**	**13,518**
Total comprehensive income for the period		**–**	**261,290**	**265**	**–**	**13,518**	**275,073**
Transactions with owners of the Company:							
Dividends	21	**–**	**(122,840)**	**–**	**–**	**–**	**(122,840)**
Amortisation of share-based compensation	7	**–**	**–**	**–**	**3,273**	**–**	**3,273**
At 30 June 2023		**1,157,791**	**4,158,580**	**1,178**	**11,326**	**28,730**	**5,357,605**
Unaudited 2022							
At 1 January 2022		1,157,791	4,182,119	834	9,766	(84,596)	5,265,914
Loss for the period		–	(312,548)	–	–	–	(312,548)
Transfers to statutory reserves		–	(78)	78	–	–	–
Other comprehensive income for the period, net of tax		–	–	–	–	82,553	82,553
Total comprehensive (loss)/income for the period		–	(312,626)	78	–	82,553	(229,995)
Transactions with owners of the Company:							
Dividends	21	–	(120,272)	–	–	–	(120,272)
Amortisation of share-based compensation	7	–	–	–	4,286	–	4,286
At 30 June 2022		1,157,791	3,749,221	912	14,052	(2,043)	4,919,933

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2023 to 30 June 2023

	Note	**Unaudited 1 January 2023 to 30 June 2023 US$'000**	Unaudited 1 January 2022 to 30 June 2022 US$'000
Cash flows from operating activities:			
Profit/(Loss) before income tax		**295,275**	(346,865)
Adjustments for:			
Depreciation of property, plant and equipment		**393,142**	395,028
Impairment of aircraft		**3,300**	850,571
Amortisation of deferred debt issue costs		**10,498**	12,822
Amortisation of share-based compensation	7	**3,273**	4,286
Interest income from finance leases		**(20,018)**	(20,466)
Other interest and fee income	3	**(40,476)**	(53,472)
Net gain on sale of aircraft	4	**(13,942)**	(13,126)
Finance expenses	6	**296,462**	228,548
Income arising from termination of lease		**–**	(222,876)
Impairment losses on financial assets		**3,428**	5,918
Other income		**(37,175)**	–
Operating profit before working capital changes		**893,767**	840,368
Decrease/(Increase) in receivables		**43,527**	(52,792)
Decrease in payables		**(13,890)**	(64,589)
Increase in maintenance reserves, net		**58,497**	84,528
Decrease in deferred income		**(13,313)**	(17,618)
Cash generated from operations		**968,588**	789,897
Security deposits (paid)/received, net		**(205)**	87,202
Lease transaction closing costs paid		**(55)**	(69)
Income tax paid, net		**(4,941)**	(4,801)
Interest and fee income received		**60,626**	73,940
Net cash flows from operating activities		**1,024,013**	946,169
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(974,775)**	(607,091)
Purchase of aircraft classified as finance lease		**(242,000)**	–
Proceeds from sale of property, plant and equipment	4	**108,081**	405,475
Refund of pre-delivery payment by airlines		**15,037**	91,835
Net cash flows used in investing activities		**(1,093,657)**	(109,781)

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

For the period from 1 January 2023 to 30 June 2023

	Note	**Unaudited 1 January 2023 to 30 June 2023 US$'000**	Unaudited 1 January 2022 to 30 June 2022 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**1,625,000**	1,185,000
Repayment of loans and borrowings		**(717,264)**	(780,415)
Decrease in borrowings from revolving credit facilities, net		**(245,000)**	(920,000)
Repayment of lease liabilities		**(1,882)**	(1,454)
Finance expenses paid		**(302,637)**	(229,323)
Debt issue costs paid		**(15,183)**	(1,993)
Dividends paid	21	**(122,840)**	(120,272)
Increase in cash and bank balances – encumbered		**(3,264)**	(2,008)
Net cash flows from/(used in) financing activities		**216,930**	(870,465)
Net increase/(decrease) in cash and cash equivalents		**147,286**	(34,077)
Cash and cash equivalents at 1 January		**391,913**	484,885
Cash and cash equivalents at 30 June		**539,199**	450,808

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

1. Corporate information

BOC Aviation Limited (the "Company") is a public company limited by shares and is listed on the main board of The Stock Exchange of Hong Kong Limited. The Company's majority shareholder is Sky Splendor Limited, which is incorporated in the Cayman Islands. 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.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

As at 30 June 2023, the Group's current liabilities exceeded its current assets by US$3,180.2 million (31 December 2022: US$1,873.9 million). The interim financial statements have been prepared on a going concern basis as the 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 of the Group are 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. Accordingly, the interim financial statements of the Group have been prepared in accordance with both International Accounting Standard 34 *Interim Financial Reporting* and SFRS(I) 1-34 *Interim Financial Reporting*.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2022.

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

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

2.2 Changes in significant accounting policies

The significant accounting policies adopted are consistent with those of the previous financial year which are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2022, except for the adoption of new and revised standards effective for annual periods beginning on or after 1 January 2023.

In the United Kingdom, Finance (No.2) Act 2023 was substantively enacted on 20 June 2023 and subsequently passed into law on 11 July 2023, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for financial years beginning on or after 31 December 2023. The Group has applied the exception under Amendments to IAS 12/SFRS(I) 1-12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

Accordingly, the adoption of these new and revised standards did not have any material impact on the interim financial statements of the Group.

3. Other interest and fee income

	Unaudited 1 January 2023 to 30 June 2023	Unaudited 1 January 2022 to 30 June 2022
	US$'000	US$'000
Fee income from aircraft pre-delivery payments	**27,871**	45,923
Interest income from deferred payments	**1,864**	2,513
Interest income from short-term deposits and bank balances	**5,503**	373
Lease management and remarketing fee income	**1,584**	1,741
Others	**3,654**	2,922
	40,476	53,472

4. Net gain on sale of aircraft

	Unaudited 1 January 2023 to 30 June 2023	Unaudited 1 January 2022 to 30 June 2022
	US$'000	US$'000
Proceeds from sale of aircraft	**108,081**	405,475
Net book value of aircraft classified as:		
Property, plant and equipment	**(94,000)**	(391,847)
Expenses, net of costs written back	**(139)**	(502)
	13,942	13,126

5. Other income

During the period ended 30 June 2023, other income was mainly related to tax rebates and income arising from the release of unutilised maintenance reserves collected in a prior lease to profit or loss. During the period ended 30 June 2022, other income was mainly related to tax rebates and amounts paid by manufacturers and certain airline customers based on mutual agreements.

6. Finance expenses

	Unaudited 1 January 2023 to 30 June 2023 US$'000	Unaudited 1 January 2022 to 30 June 2022 US$'000
Interest expense and other charges on:		
Loans and borrowings	**296,234**	228,449
Lease liabilities	**228**	99
	296,462	228,548

7. Staff costs

	Unaudited 1 January 2023 to 30 June 2023 US$'000	Unaudited 1 January 2022 to 30 June 2022 US$'000
Salaries, bonuses and other staff costs	**21,794**	21,093
Employers' defined contributions	**377**	891
Amortisation of share-based compensation	**3,273**	4,286
	25,444	26,270

Share-based compensation (equity-settled)

The Group has in place a Restricted Share Unit Long Term Incentive Plan (the "RSU Plan") for certain employees. The first RSU Plan was adopted on 18 December 2017 governing the awards of Restricted Share Units ("RSU") made by the Company in respect of the five financial years from 2017 to 2021 (inclusive) and will terminate in December 2024 when the final awards have vested. The second RSU Plan was adopted on 28 February 2023 governing the awards made by the Company in respect of the four financial years from 2022 to 2025 (inclusive) and will terminate in either April 2029 or (depending on the satisfaction of certain conditions) April 2030 when the final awards have vested.

7. Staff costs (cont'd)

Share-based compensation (equity-settled) (cont'd)

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).

Movement of RSUs:

			Number of RSUs				
Year of grant	Fair value at grant date HK$	Fair value at grant date US$	At 1 January 2023	Granted during the period	Lapsed during the period	Vested during the period	At 30 June 2023
2021	74.10	9.55	**759,000**	**–**	**–**	**(18,228)**	**740,772**
2022	62.36	7.97	**1,065,506**	**–**	**(14,658)**	**(14,186)**	**1,036,662**
2023	60.40	7.70	**–**	**1,644,651**	**–**	**–**	**1,644,651**
			1,824,506	**1,644,651**	**(14,658)**	**(32,414)**	**3,422,085**

			Number of RSUs				
Year of grant	Fair value at grant date HK$	Fair value at grant date US$	At 1 January 2022	Granted during the period	Lapsed during the period	Vested during the period	At 30 June 2022
2020	47.08	6.06	1,665,326	–	(3,632)	–	1,661,694
2021	74.10	9.55	793,825	–	(4,221)	–	789,604
2022	62.36	7.97	–	1,103,807	–	–	1,103,807
			2,459,151	1,103,807	(7,853)	–	3,555,105

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

8. Income tax expense/(credit)

	Unaudited 1 January 2023 to 30 June 2023	Unaudited 1 January 2022 to 30 June 2022
	US$'000	US$'000
Current income tax	**3,147**	2,673
Deferred income tax	**34,121**	(34,266)
Overprovision in prior years	**(3,548)**	(2,724)
Income tax expense/(credit)	**33,720**	(34,317)

9. Property, plant and equipment

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Cost:						
At 1 January 2022	23,036,269	2,717,764	1,922	16,288	8,480	25,780,723
Additions/(Reductions)	1,618,750	(490,375)	2,889	750	16,350	1,148,364
Disposals	(1,367,073)	–	(1,549)	(11,971)	(5,208)	(1,385,801)
Transfers	722,772	(722,772)	–	–	–	–
Transfer to assets held for sale	(77,517)	–	–	–	–	(77,517)
Adjustments	3,062	–	–	–	(3)	3,059
At 31 December 2022 and 1 January 2023	23,936,263	1,504,617	3,262	5,067	19,619	25,468,828
Additions	643,317	325,219	2	438	22	968,998
Disposals	(130,580)	–	–	(234)	–	(130,814)
Transfers	57,819	(57,819)	–	–	–	–
Adjustments	8,092	–	–	–	–	8,092
At 30 June 2023	**24,514,911**	**1,772,017**	**3,264**	**5,271**	**19,641**	**26,315,104**

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

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Accumulated depreciation and impairment:						
At 1 January 2022	3,393,279	–	1,856	15,844	6,127	3,417,106
Charge for the period	782,777	–	265	494	2,548	786,084
Disposals	(175,484)	–	(1,549)	(11,971)	(5,208)	(194,212)
Impairment of aircraft	855,991	–	–	–	–	855,991
Transfer to assets held for sale	(24,711)	–	–	–	–	(24,711)
At 31 December 2022 and 1 January 2023	4,831,852	–	572	4,367	3,467	4,840,258
Charge for the period	390,935	–	178	726	1,303	393,142
Disposals	(36,580)	–	–	(234)	–	(36,814)
Impairment of aircraft	3,300	–	–	–	–	3,300
At 30 June 2023	**5,189,507**	**–**	**750**	**4,859**	**4,770**	**5,199,886**
Net book value:						
At 31 December 2022	19,104,411	1,504,617	2,690	700	16,152	20,628,570
At 30 June 2023	**19,325,404**	**1,772,017**	**2,514**	**412**	**14,871**	**21,115,218**

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

(a) Impairment of assets

As at 30 June 2023, the accumulated impairment loss on the Group's property, plant and equipment was US$1,109.3 million (31 December 2022: US$1,106.0 million). The weighted average discount rate applied to the forecast cash flows was 5.5% per annum for the period ended 30 June 2023 (for the year ended 31 December 2022: 4.7%).

Movement of accumulated impairment loss provision:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
At beginning of period/year	**1,105,991**	253,600
Impairment loss	**3,300**	868,286
Reversal of impairment loss	**–**	(12,295)
Utilised	**–**	(3,600)
At end of period/year	**1,109,291**	1,105,991

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

During the year ended 31 December 2022, the Group recognised a net asset write-down of US$791.3 million in respect of 17 aircraft in Russia. As at 30 June 2023, 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.

(b) Right-of-use assets

The Group has lease contracts for its offices and facility spaces.

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

(c) Assets pledged as security

As at 30 June 2023, the net book value of aircraft owned by the Group that have been charged for loan facilities granted (Note 16) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft amounted to US$394.4 million (31 December 2022: US$688.1 million).

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

(d) Capitalisation of borrowing costs

As at 30 June 2023, the borrowing costs capitalised as cost of aircraft amounted to US$9.2 million (31 December 2022: US$16.1 million). The interest rates used to determine the amount of borrowing costs for capitalisation ranged from 2.9% to 3.5% per annum for the period ended 30 June 2023 (for the year ended 31 December 2022: 2.5% to 3.6%).

10. Trade receivables

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Trade receivables – gross carrying amount		
Current	**32,576**	64,933
Non-current	**99,662**	109,684
	132,238	174,617
Less: Allowance for expected credit losses	**(11,890)**	(11,350)
	120,348	163,267
Trade receivables – net of allowance for expected credit losses		
Current	**32,036**	64,933
Non-current	**88,312**	98,334
	120,348	163,267

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 or letters of credit. As at 30 June 2023, included in the Group's current and non-current portion of trade receivables was an amount of US$17.0 million and US$88.3 million (31 December 2022: US$44.7 million and US$98.3 million), respectively, that was contractually deferred by mutual agreements, not overdue and was generally interest bearing.

Impairment of financial assets – trade receivables

The Group applies 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 holds on behalf of its lessees are considered in the calculation of the loss allowance.

10. Trade receivables (cont'd)

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

As at 30 June 2023 and 31 December 2022, the aging of trade receivables based on the receivables due date was as follows:

Unaudited 30 June 2023	**Deferred US$'000**	**Current US$'000**	**Less than 30 days past due US$'000**	**30 to 60 days past due US$'000**	**61 to 90 days past due US$'000**	**More than 90 days past due US$'000**	**Total US$'000**
Gross carrying amount	**116,670**	**–**	**6,395**	**4,893**	**3,045**	**1,235**	**132,238**
Allowance for expected credit losses	**(11,350)**	**–**	**(441)**	**(35)**	**–**	**(64)**	**(11,890)**
Audited 31 December 2022							
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)

For the period ended 30 June 2023, the allowance for expected credit loss rate for the Group was assessed to be immaterial for 61 days to 90 days past due as the outstanding exposure is secured by security deposits (for the year ended 31 December 2022: 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). The allowance for expected credit loss rate for the gross carrying amounts which are deferred and not yet due was 10%, less than 30 days past due was 7%, 30 to 60 days past due was 1% and more than 90 days past due was 5% (for the year ended 31 December 2022: deferred and not yet due was 7%).

10. 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:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
At beginning of period/year	**11,350**	20,137
Charged to profit or loss	**3,428**	1,235
Write-off*	**(2,888)**	(10,022)
At end of period/year	**11,890**	11,350

* Trade receivables of the Group with a contractual amount of US$0.9 million (31 December 2022: US$0.2 million) written off during the period are still subject to enforcement activities.

11. Other receivables

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Current:		
Deposits	**705**	704
Interest receivables	**2,592**	1,700
Sundry receivables	**2,391**	2,143
Receivables from manufacturers	**100,982**	109,629
Receivables from airlines	**18,000**	–
Accrued receivables	**15,932**	18,589
	140,602	132,765
Non-current:		
Receivables from airlines	**–**	18,000
Accrued receivables	**42,489**	42,762
Interest receivables	**1,441**	1,536
	43,930	62,298

11. Other receivables (cont'd)

The sundry receivables of the Group are non-trade related, unsecured and non-interest bearing.

As at 30 June 2023, included in the Group's receivables was an amount of US$101.0 million (31 December 2022: US$109.6 million) due from a manufacturer which was deferred by agreement in return for a fee.

The Group's receivables from airlines are 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.

As there has been no significant increase in the risk of default of these other receivables since initial recognition, the Group assesses that there is no material expected credit losses and accordingly no allowance for expected credit losses is required.

12. Cash and cash equivalents

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Short-term deposits	**460,411**	306,707
Cash and bank balances	**87,005**	90,159
	547,416	396,866
Less: encumbered cash and bank balances	**(8,217)**	(4,953)
Cash and cash equivalents	**539,199**	391,913

As at 30 June 2023, the Group has no short-term deposits (31 December 2022: US$52 million) placed with a related party.

As at 30 June 2023, the Group's cash and bank balances included an amount of US$15.5 million (31 December 2022: US$18.4 million) placed with the intermediate holding company.

13. Assets held for sale

Set out below is the movement for assets held for sale:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Property, plant and equipment - aircraft		
At beginning of period/year	**–**	–
Additions	**–**	52,806
Disposals	**–**	(52,806)
At end of period/year	**–**	–

14. Trade and other payables

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Trade payables	**3,854**	27
Sundry payables	**23,028**	5,417
Accrued finance expenses	**95,635**	95,951
Accrued maintenance reserve payables	**–**	444
Accrued technical expenses	**1,954**	11,383
Staff costs related accruals	**20,052**	28,396
Other accruals and liabilities	**3,441**	4,780
	147,964	146,398

Trade payables and sundry payables are substantially denominated in US Dollar (31 December 2022: US Dollar), non-interest bearing, current in nature and are normally contracted between 30 and 45 days credit terms.

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

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Current	**3,105**	20
1 – 30 days	**691**	7
31 – 60 days	**30**	–
61 – 90 days	**28**	–
	3,854	27

15. 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 and their amortised value using effective interest method. The deferred income is recognised in profit or loss on a straight-line basis over the lease term.

16. Loans and borrowings

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Current:		
Medium term notes	**2,889,710**	1,890,000
Loans	**790,282**	534,432
Medium term notes discount (net of premium)	**(966)**	(482)
Fair value and revaluation adjustments	**(8,507)**	–
Deferred debt issue costs	**(3,984)**	(3,770)
	3,666,535	2,420,180
Non-current:		
Medium term notes	**7,559,310**	8,109,020
Loans	**4,621,697**	4,663,546
Medium term notes discount (net of premium)	**(21,202)**	(16,456)
Fair value and revaluation adjustments	**(9,084)**	(12,973)
Deferred debt issue costs	**(37,867)**	(41,652)
	12,112,854	12,701,485
Total loans and borrowings	**15,779,389**	15,121,665

16. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the loans and borrowings for the Group:

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Unaudited 30 June 2023					
Medium term notes	**2,878,651**	**2,593,628**	**2,902,702**	**2,017,147**	**10,392,128**
Loans	**787,884**	**1,738,129**	**2,861,248**	**–**	**5,387,261**
Total loans and borrowings	**3,666,535**	**4,331,757**	**5,763,950**	**2,017,147**	**15,779,389**
Audited 31 December 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

As at 30 June 2023, secured loans amounted to US$107.0 million (31 December 2022: US$223.0 million) for the Group. These amounts are secured by the related aircraft (Note 9), certain cash and bank balances and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to aircraft.

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

16. Loans and borrowings (cont'd)

(a) Medium term notes

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

			Unaudited As at 30 June 2023		
		Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to US$ and floating rates US$'000	Amounts swapped to US$ and fixed rates US$'000
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 4.875%	2023 to 2033	**9,050,000**	**–**	**–**
			9,509,020	**49,710**	**409,310**
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR[1] + Margin 1.125%	2023	**500,000**	**–**	**400,000**
United States Dollar	3-month LIBOR[2] + Margin ranging from 1.125% to 1.30%	2023 to 2025	**440,000**	**–**	**440,000**
			10,449,020	**49,710**	**1,249,310**

			Audited As at 31 December 2022		
		Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to US$ and floating rates US$'000	Amounts swapped to US$ and fixed rates 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

[1] Interest rate in respect of the final interest payment was determined prior to 30 June 2023 for a medium term note that matures in September 2023.
[2] Based on last interest rate resets prior to 30 June 2023. Subsequent interest rate resets will be based on 3-month Synthetic US Dollar LIBOR.

16. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2023, an amount of US$49.7 million (31 December 2022: US$49.7 million) in medium term notes 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 notes was US$41.5 million (31 December 2022: US$43.4 million). The notes are liabilities designated as hedged items in fair value hedges and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 5.7% to 5.8% per annum for the period ended 30 June 2023 (for the year ended 31 December 2022: 1.6% to 3.1%).

Effects of fair value hedges on the notes as at 30 June 2023 and 31 December 2022 were as follows:

	Unaudited 30 June 2023			
	Outstanding amounts	**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**	**(11)**	**(8,239)**	**41,460**

	Audited 31 December 2022			
	Outstanding amounts	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

As at 30 June 2023, an amount of US$409.3 million (31 December 2022: US$409.3 million) in medium term notes 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$0.5 million for the period ended 30 June 2023 (for the year 31 December 2022: US$6.4 million) on these cross-currency interest rate swaps was recognised in hedging reserve.

16. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2023, an amount of US$840 million (31 December 2022: US$840 million) in medium term notes has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR or Synthetic US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value loss of US$4.2 million for the period ended 30 June 2023 (for the year ended 31 December 2022: gain of US$50.5 million) on these financial instruments was recognised in hedging reserve.

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

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR (where the interest fixing dates are before 30 June 2023) 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 5.8% per annum for the period ended 30 June 2023 (for the year ended 31 December 2022: 2.8%). 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 (31 December 2022: 2023 and 2028).

As at 30 June 2023, the loans due to the intermediate holding company amounted to US$995 million (31 December 2022: US$695 million), and the loans due to other related parties amounted to US$2,012.2 million (31 December 2022: US$1,887.6 million).

As at 30 June 2023, loans outstanding amounting to US$1,350 million (31 December 2022: US$370 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 SOFR. These hedges are classified as cash flow hedges. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The net fair value gain of US$17.2 million for the period ended 30 June 2023 (for the year ended 31 December 2022: US$42.9 million) was accounted for in hedging reserve.

As at 30 June 2023, the Group had unutilised unsecured committed revolving credit facilities of US$5,210 million (31 December 2022: US$4,705 million). These facilities included US$3,500 million (31 December 2022: US$3,500 million) available under a committed revolving credit facility provided by the intermediate holding company that matures in 2026 (31 December 2022: 2026). The unutilised committed revolving credit facilities provided by other related parties to the Group totalled US$127.8 million (31 December 2022: US$82.4 million) that matures in 2024 (31 December 2022: 2024).

As at 30 June 2023, the Group had no unutilised unsecured committed term loan facilities (31 December 2022: US$225 million, of which US$100 million was provided by other related parties).

17. Derivative financial instruments

	Unaudited 30 June 2023			Audited 31 December 2022		
	Outstanding notional amounts	**Assets**	**Liabilities**	Outstanding notional amounts	Assets	Liabilities
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Current:						
Cross-currency interest rate swaps	**49,710**	**–**	**(8,239)**	–	–	–
Interest rate swaps	**640,000**	**6,647**	**–**	860,000	10,724	–
		6,647	**(8,239)**		10,724	–
Non-current:						
Cross-currency interest rate swaps	**409,310**	**917**	**(13,915)**	459,020	1,687	(19,949)
Interest rate swaps	**1,550,000**	**29,712**	**–**	350,000	10,880	–
		30,629	**(13,915)**		12,567	(19,949)

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 the period ended 30 June 2023 and the year ended 31 December 2022.

17. Derivative financial instruments (cont'd)

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

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
Unaudited 30 June 2023					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Chinese Yuan	49,710	(8,239)	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	(12,782)	3.43%	US$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(1,133)	3.72% to 4.13%	US$1 : HK$7.81 to HK$7.84	2026 to 2027
- Singapore Dollar	108,883	917	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	2,190,000	36,359	3.852% to 4.977%	–	2023 to 2027
Audited 31 December 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

17. 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 hedge. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest and pays US Dollar principal and floating interest pegged to US Dollar LIBOR. Subsequent to 30 June 2023, US Dollar LIBOR will be replaced with SOFR as the benchmark interest rate. 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 and SOFR. Under these interest rate swaps, the Group receives floating interest pegged to US Dollar LIBOR and SOFR and pays fixed interest. Subsequent to 30 June 2023, the Group will receive floating interest pegged to SOFR and Synthetic US Dollar LIBOR. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognised in hedging reserve.

18. Deferred income tax assets and liabilities

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Deferred income tax liabilities, net	**588,918**	557,596
Deferred income tax assets, net	**(193)**	(159)
	588,725	557,437

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

19. Share capital

	Unaudited 30 June 2023		Audited 31 December 2022	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of period/year	**694,010**	**1,157,791**	694,010	1,157,791

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

20. Hedging reserves

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

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Interest rate and foreign currency risk:		
At beginning of period/year	**15,212**	(84,596)
Effective portion of changes in fair value of cash flow hedges, net of tax:		
- Interest rate swaps	**28,032**	87,249
- Cross-currency interest rate swaps	**(1,803)**	(4,168)
	26,229	83,081
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:		
- Interest rate swaps	**(14,986)**	6,148
- Cross-currency interest rate swaps	**2,275**	10,579
	(12,711)	16,727
	13,518	99,808
At end of period/year	**28,730**	15,212

21. Dividends

	Unaudited 1 January 2023 to 30 June 2023 US$'000	Unaudited 1 January 2022 to 30 June 2022 US$'000
Declared and paid during the period:		
Final dividend for 2022: US$0.1770 (2021: US$0.1733) per share	**122,840**	120,272
Proposed as at 30 June:		
Interim dividend for 2023: US$0.1131 (2022: US$0.0889) per share	**78,493**	61,698

At the Annual General Meeting held on 30 May 2023, the shareholders approved a final dividend of US$0.1770 per ordinary share, which amounted to US$122.8 million, in respect of the profit for the year ended 31 December 2022. This dividend was paid in June 2023.

At a meeting on 17 August 2023, the directors declared an interim dividend of US$0.1131 per ordinary share for the period ended 30 June 2023 amounting to US$78.5 million. This declared interim dividend is not reflected as a dividend payable in these interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

22. Commitments

(a) Operating lease commitments

Operating lease commitments - As lessor

Aircraft

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

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

	Unaudited 30 June 2023 US$ million	Audited 31 December 2022 US$ million
Within one year	**1,950**	1,887
Between one and two years	**1,882**	1,857
Between two and three years	**1,758**	1,716
Between three and four years	**1,644**	1,608
Between four and five years	**1,574**	1,500
After five years	**5,429**	5,759
	14,237	14,327

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

	Unaudited 30 June 2023 US$ million	Audited 31 December 2022 US$ million
Within one year	**92**	73
Between one and two years	**210**	200
Between two and three years	**213**	232
Between three and four years	**213**	232
Between four and five years	**213**	232
After five years	**1,462**	1,567
	2,403	2,536

22. Commitments (cont'd)

(b) Finance lease commitments

Finance lease commitments - As lessor

	Unaudited Minimum lease payments 30 June 2023 US$'000	Audited Minimum lease payments 31 December 2022 US$'000
Within one year	**89,591**	262,892
Between one and two years	**373,958**	234,132
Between two and three years	**320,268**	204,774
Between three and four years	**27,048**	–
Between four and five years	**27,057**	–
More than five years	**239,984**	–
Total minimum lease payments	**1,077,906**	701,798
Less: Amounts representing finance charges	**(204,244)**	(58,695)
	873,662	643,103

The scheduled receivables of the finance lease are as follows:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Finance lease receivables	**873,662**	643,103
Less: Current portion	**(34,616)**	(229,909)
Non-current portion	**839,046**	413,194

The effective interest rates on the finance lease receivables ranged from 6.1% to 7.8% per annum for the period ended 30 June 2023 (for the year ended 31 December 2022: 6.1% to 6.3%).

(c) Capital expenditure commitments

As at 30 June 2023, 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$11.0 billion to the end of 2029 (31 December 2022: US$11.1 billion to the end of 2029). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

23. 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 30 June 2023, the guarantees for loans to subsidiary companies amounted to approximately US$4.5 billion (31 December 2022: US$3.9 billion). The guarantees are callable on demand.

24. 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 these interim financial statements, the following significant transactions took place between the Group and related parties in the normal course of business and on commercial terms:

	Unaudited 1 January 2023 to 30 June 2023 US$'000	Unaudited 1 January 2022 to 30 June 2022 US$'000
Costs and expenses		
(a) Intermediate holding company:		
Interest expense	**20,476**	5,290
Debt issue costs	**300**	–
(b) Other related parties:		
Interest expense	**56,103**	14,387
Debt issue costs	**1,450**	1,000
Dividend paid to immediate holding company	**85,988**	84,190

24. Related party transactions (cont'd)

	Unaudited 1 January 2023 to 30 June 2023 US$'000	Unaudited 1 January 2022 to 30 June 2022 US$'000
Directors' and key executives' remuneration paid during the period*		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**3,850**	4,775
CPF and other defined contributions	**3**	3
	3,853	4,778
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	**5,797**	5,966
CPF and other defined contributions	**108**	100
	5,905	6,066

* Exclude share-based compensation expense as described below.

The share-based compensation expense for the period ended 30 June 2023 was US$0.5 million (2022: US$0.6 million) and US$0.7 million (2022: US$0.6 million) for directors of the Company and key executives of the Group respectively.

As at 30 June 2023, deferred cash bonuses of US$6.8 million (31 December 2022: US$ 8.9 million) in respect of services performed in prior years were payable to directors of the Company and key executives of the Group.

As at 30 June 2023, the Group had granted 1,359,706 (31 December 2022: 727,674) RSUs to the directors of the Company and key executives of the Group.

25. Financial risk management objectives and policies

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

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

25. Financial risk management objectives and policies (cont'd)

Interest rate benchmark reform

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

As at 30 June 2023, the Group has completed the transition of its US Dollar LIBOR-based financial instruments and off-balance sheet items to SOFR, except for certain balances for which the Group has exposure to US Dollar LIBOR[1] or Synthetic US Dollar LIBOR. The Group has applied Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39, IFRS 7/SFRS(I) 7, IFRS 4/SFRS(I) 4 and IFRS 16/SFRS(I)16: *Interest Rate Benchmark Reform – Phase 2* for amortised cost measurement and hedge accounting in respect of modifications triggered by the transition. The transition from US Dollar LIBOR to SOFR has no material effect on the amounts reported for the current and prior financial year.

The Group has exposure to US Dollar LIBOR[1] or Synthetic US Dollar LIBOR on its financial instruments and off-balance sheet items as at 30 June 2023 as set out in the table below. These balances have not yet transitioned to an alternative benchmark rate. Those balances with exposure to US Dollar LIBOR will be fully repaid or prepaid before the first interest rate reset date subsequent to 30 June 2023. For those balances with exposure to Synthetic US Dollar LIBOR, some of the balances will naturally expire before Synthetic US Dollar LIBOR ceases on 30 September 2024.

	US$'000
Assets	
Derivative financial instruments	14,796
Liabilities	
Gross debt	1,029,441
Off-balance sheet items	
Operating lease commitments – as lessor	343,397

As at 30 June 2023, the notional amount of derivative financial instruments exposed to Synthetic US Dollar LIBOR is US$440 million.

Management monitors and manages the transition to alternative risk-free rates. Management evaluates whether the contracts which are referenced to Synthetic US Dollar LIBOR will need to be amended and how to manage such communication with the counterparties.

[1] Based on last interest rate resets prior to 30 June 2023. Subsequent interest rate resets (if any) will be based on 3-month Synthetic US Dollar LIBOR.

26. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders. The changes in share capital and dividends are disclosed in Note 19 and Note 21 respectively. There were no changes made in the objectives, policies or processes during the period from 1 January 2023 to 30 June 2023 and the year ended 31 December 2022.

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.

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Gross debt	**15,860,999**	15,196,998
Total equity	**5,357,605**	5,202,099
Gross debt to equity (times)	**3.0**	2.9

27. Basic and diluted earnings/(loss) per share

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

Diluted earnings/(loss) per share is calculated by dividing profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 30 June 2023 and 30 June 2022.

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

	Unaudited 1 January 2023 to 30 June 2023	Unaudited 1 January 2022 to 30 June 2022
Earnings/(Loss)		
Earnings/(Loss) used in the computation of basic and diluted earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company) (US$'000)	**261,555**	(312,548)
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings/(loss) per share computation ('000)	**694,010**	694,010
Basic earnings/(loss) per share (US$)	**0.38**	(0.45)
Diluted earnings/(loss) per share (US$)	**0.38**	(0.45)

28. 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:

	Unaudited 1 January 2023 to 30 June 2023		Unaudited 1 January 2022 to 30 June 2022	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**219**	**23.3**	198	22.5
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**246**	**26.1**	238	27.1
Americas	**181**	**19.2**	146	16.7
Europe	**185**	**19.8**	187	21.4
Middle East and Africa	**109**	**11.6**	108	12.3
	940	**100.0**	877	100.0

The lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 26.1%, and United States of America accounted for 14.2%, of the total lease rental income (2022: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 27.1% and United States of America accounted for 12.7%). Other than as disclosed above, there was no other country concentration in excess of 10% of the total lease rental income for the periods ended 30 June 2023 and 30 June 2022.

28. Segmental analysis (cont'd)

(b) Net book value of aircraft and finance lease receivables

The distribution of net book value of aircraft and finance lease receivables by geographic region based on the jurisdiction of each airline customer under the relevant operating and finance lease was as follows:

	Unaudited 30 June 2023		Audited 31 December 2022	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**4,634**	**22.9**	4,654	23.6
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**5,070**	**25.1**	5,179	26.2
Americas	**4,394**	**21.8**	3,702	18.8
Europe	**3,807**	**18.8**	3,894	19.7
Middle East and Africa	**2,294**	**11.4**	2,319	11.7
	20,199	**100.0**	19,748	100.0

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

The net book value of aircraft leased to airline customers and finance lease receivables from airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 25.1% (31 December 2022: 26.2%), and United States of America accounted for 16.7% (31 December 2022: 13.9%), of the total net book value and finance lease receivables as at 30 June 2023. Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value and finance lease receivables as at 30 June 2023 and 31 December 2022.

29. 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 10), other receivables (Note 11), short-term deposits[1] (Note 12), cash and bank balances (Note 12) and finance lease receivables (Note 22(b)).

As at 30 June 2023, the financial assets measured at amortised cost for the Group were US$1,292.2 million (31 December 2022: US$1,180.1 million).

Financial liabilities measured at amortised cost comprise trade and other payables (Note 14), loans and borrowings (Note 16), security deposits and other non-current liabilities[2].

As at 30 June 2023, the financial liabilities measured at amortised cost for the Group were US$16,100.4 million (31 December 2022: US$15,441.0 million).

[1] Excluding investment in money market funds.
[2] Excluding bonuses and related employers' contributions payable and provided for under the staff cash incentive plans.

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 17) and investment in money market funds classified as short-term deposits (Note 12).

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 period ended 30 June 2023 and the year ended 31 December 2022.

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

(b) Financial instruments whose carrying amounts approximate fair values

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

Non-current loans and borrowings (excluding non-current medium term notes as disclosed in Note 29(c) below) and receivables from airlines (Note 11) 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 period/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 period/year.

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

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

	Unaudited **30 June 2023** **US$'000**	Audited 31 December 2022 US$'000
Medium term notes :		
Carrying amounts	**9,419,381**	8,975,156
Fair values	**8,943,123**	8,429,804

As at 30 June 2023, the fair value measurements of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$159.6 million (31 December 2022: US$159.6 million) with fair value of US$150.6 million (31 December 2022: US$148.3 million) which was classified under Level 2 of the fair value hierarchy as it was determined based on indicative bid price obtained from a counterparty.

30. Authorisation of interim financial statements for issue

The interim financial statements for the period from 1 January 2023 to 30 June 2023 were authorised for issue in accordance with a resolution of the directors passed on 17 August 2023.

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