SOLID GROWTH

2018 INTERIM REPORT

BOC AVIATION LIMITED
中銀航空租賃有限公司*

STOCK CODE : 2588
(INCORPORATED IN THE REPUBLIC OF SINGAPORE WITH LIMITED LIABILITY)

*FOR IDENTIFICATION PURPOSE ONLY

BOC Aviation delivered an excellent result in the first half of 2018, earning a net profit after tax of US$297 million, which was up 24% compared with the same period last year.

Revenue rose 23% from US$670 million to US$825 million, reflecting 19% growth in total assets to US$17.1 billion as at 30 June 2018, as compared with 30 June 2017. Net book value of our fleet grew to US$14.3 billion as we continued our disciplined aircraft investment programme.

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FINANCIAL HIGHLIGHTS

Our financial highlights for the six months ended 30 June 2018 are:

- **Total revenues and other income rose 23% to US$825 million**
- **Net profit after tax was US$297 million, an increase of 24% over the first half of 2017**
- **Earnings per share of US$0.43**
- **Total assets increased 7% to US$17.1 billion as at 30 June 2018 from 31 December 2017**
- **Maintained strong liquidity with US$411 million in total cash and fixed deposits, and US$3.5 billion in undrawn committed credit facilities as at 30 June 2018**
- **Raised more than US$1.1 billion in new financing**
- **Portfolio utilisation and cash collection from airline customers of 100% and 99.5%, respectively**

Capitalised terms used but not defined in this interim report are found in pages 30 to 31.

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 HIGHLIGHTS

	Unaudited	
	6 months ended 30 June	
	2018	2017
	US$'m	US$'m
Statement of Profit or Loss		
Revenues and other income	**825**	670
Costs and expenses	**(495)**	(402)
Profit before income tax	**329**	268
Net profit after income tax	**297**	240

	Unaudited	Audited
	30 June	31 December
	2018	2017
	US$'m	US$'m
Statement of Financial Position		
Cash and fixed deposits	**411**	305
Total current assets	**663**	572
Total non-current assets	**16,448**	15,468
Total assets	**17,111**	16,040
Total current liabilities	**1,904**	1,724
Total non-current liabilities	**11,218**	10,497
Total liabilities	**13,122**	12,221
Net assets	**3,988**	3,819
Financial ratios		
Net assets per share (US$)[1]	**5.75**	5.50
Gearing (times)[2]	**2.9**	2.9

1 *Net assets per share is calculated by dividing net assets by total number of shares outstanding at 30 June 2018, and 31 December 2017, in the respective columns. Number of shares outstanding at 30 June 2018 and 31 December 2017 was 694,010,334.*

2 *Gearing is calculated by dividing gross debt by total equity at 30 June 2018, and 31 December 2017, in the respective columns.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

Our operational transactions as at 30 June 2018 included:

- **A portfolio of 487[1,2] owned, managed and committed aircraft**
- **Owned fleet of 295[1] aircraft, with an average age of 3.0 years and an average remaining lease term of 8.3 years, each weighted by net book value**
- **Orderbook of 163[2] aircraft scheduled for delivery over the period from 1 July 2018 to 31 December 2021**
- **Took delivery of 27 aircraft, including one acquired by an airline customer on delivery, in the first half of 2018**
- **Signed 30 lease commitments in the first half of 2018**
- **Customer base of 88 airlines in 35 countries and regions in the owned and managed fleet**
- **Sold 19 aircraft, including one managed aircraft**
- **Managed fleet comprised 29 aircraft**
- **100% of orderbook deliveries scheduled in 2018 are placed with lessees**

1 *Includes one aircraft subject to finance lease.*

2 *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 HIGHLIGHTS

1: AIRCRAFT PORTFOLIO AT 30 JUNE 2018, BY NUMBER OF AIRCRAFT

Aircraft Type	Owned Aircraft[1]	Managed Aircraft	Aircraft on Order[2]	Total
Airbus A320CEO family	130	11	3	144
Airbus A320NEO family	12	0	58	70
Airbus A330CEO family	12	6	0	18
Airbus A330NEO family	0	0	2	2
Airbus A350 family	6	0	0	6
Boeing 737NG family	106	9	5	120
Boeing 737 MAX family	2	0	82	84
Boeing 777-300ER	21	1	0	22
Boeing 777-300	0	1	0	1
Boeing 787 family	1	0	13	14
Freighters	5	1	0	6
Total	**295**	**29**	**163**	**487**

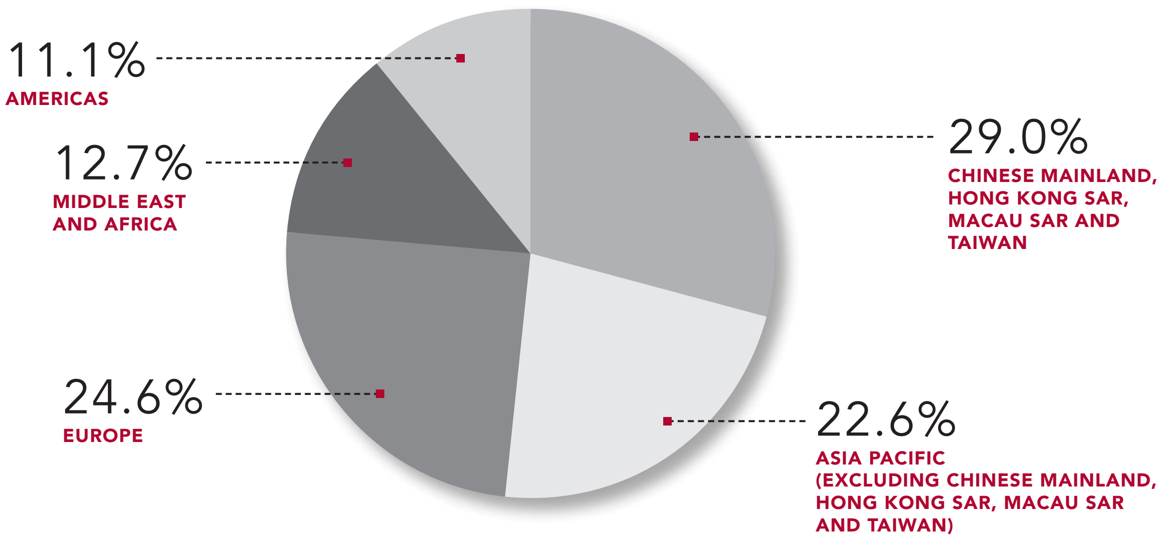
Certain airline customers notified us of their intention to acquire on delivery a total of 14 of our aircraft on order, including five scheduled for delivery in the second half of 2018, comprising six Airbus A320NEO family aircraft, two Airbus A330NEO family aircraft and six Boeing 787 family aircraft.

1 *Includes one aircraft subject to finance lease.*

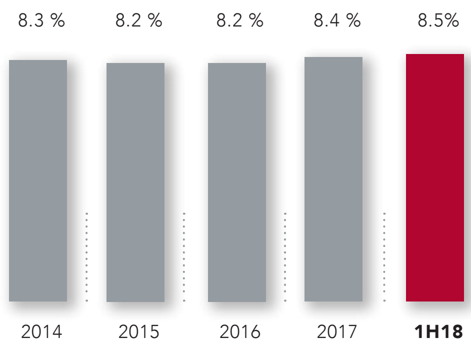
2 *Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

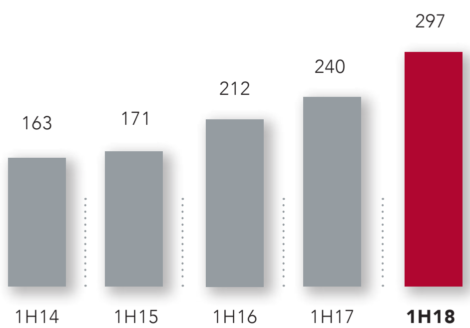
2: NET BOOK VALUE OF AIRCRAFT BY REGION[1, 2]



3: NET LEASE YIELD[3]



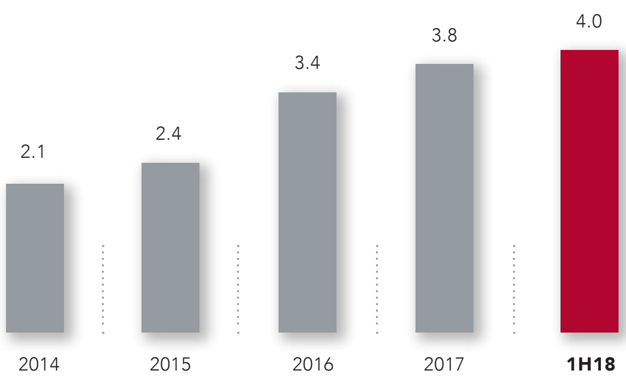
4: NET PROFIT AFTER TAX (US$'m)



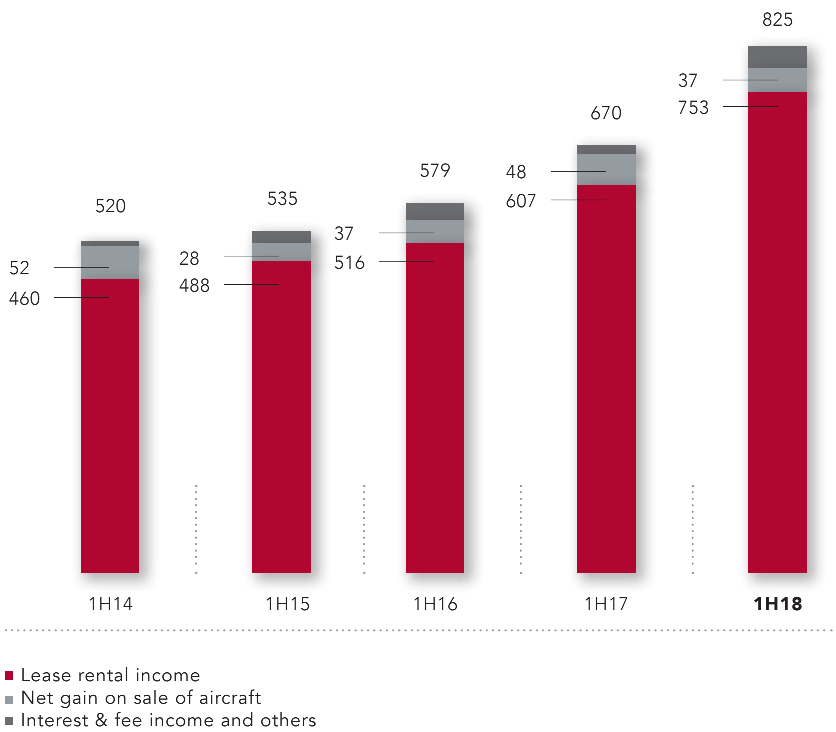
1 *Based on the jurisdiction of the primary obligor under the relevant operating leases.*
2 *Includes aircraft held for sale and excludes aircraft subject to finance lease.*
3 *Net lease yield for 1H18 is calculated on an annualised basis.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

5: TOTAL EQUITY (US$'b)[1]



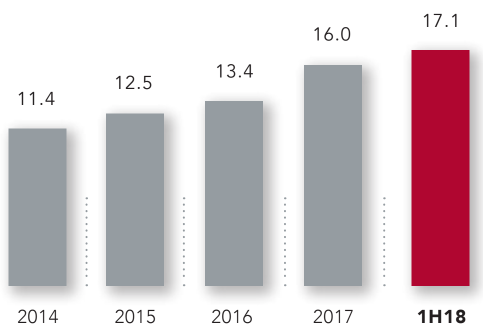
6: REVENUES AND OTHER INCOME BREAKDOWN (US$'m)



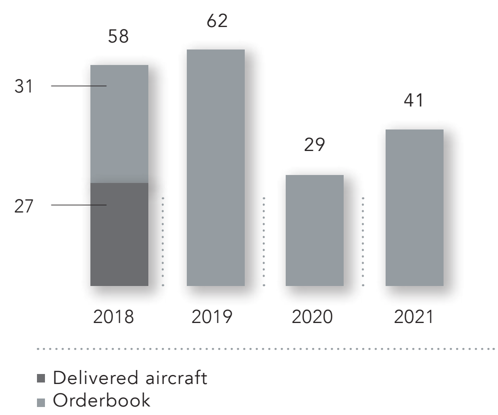
1 *All data as at the end of the relevant period.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

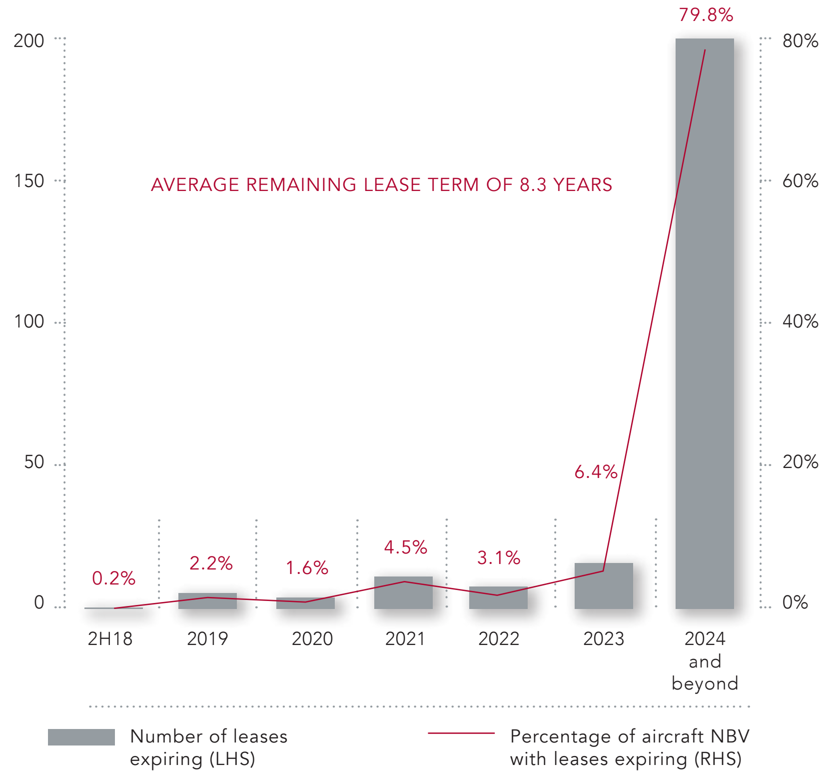
7: TOTAL ASSETS (US$'b)[1]



8: COMMITTED AIRCRAFT DELIVERIES BY NUMBER OF AIRCRAFT[2]



9: LEASE EXPIRIES AS % OF PORTFOLIO[3]



1 *All data as at the end of the relevant period.*
2 *Includes aircraft acquired or to be acquired by an airline customer on delivery.*
3 *Owned aircraft with lease expiring in each calendar year adjusted for any aircraft for which we have sale or lease commitments, weighted by net book value including book value of assets held for sale and excluding aircraft subject to finance lease.*

HALF YEAR BUSINESS REVIEW

BOC Aviation reported net profit after tax of US$297 million in the first half of 2018, rising 24% compared with the same period last year. In recognition of our robust earnings, the Board of Directors approved a distribution of US$0.1284 per share by way of interim dividend. This is a 24% increase compared to the interim dividend paid for the first half of 2017. The Company's dividend policy is to continue to distribute up to 35% of full-year net profit after tax.

In March of this year we thanked Mr. Chen Siqing as he stepped down after six years of leadership as our Chairman. We also welcomed Mr. Liu Qiang as the new Chairman of our Board of Directors. He joins as we look forward to another major year in BOC Aviation's corporate history, with the upcoming celebration of our 25th anniversary in November and as we look forward to building on our past earnings achievements.

Revenue rose 23% from US$670 million to US$825 million, reflecting 19% growth in total assets to US$17.1 billion as at 30 June 2018, as compared with 30 June 2017, while fleet net book value grew to US$14.3 billion as we continued our disciplined aircraft investment programme.

The main drivers of our business remain sound, with the International Air Transport Association (IATA) reporting 7% passenger traffic growth for the six months ended 30 June 2018. IATA continues to expect strong growth for the full year in 2018, with 7% passenger traffic growth projected, forecasting that 2018 will be the seventh year in a row with growth rates above the long-term trend. IATA projects airline earnings of US$33.8 billion in 2018, the industry's fourth largest profit ever as airline passenger demand and load factors remain at or near record levels.

Some volatility in individual airline earnings, however, is emerging. Fuel prices and interest rates are substantially higher than a year ago, and their effects on non-US airline earnings are being compounded by a strong US Dollar. In certain markets, there are growing signs of labour unrest in some areas that could result in higher wage costs. In addition, airline revenue growth, on a global scale, is being impacted by slower aircraft deliveries caused by engine manufacturing delays and by engine-related operational issues. These challenges provide investment opportunities for well-capitalised, highly liquid lessors, such as ourselves.

Our owned fleet grew to 295 aircraft as at 30 June 2018, up from 287 at the end of 2017. We marked a major milestone early in the year, when we took delivery of a Boeing 737 MAX 8, our first of the 84 new technology Boeing MAX family that we have in our investment pipeline. We also recorded our 250th Boeing aircraft delivery in the first half of 2018.

During the first half of 2018 we delivered 27 aircraft, including one that was acquired by an airline customer on delivery. We also sold 18 owned aircraft, including our last five Embraer E190s, generating a gain on sale of US$37 million. We improved the quality of our owned fleet, maintaining its very young fleet age of three years as at 30 June 2018. We also increased the weighted average remaining lease term of our owned fleet to 8.3 years, which remains one of the best in industry.

HALF YEAR BUSINESS REVIEW

Appraisers' estimates of the value of our owned fleet continue to be robust. As at 30 June 2018, the average of five independent appraisers' aggregate current market values for our owned fleet was US$15.9 billion on a full-life basis. This compared with a book value for our owned fleet of US$14.3 billion, representing a premium of 11% to net book value and equivalent to an additional US$1.6 billion of "hidden" equity value.

As at the end of June 2018, our orderbook stood at 163 aircraft, all scheduled for delivery between now and the end of 2021 and representing total committed capital expenditure of US$7.6 billion. We now have committed capital expenditure of US$3.5 billion in 2018, up from US$2.6 billion at the beginning of the year. We expect to take delivery of 58 aircraft this year, and we are working hard to add to this number.

Total revenues and other income gained momentum in the first half of 2018, rising 23% to US$825 million from US$670 million in the first half of last year. Our core lease rental contribution[1] increased 20% to US$312 million from US$259 million in the first half of 2017. We saw growth in most regions and at end of the first half 52% of our fleet by net book value was leased to carriers based in Asia Pacific, 25% to those located in Europe, 13% to those located in the Middle East and Africa and 11% to airlines in the Americas. As at 30 June 2018, we had 88 airline customers in 35 countries and regions as we continue to diversify our customer base.

Our fee income climbed sharply in the first half of 2018, more than doubling to US$29 million, as we generated more revenue from pre-delivery payment transactions.

During the first half of 2018, we added over US$1.2 billion in fixed rate debt and additional fixed interest rate hedges, and we maintained a stable net lease yield[2] of 8.5%.

Overall, our portfolio is performing very well. As at 30 June 2018, utilisation of the owned fleet was perfect, at 100%, the collection rate was at 99.5%, and we have already collected all amounts that were past due on 30 June 2018.

The year has started well and we look forward to a successful second half of 2018.

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

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

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 industry across multiple jurisdictions.

From our inception to 30 June 2018, we have:

- **Purchased and committed to purchase more than 760 aircraft with an aggregate purchase price of more than US$40 billion**
- **Executed more than 800 leases with more than 150 airlines in 54 countries and regions**
- **Raised more than US$23 billion in debt financing since 1 January 2007**
- **Sold more than 300 owned and managed aircraft**
- **Transitioned 76 aircraft at lease end and repossessed and redeployed 36 aircraft from customers based in 13 countries and regions**

As at 30 June 2018 our fleet comprised 324 owned and managed aircraft on lease to 88 customers in 35 countries and regions. We also had commitments to acquire 163 aircraft through to 2021. Our orderbook principally comprises popular single-aisle aircraft, such as the Airbus A320 and Boeing 737 families, including the A320NEO and 737 MAX new technology models. As at 30 June 2018, single-aisle aircraft made up 63% of our owned portfolio, weighted by net book value, with popular twin-aisle aircraft and freighters representing the balance.

BUSINESS OVERVIEW

The orderbook accounts for US$7.6 billion of future capital expenditure, as laid out in the table below, and this will drive our future portfolio growth.

AIRCRAFT CAPITAL EXPENDITURE COMMITMENTS

	30 June 2018
	US$'b
2H 2018	1.6
2019	3.0
2020	2.4
2021	0.6
Total	**7.6**

We benefit from a low average cost of debt, which was 3.1% during the first half of 2018, supported by our strong investment grade corporate and issuer credit ratings, which were A- from both S&P Global Ratings and Fitch Ratings, and by our access to diverse debt funding sources. Unsecured bonds and unsecured and secured third-party commercial bank debt are our primary sources of debt funding. We enjoy strong and committed support from Bank of China, a Fortune 50 company and a leading global bank. Bank of China has provided us with a US$2.0 billion committed unsecured revolving credit facility which matures in April 2022 and was fully undrawn as at 30 June 2018. Together with our cash and other undrawn credit facilities, we had available liquidity of US$3.9 billion as at 30 June 2018.

MANAGEMENT DISCUSSION & ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

In the six months ended 30 June 2018, our net profit after tax of US$297 million represented an increase of 24% from the same period last year. Earnings growth was mainly driven by the increase in our lease rental income, which was in turn driven by the increase in aircraft assets. Total costs and expenses have been largely kept in line with the growth in total revenues and other income.

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

	Unaudited 6 months ended 30 June			
	2018	2017	Change	Change
	US$'000	US$'000	US$'000	%
Lease rental income	**753,418**	607,269	146,149	24.1
Interest and fee income	**28,900**	13,925	14,975	107.5
Other income:				
Net gain on sale of aircraft	**36,600**	47,706	(11,106)	(23.3)
Other income	**5,614**	1,593	4,021	252.4
Total revenues and other income	**824,532**	670,493	154,039	23.0
Depreciation of plant and equipment	**267,173**	217,512	49,661	22.8
Impairment of aircraft	**—**	10,600	(10,600)	(100.0)
Finance expenses	**162,127**	120,139	41,988	34.9
Staff costs	**40,926**	31,975	8,951	28.0
Other operating costs and expenses	**25,138**	21,729	3,409	15.7
Total costs and expenses	**(495,364)**	(401,955)	93,409	23.2
Profit before income tax	**329,168**	268,538	60,630	22.6
Income tax expense	**(32,148)**	(28,413)	3,735	13.1
Profit for the period	**297,020**	240,125	56,895	23.7

MANAGEMENT DISCUSSION & ANALYSIS

REVENUES AND OTHER INCOME

Our total revenues and other income increased by 23.0% to US$825 million in the first half of 2018 (1H 2018) from US$670 million in the first half of 2017 (1H 2017), primarily due to an increase in lease rental income as described below.

LEASE RENTAL INCOME

Our lease rental income increased by 24.1% to US$753 million in 1H 2018 as compared with US$607 million in 1H 2017. The rise in lease rental income was mainly due to our fleet growth which increased to 294 aircraft (excluding one aircraft subject to finance lease) compared with 261 aircraft as at 30 June 2017, and to a lesser extent, an increase in rentals from floating rate leases as a result of the increase in USD LIBOR.

INTEREST AND FEE INCOME

Our interest and fee income more than doubled to US$29 million in 1H 2018 from US$14 million in 1H 2017. This increase was primarily due to an increase in fees from pre-delivery payments transactions.

NET GAIN ON SALE OF AIRCRAFT

Net gain on sale of aircraft decreased by 23.3% to US$37 million in 1H 2018 as compared with US$48 million in 1H 2017 due to the different composition of aircraft sold in each period.

COSTS AND EXPENSES

The increase in costs and expenses was in line with the increase in total revenues and other income. The increase was primarily due to an increase in depreciation and finance expenses which are described below.

DEPRECIATION OF PLANT AND EQUIPMENT

Depreciation of plant and equipment increased by 22.8% to US$267 million in 1H 2018, up from US$218 million in 1H 2017, mainly due to an increase in aircraft assets, with aircraft net book value increasing from US$12.1 billion as at 30 June 2017 to US$13.7 billion as at 31 December 2017, and a further increase to US$14.3 billion as at 30 June 2018.

IMPAIRMENT OF AIRCRAFT

No impairment charge was taken in 1H 2018 compared with US$11 million recognised in 1H 2017 as the recoverable amount of our aircraft fleet were in excess of their net book values.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCE EXPENSES

Finance expenses increased by 34.9% to US$162 million in 1H 2018 from US$120 million in 1H 2017. This was due to the combined effect of (i) a 21.9% increase in our total indebtedness from US$9.6 billion as at 30 June 2017 to US$11.7 billion as at 30 June 2018 and (ii) an increase in our average cost of debt from 2.8% in 1H 2017 to 3.1% in 1H 2018. The increase in the average cost of debt arose from the effect of higher USD LIBOR on our floating rate debt and an increase in the proportion and amount of our fixed rate debt and interest rate hedging between 30 June 2017 and 30 June 2018.

STAFF COSTS

Staff costs increased by 28% to US$41 million in 1H 2018 from US$32 million in 1H 2017 mainly due to the lower provisions of variable bonuses for the period ended 30 June 2017 as the full year financial results of 2017 was much better than as envisaged at 1H 2017. In addition, the costs in relation to the awards granted in May 2018 under the RSU Plan which is part of the long term incentive plan are amortised over the vesting period from the date of grant in 1H 2018.

OTHER OPERATING COSTS AND EXPENSES

Other operating costs and expenses increased by 15.7% to US$25 million in 1H 2018 from US$22 million in 1H 2017 which was consistent with the increase in our business activities.

PROFIT BEFORE INCOME TAX AND PRE-TAX PROFIT MARGIN

Profit before income tax increased by 22.6% to US$329 million in 1H 2018 from US$269 million in 1H 2017. Our pre-tax profit margin decreased marginally to 39.9% in 1H 2018 from 40.1% in 1H 2017.

INCOME TAX EXPENSE

Income tax expense increased by 13.1% to US$32 million in 1H 2018, arising from higher pretax profit, from US$28 million in 1H 2017. Our effective tax rate reduced to 9.8% in 1H 2018 from 10.6% in 1H 2017, mainly due to a decrease in the federal corporate tax rate in the USA to 21% from 35%, which was enacted in December 2017.

PROFIT FOR THE PERIOD AND NET PROFIT MARGIN

As a result of the foregoing, our after tax profit for the period increased by 23.7% to US$297 million in 1H 2018 from US$240 million in 1H 2017. Our net profit margin increased to 36.0% in 1H 2018 from 35.8% in 1H 2017.

Since the publication of our final results announcement for the year ended 31 December 2017 on 14 March 2018, there have been no material changes to our business.

MANAGEMENT DISCUSSION & ANALYSIS

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 6.7% to US$17.1 billion as at 30 June 2018 from US$16.0 billion as at 31 December 2017, largely due to the growth of our aircraft fleet. Our total equity increased by 4.4% to US$4.0 billion as at 30 June 2018.

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

	Unaudited 30 June 2018	Audited 31 December 2017	Change	Change
	US$'000	US$'000	US$'000	%
Plant and equipment and assets held for sale	**16,633,041**	15,672,698	960,343	6.1
Cash and fixed deposits	**411,280**	305,293	105,987	34.7
Derivative financial instruments	**24,163**	22,023	2,140	9.7
Other assets	**42,089**	39,847	2,242	5.6
Total assets	**17,110,573**	16,039,861	1,070,712	6.7
Loans and borrowings and finance lease payables	**11,466,594**	10,740,375	726,219	6.8
Maintenance reserves	**635,684**	558,503	77,181	13.8
Security deposits and non-current deferred income	**296,831**	273,755	23,076	8.4
Derivative financial instruments	**137,728**	100,586	37,142	36.9
Trade and other payables	**145,252**	136,858	8,394	6.1
Other liabilities	**440,280**	411,027	29,253	7.1
Total liabilities	**13,122,369**	12,221,104	901,265	7.4
Net assets	**3,988,204**	3,818,757	169,447	4.4

MANAGEMENT DISCUSSION & ANALYSIS

PLANT AND EQUIPMENT AND ASSETS HELD FOR SALE

We had plant and equipment and assets held for sale totalling US$16.6 billion as at 30 June 2018, which increased by 6.1% from US$15.7 billion as at 31 December 2017 due to net additions of 8 aircraft in 1H 2018. Additions to the aircraft fleet were achieved through a combination of existing orders and purchase and lease back transactions with our airline customers.

In plant and equipment and assets held for sale, aircraft constituted the largest component, amounting to US$14.3 billion and US$13.7 billion as at 30 June 2018 and 31 December 2017, respectively, representing 86.0% and 87.2% of our total plant and equipment and assets held for sale as at the same dates, respectively. Aircraft pre-delivery payments constituted 14.0% and 12.8% of our total plant and equipment and assets held for sale as at 30 June 2018 and 31 December 2017, respectively.

TRADE RECEIVABLES

Included in other assets was an amount of US$10.9 million of trade receivables, of which US$3.1 million was not past due, US$1.7 million was contractually deferred by mutual agreement and interest bearing and US$6.1 million was past due. The past due amount of US$6.1 million was received in full subsequent to 30 June 2018.

CASH AND FIXED DEPOSITS

Our cash and fixed deposits, which were mainly denominated in US Dollar, increased to US$411 million as at 30 June 2018 from US$305 million as at 31 December 2017. The increase in cash and fixed deposits was mainly due to the total net cash inflows from operating activities, financing activities and proceeds from sales of aircraft, having been greater than the cash outflows from capital expenditure during 1H 2018.

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 2018 and 31 December 2017 respectively. Under assets, our derivative financial instruments increased to US$24 million as at 30 June 2018 from US$22 million as at 31 December 2017. Under liabilities, our derivative financial instruments increased to US$138 million as at 30 June 2018 from US$101 million as at 31 December 2017. The movements in derivative financial assets and liabilities are primarily due to movements in marked-to-market values of these derivative financial instruments.

MANAGEMENT DISCUSSION & ANALYSIS

TRADE AND OTHER PAYABLES

Our trade and other payables increased by 6.1% to US$145 million as at 30 June 2018 compared with US$137 million as at 31 December 2017, primarily due to an increase in accrued interest expense.

LOANS AND BORROWINGS AND FINANCE LEASE PAYABLES

Our loans and borrowings and finance lease payables increased by 6.8% to US$11.5 billion as at 30 June 2018 from US$10.7 billion as at 31 December 2017 to finance the increase in capital expenditure. During 1H 2018, the increase in borrowings included the issuance of US$1.15 billion of notes under the Global Medium Term Note Program and the drawing down of a US$300 million term loan. An amount of US$691 million in term loans and revolving credit facilities was repaid as part of regular loan repayment or loan prepayments.

CONTINGENT LIABILITIES

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 18 to the interim condensed consolidated financial statements as set out in the Appendix hereto (Interim Financial Statements), the Company had no material contingent liabilities as at 30 June 2018.

OTHER INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

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

MANAGEMENT DISCUSSION & ANALYSIS

In the first six months of 2018 we issued US$1.15 billion of notes under our Global Medium Term Note Program. We have also utilised US$625 million under our committed revolving credit facilities as at 30 June 2018.

There was no significant change in our gearing as at 30 June 2018 compared with 31 December 2017 as demonstrated in the table below.

	Unaudited 30 June 2018 US$'m	Audited 31 December 2017 US$'m
Gross debt	**11,698**	10,939
Total equity	**3,988**	3,819
Gearing (times)	**2.9**	2.9

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

MANAGEMENT DISCUSSION & ANALYSIS

Our liquidity remains strong, with cash and fixed deposits of US$411 million and US$3.5 billion in undrawn revolving credit facilities as at 30 June 2018.

INDEBTEDNESS

	30 June 2018 US$'m	31 December 2017 US$'m
Secured		
Term loans (including finance lease payables)	**917**	1,290
Export credit agency supported financing	**904**	1,042
Total secured debt	**1,821**	2,332
Unsecured		
Term loans	**2,185**	1,895
Revolving credit facilities	**625**	795
Medium term notes	**7,067**	5,917
Total unsecured debt	**9,877**	8,607
Total indebtedness	**11,698**	10,939
Less: debt discount, debt premium, debt issue costs and fair value and revaluation adjustments	**(231)**	(199)
Total debt	**11,467**	10,740
Number of aircraft pledged as security (including aircraft held under finance lease)	**72**	91
Net book value of aircraft pledged as security (including aircraft held under finance lease)	**3,350**	3,968

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to US$6.4 billion as at 30 June 2018 compared with US$5.1 billion as at 31 December 2017.

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. In line with our strategy to reduce secured debt as a proportion of total assets and of total indebtedness, these proportions have come down in 1H 2018 as set out in the table below:

	30 June 2018	31 December 2017
Secured Debt/Total Assets	**10.6%**	14.5%
Secured Debt/Total Indebtedness	**15.6%**	21.3%

MANAGEMENT DISCUSSION & ANALYSIS

As at 30 June 2018, the debt repayment profile is as follows:

DEBT REPAYMENT PROFILE

	30 June 2018 US$'b
2H 2018	1.0
2019	1.4
2020	1.7
2021	1.8
2022	2.1
2023 and beyond	3.7
Total	**11.7**

FOREIGN CURRENCY RISK

Our transactional currency exposures mainly arise from borrowings that are denominated in a currency 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 Rating. Under these agreements, we receive foreign currency amounts sufficient to meet the obligations in foreign currency borrowings and payment of US Dollar to the counterparties.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SOURCES OF FUNDING

Our estimated cash outflows based on our aircraft capital expenditure commitments as at 30 June 2018 are set out below:

	30 June 2018 US$'b
2H 2018	1.6
2019	3.0
2020	2.4
2021	0.6
Total	**7.6**

MANAGEMENT DISCUSSION & ANALYSIS

Our aircraft purchase commitments as at 30 June 2018 are expected to be financed through a range of funding sources, including (a) cash flows generated from our operating activities, (b) proceeds from our notes issuance from debt capital markets, (c) amounts made available and drawn down under our various bank financing facilities, and (d) net proceeds from sales of owned aircraft.

EMPLOYEES

As at 30 June 2018 and 30 June 2017, we had 158 and 151 employees respectively who were engaged in the operation and management of our business.

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

We set targets for our employees based on their position and role and periodically assess their performance. The results of such assessments are used in their salary reviews, bonus awards and assessing promotions. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our staff bonuses include two staff incentive plans as follows: (i) our short term incentive plan which is cash-based and payable over a maximum three year period, under which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive plan, under which a bonus is awarded to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period. From financial year 2017, the long term incentive plan was changed from a pure cash-based plan to a plan comprising a mix of cash-based and share-based elements. The share-based long term incentive plan involves the grant of awards in the form of restricted share units, fulfilled through the purchase of Shares in the secondary market by an independent trustee after the announcement of results for the relevant financial year in which performance occurred. Upon vesting, RSUs will generally be satisfied by the transfer of Shares from the independent trustee to the employee. The first grant under the RSU Plan was made in May 2018 and the RSU award is accounted for over the vesting period of approximately three years commencing from the date of grant.

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

For the six months ended 30 June 2018 and 30 June 2017, our staff costs were at US$41 million and US$32 million respectively, representing approximately 5.0% and 4.8% of the Group's total revenues and other income of each period.

GENERAL INFORMATION

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2018, there was no material acquisition nor disposal of subsidiaries, associates and joint ventures by the Company.

INTERIM DIVIDEND

The Directors have declared an interim dividend of US$0.1284 per Share for the six months ended 30 June 2018. The interim dividend will be paid in Hong Kong dollars (converted from US Dollar at the prevailing market rate at least one week before the payment date) on 12 October 2018 to Shareholders registered at the close of business on the record date, being 5 October 2018. 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 2018.

The register of members will be closed from 3 October 2018 to 5 October 2018 (both dates inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong 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 2 October 2018.

GENERAL INFORMATION

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

The register maintained by the Company pursuant to section 336 of the SF Ordinance recorded that, as at 30 June 2018, the following parties had the following interests (as defined in the SF Ordinance) in the Company set opposite their respective names:

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

Notes:

1. BOCGI holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOCGI is deemed to have the same interests in the Company as Sky Splendor Limited for the purpose of the SF Ordinance. 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 SF Ordinance. 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 SF Ordinance, Central Huijin Investment Limited is deemed to have the same interest in the Company as BOC.

All the interests stated above represented long positions. Save as disclosed above, as at 30 June 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under section 336 of the SF Ordinance.

GENERAL INFORMATION

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

Except as described below, as at 30 June 2018, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SF Ordinance) as recorded in the register required to be kept by the Company pursuant to section 352 of the SF Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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	199,373	0.03
Mr. WANG Jian	34,890	0.01

Note: These represent the number of the RSUs which were granted to the Directors. Please see "Restricted Share Unit Long Term Incentive Plan" below for details.

RESTRICTED SHARE UNIT LONG TERM INCENTIVE PLAN

The Company adopted the Restricted Share Unit Long Term Incentive Plan on 18 December 2017. The purpose of the RSU Plan is to attract skilled and experienced management and professional staff, to motivate and reward them to maximise profit and long term investment returns for Shareholders by providing them with the opportunity to acquire Shares in the Company, thereby aligning the respective interests of employees and Shareholders.

Eligible participants of the RSU Plan are selected employees (including Executive Directors) of the Company or any of its subsidiaries. An independent trustee (Computershare Hong Kong Trustees Limited) will purchase Shares of the Company from the market and will hold 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.

The RSU Plan is a discretionary scheme, and does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purposes of Chapter 17 of the Listing Rules. For more information on the RSU Plan, please refer to the Company's announcement dated 31 January 2018 on the websites of the Stock Exchange and the Company.

GENERAL INFORMATION

The Company made the first grant of awards under the RSU Plan on 4 May 2018 as set out below:

RSU Participants	Position	Number of Shares underlying the RSUs granted	Approximate percentage of the total issued share capital (%)
Mr. Robert James MARTIN	Executive Director	199,373	0.03
Mr. WANG Jian*	Executive Director	34,890	0.01
Directors of subsidiaries of the Company	Subsidiary Directors	291,280	0.04
Employees of the Group other than Executive Directors and Subsidiary Directors	—	773,757	0.11
Total		1,299,300	0.19

* *Pro-rated based on his appointment as Executive Director effective 1 June 2017.*

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 RSU award will vest in favour of the relevant RSU Participants (as set out in the table above) in accordance with the RSU Plan. For more information on the grant of awards under the RSU Plan on 4 May 2018, please refer to the Company's announcement dated 4 May 2018 on the websites of the Stock Exchange and the Company.

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 2017 annual report dated 24 April 2018, up to 15 August 2018 (being the approval date of this interim report) are set out below:

EXPERIENCE INCLUDING OTHER DIRECTORSHIPS

Mr. GAO Zhaogang, a non-executive Director of the Company, ceased to be the General Manager of the Human Resources Department of Bank of China with effect from 30 July 2018.

Mr. DAI Deming, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Power Construction Corporation of China, Ltd. with effect from 23 March 2018. Mr. Dai ceased to be an independent non-executive director of Beijing Capital Development Co. Ltd. with effect from 10 May 2018.

Mr. Antony Nigel TYLER, an independent non-executive Director of the Company, was appointed as a non-executive director of Trans Maldivian Airways Private Limited with effect from 25 April 2018.

GENERAL INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. During the six months ended 30 June 2018, the Company was in full compliance with all code provisions of the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established and implemented a Dealing Policy 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 2018.

GENERAL INFORMATION

FORWARD-LOOKING STATEMENTS

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

INTERIM REPORT

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

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

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

ADDITIONAL INFORMATION

As at 15 August 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
LIU Qiang*

Vice Chairman
WANG Jian

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

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

SENIOR MANAGEMENT

Managing Director and
Chief Executive Officer
Robert James MARTIN

Deputy Managing Director
WANG Jian

Deputy Managing Director and
Chief Financial Officer
PHANG Thim Fatt

Chief Operating Officer
David WALTON

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

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

COMPANY SECRETARY

ZHANG Yanqiu Juliana

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

8 Shenton Way
#18-01
Singapore 068811

PLACE OF BUSINESS IN HONG KONG

54th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR

Ernst & Young LLP

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

S&P Global Ratings
Fitch 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
"Board"	The board of directors of the Company
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-share and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively and the ultimate controlling shareholder of the Company
"BOCGI"	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, and a wholly-owned subsidiary of BOC and a controlling shareholder of the Company
"Company"	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related businesses
"Dealing Policy"	The Directors'/Chief Executive Officer's Dealing Policy adopted by the Board on 12 May 2016 on terms no less exacting than the Model Code
"Director(s)"	The director(s) of the Company
"Group"	The Company together with its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

DEFINITIONS

"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
"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
"SF Ordinance"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder"	A holder of Shares
"Shares"	Ordinary shares in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD", "US$" or "US Dollar"	The lawful currency of the United States of America
"USD LIBOR"	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US Dollar

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

Introduction

We have reviewed the accompanying interim condensed financial statements of BOC Aviation Limited (the "Company") and its subsidiaries (collectively, the "Group") as at 30 June 2018, which comprise the interim consolidated statement of financial position as at 30 June 2018 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting ("IAS 34") and SFRS(I) 1-34 Interim Financial Reporting ("SFRS(I) 1-34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2018 to 30 June 2018

	Note	**Unaudited 1 January 2018 to 30 June 2018 US$'000**	Unaudited 1 January 2017 to 30 June 2017 US$'000
Revenues			
Lease rental income	23 (a)	**753,418**	607,269
Interest and fee income	3	**28,900**	13,925
Other income:			
Net gain on sale of aircraft	4	**36,600**	47,706
Others		**5,614**	1,593
		824,532	670,493
Costs and expenses			
Depreciation of plant and equipment		**267,173**	217,512
Finance expenses	5	**162,127**	120,139
Amortisation of deferred debt issue costs		**12,539**	10,725
Amortisation of lease transaction closing costs		**76**	76
Staff costs	6	**40,926**	31,975
Marketing and travelling expenses		**2,628**	2,597
Other operating expenses		**9,895**	8,331
Impairment of aircraft		**–**	10,600
		(495,364)	(401,955)
Profit before income tax		**329,168**	268,538
Income tax expense	7	**(32,148)**	(28,413)
Profit for the period attributable to owners of the Company		**297,020**	240,125
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US$)	22	**0.43**	0.35
Diluted earnings per share (US$)	22	**0.43**	0.35

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 COMPREHENSIVE INCOME

For the period from 1 January 2018 to 30 June 2018

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Profit for the period	**297,020**	240,125
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	**5,194**	(3,189)
Total comprehensive income for the period attributable to owners of the Company	**302,214**	236,936

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 2018

	Note	**Unaudited 30 June 2018 US$'000**	Audited 31 December 2017 US$'000	Audited 1 January 2017* US$'000
Non-current assets				
Plant and equipment	8	**16,410,608**	15,434,163	12,604,600
Lease transaction closing costs		**1,144**	1,088	652
Derivative financial instruments		**19,517**	22,023	16,649
Trade receivables		**–**	–	2,772
Finance lease receivables		**7,187**	10,375	–
Deferred income tax assets	15	**146**	141	208
Other non-current assets		**9,290**	–	–
		16,447,892	15,467,790	12,624,881
Current assets				
Derivative financial instruments		**4,646**	–	–
Trade receivables	9	**10,918**	5,467	–
Finance lease receivables		**6,290**	5,625	–
Prepayments		**3,111**	2,972	2,582
Other receivables		**4,003**	14,179	8,036
Fixed deposits	10	**319,022**	162,235	352,882
Cash and bank balances	10	**92,258**	143,058	205,601
Assets held for sale	11	**222,433**	238,535	250,573
		662,681	572,071	819,674
Total assets		**17,110,573**	16,039,861	13,444,555
Current liabilities				
Derivative financial instruments		**45,029**	38,003	–
Trade and other payables	12	**145,252**	136,858	119,186
Deferred income		**59,776**	66,651	89,702
Income tax payables		**786**	956	210
Loans and borrowings	13	**1,594,516**	1,419,443	902,245
Finance lease payables	14	**–**	33,478	9,537
Security deposits		**47,837**	29,022	50,088
Liabilities associated with assets held for sale	11	**11,033**	–	18,857
		1,904,229	1,724,411	1,189,825
Net current liabilities		**(1,241,548)**	(1,152,340)	(370,151)
Total assets less current liabilities		**15,206,344**	14,315,450	12,254,730

* Refer to Note 2.1 (First-time adoption of SFRS(I)).

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

As at 30 June 2018

	Note	**Unaudited 30 June 2018 US$'000**	Audited 31 December 2017 US$'000	Audited 1 January 2017* US$'000
Non-current liabilities				
Derivative financial instruments		**92,699**	62,583	207,257
Loans and borrowings	13	**9,872,078**	9,262,814	7,541,989
Finance lease payables	14	**–**	24,640	58,118
Security deposits		**200,285**	199,900	168,797
Deferred income		**48,709**	44,833	37,257
Maintenance reserves		**635,684**	558,503	470,020
Deferred income tax liabilities	15	**320,789**	296,339	332,482
Other non-current liabilities		**47,896**	47,081	56,642
		11,218,140	10,496,693	8,872,562
Total liabilities		**13,122,369**	12,221,104	10,062,387
Net assets		**3,988,204**	3,818,757	3,382,168
Equity attributable to owners of the Company				
Share capital	16	**1,157,791**	1,157,791	1,157,791
Retained earnings		**2,803,589**	2,639,874	2,207,855
Statutory reserves		**64**	9	7
Share-based compensation reserves		**483**	–	–
Hedging reserves		**26,277**	21,083	16,515
Total equity		**3,988,204**	3,818,757	3,382,168
Total equity and liabilities		**17,110,573**	16,039,861	13,444,555

* Refer to Note 2.1 (First-time adoption of SFRS(I)).

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2018 to 30 June 2018

		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 2018							
Balance at 1 January 2018		1,157,791	2,639,874	9	–	21,083	3,818,757
Profit for the period		–	297,020	–	–	–	297,020
Transfers to statutory reserves		–	(55)	55	–	–	–
Other comprehensive income for the period, net of tax		–	–	–	–	5,194	5,194
Total comprehensive income for the period		–	296,965	55	–	5,194	302,214
Transactions with owners of the Company:							
Dividends	25	–	(133,250)	–	–	–	(133,250)
Share-based compensation		–	–	–	483	–	483
Balance at 30 June 2018		**1,157,791**	**2,803,589**	**64**	**483**	**26,277**	**3,988,204**
Unaudited 2017							
Balance at 1 January 2017		1,157,791	2,207,855	7	–	16,515	3,382,168
Profit for the period		–	240,125	–	–	–	240,125
Transfers to statutory reserves		–	(2)	2	–	–	–
Other comprehensive income for the period, net of tax		–	–	–	–	(3,189)	(3,189)
Total comprehensive income for the period		–	240,123	2	–	(3,189)	236,936
Transactions with owners of the Company:							
Dividends		–	(82,587)	–	–	–	(82,587)
Balance at 30 June 2017		1,157,791	2,365,391	9	–	13,326	3,536,517

* 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 2018 to 30 June 2018

	Note	**Unaudited 1 January 2018 to 30 June 2018 US$'000**	Unaudited 1 January 2017 to 30 June 2017 US$'000
Cash flows from operating activities:			
Profit before income tax		**329,168**	268,538
Adjustments for :			
Depreciation of plant and equipment		**267,173**	217,512
Impairment of aircraft		**–**	10,600
Amortisation of deferred debt issue costs		**12,539**	10,725
Amortisation of lease transaction closing costs		**76**	76
Share-based compensation	6	**483**	–
Net gain on sale of aircraft	4	**(36,600)**	(47,706)
Interest and fee income	3	**(28,900)**	(13,925)
Finance expenses	5	**162,127**	120,139
Operating profit before working capital changes		**706,066**	565,959
Increase in receivables		**(2,798)**	(1,921)
Decrease in payables		**(3,373)**	(9,368)
Increase in maintenance reserves		**90,882**	22,768
Decrease in deferred income		**(6,875)**	(30,790)
Cash generated from operations		**783,902**	546,648
Security deposits received, net		**23,076**	18,352
Lease transaction closing costs paid		**(152)**	(345)
Income tax paid, net		**(7,157)**	(612)
Interest and fee income received		**29,512**	14,668
Net cash flows from operating activities		**829,181**	578,711
Cash flows from investing activities:			
Purchase of plant and equipment		**(1,920,712)**	(2,074,929)
Proceeds from sale of plant and equipment		**738,794**	714,667
Net cash flows used in investing activities		**(1,181,918)**	(1,360,262)

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

For the period from 1 January 2018 to 30 June 2018

	Note	**Unaudited 1 January 2018 to 30 June 2018 US$'000**	Unaudited 1 January 2017 to 30 June 2017 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**1,450,000**	664,597
Repayment of loans and borrowings and finance lease payables		**(520,880)**	(519,077)
(Decrease)/increase in borrowings from revolving credit facilities, net		**(170,000)**	624,000
Finance expenses paid		**(161,142)**	(122,383)
Debt issue costs paid		**(6,004)**	(8,946)
Dividends paid	25	**(133,250)**	(82,587)
Decrease in cash and bank balances - encumbered		**39,145**	90,539
Increase in cash and bank balances - encumbered		**(13,763)**	(65,353)
Net cash flows from financing activities		**484,106**	580,790
Net increase/(decrease) in cash and cash equivalents		**131,369**	(200,761)
Cash and cash equivalents at 1 January		**241,847**	393,719
Cash and cash equivalents at 30 June		**373,216**	192,958

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

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

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

2. Basis of preparation and significant accounting policies

As at 30 June 2018, the Group's current liabilities exceeded its current assets by US$1,241.5 million (31 December 2017: US$1,152.3 million). The interim financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are also prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), which the Group adopted on 1 January 2018. Accordingly, the interim condensed consolidated financial statements of the Group have been prepared in accordance with both International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and SFRS(I) 1-34 *Interim Financial Reporting*. Refer to Note 2.1 for information on first-time adoption of SFRS(I).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2017.

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

The accounting policies adopted are consistent with those of the previous financial year which are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2017. In the current financial period, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2018. The adoption of these standards did not have any material impact on the interim financial statements of the Group.

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

2.1 First-time adoption of SFRS(I)

As described above, the Group has prepared the interim condensed consolidated financial statements for the period from 1 January 2018 and 30 June 2018 and the comparative period data for the period from 1 January 2017 to 30 June 2017 that comply with both IAS 34 and SFRS(I) 1-34.

In preparing these interim condensed financial statements to comply with SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, the Group has prepared the opening statement of financial position as at 1 January 2017, the Group's date of transition to SFRS(I). There were no material differences between IFRS and SFRS(I) that had an impact on the opening statement of financial position of the Group as at 1 January 2017.

2.2 Changes in accounting policies

The Group adopts IFRS 9/SFRS(I) 9 *Financial Instruments* and IFRS 15/SFRS(I) 15 *Revenue from Contracts with Customers* on 1 January 2018. The nature of the changes in these financial reporting standards are described below:

<u>IFRS 9/SFRS(I) 9 *Financial Instruments*</u>

IFRS 9/SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in this standard are based on an expected credit loss model and replaces the IAS 39/FRS 39 incurred loss model.

This standard requires the Group to record expected credit losses on its trade and other receivables, derivative financial instruments, finance lease receivables, fixed deposits and cash and bank balances, either on a 12-month or lifetime basis. As the Group has a rigorous counterparty selection and monitors closely the credit risks arising from the financial assets, the changes of this standard did not have a material impact on the financial statements of the Group for the period ended 30 June 2018.

The new hedge accounting rules under IFRS 9/SFRS(I) 9 will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as this standard introduces a more principle-based approach. The above change did not have a significant impact on the current hedging relationships entered into by the Group.

<u>IFRS 15/SFRS(I) 15 *Revenue from Contracts with Customers*</u>

Under IFRS 15/SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard specifically states that lease contracts within the scope of IFRS 16/SFRS(I) 16 *Leases* are outside the scope of this standard.

As the Group derives its revenue primarily from lease rentals under lease contracts within the scope of IFRS 16/SFRS(I) 16 *Leases*, the adoption of this standard did not have a material impact on the financial statements of the Group for the period ended 30 June 2018.

3. Interest and fee income

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Interest income from fixed deposits and bank balances	**1,392**	1,111
Fee income from aircraft pre-delivery payments	**23,936**	10,584
Lease management fee income	**1,704**	1,969
Remarketing fee income	**1,125**	116
Others	**743**	145
	28,900	13,925

4. Net gain on sale of aircraft

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Proceeds from sale of aircraft*	**722,141**	672,218
Maintenance reserves released	**2,668**	–
Net book value of aircraft classified as:		
Plant and equipment	**(390,509)**	(178,968)
Assets held for sale	**(295,803)**	(444,074)
Expenses	**(1,897)**	(1,470)
	36,600	47,706

* Included an amount of US$Nil (2017: US$91.8 million) received from a related company.

5. Finance expenses

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Interest expense and other charges on:		
Loans and borrowings	**161,896**	119,408
Finance leases	**231**	731
	162,127	120,139

6. Staff costs

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Salaries, bonuses and other staff costs	**39,169**	30,659
Employers' defined contributions	**1,274**	1,316
Share-based compensation	**483**	–
	40,926	31,975

Share-based compensation (equity-settled)

The Group has adopted a Restricted Share Unit Long Term Incentive Plan. The Restricted Share Units ("RSU") in respect of a financial year are granted in the following year and vest in the third year following the end of such financial year.

During the period ended 30 June 2018, the Group granted 1,299,300 RSUs at a fair value of HK$46.61 per share (then equivalent to US$5.94 per share). 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 an independent trustee in the secondary market. As at 30 June 2018, the RSUs granted but not vested was 1,273,080 due to forfeiture of 26,220 RSUs.

7. Income tax expense

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Current income tax	**7,703**	557
Deferred income tax	**24,445**	27,856
Income tax expense	**32,148**	28,413

During the period ended 30 June 2018, there was a reversal of prior year provision of income tax liabilities no longer required of US$0.7 million (2017: US$8.1 million).

8. Plant and equipment

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2017	11,825,450	2,166,578	1,261	9,363	14,002,652
Additions	3,054,048	1,391,638	468	2,043	4,448,197
Disposals/reductions	(625,115)	(42,449)	(126)	(23)	(667,713)
Transfers	1,511,490	(1,511,490)	–	–	–
Transfer to assets held for sale	(723,853)	–	–	–	(723,853)
Adjustments	(437)	–	–	–	(437)
At 31 December 2017 and 1 January 2018	15,041,583	2,004,277	1,603	11,383	17,058,846
Additions	944,855	989,314	112	481	1,934,762
Disposals/reductions	(491,192)	(16,594)	(223)	(4)	(508,013)
Transfers	647,864	(647,864)	–	–	–
Transfer to assets held for sale	(407,639)	–	–	–	(407,639)
Adjustments	(4,281)	–	–	–	(4,281)
At 30 June 2018	**15,731,190**	**2,329,133**	**1,492**	**11,860**	**18,073,675**

8. Plant and equipment (cont'd)

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Accumulated depreciation and impairment:					
At 1 January 2017	1,388,386	–	1,032	8,634	1,398,052
Charge for the period	458,939	–	154	1,403	460,496
Disposals	(102,528)	–	(126)	(23)	(102,677)
Impairment of aircraft	10,600	–	–	–	10,600
Transfer to assets held for sale	(141,788)	–	–	–	(141,788)
At 31 December 2017 and 1 January 2018	1,613,609	–	1,060	10,014	1,624,683
Charge for the period	266,016	–	111	1,046	267,173
Disposals	(100,683)	–	(163)	(5)	(100,851)
Impairment of aircraft	–	–	–	–	–
Transfer to assets held for sale	(127,938)	–	–	–	(127,938)
At 30 June 2018	**1,651,004**	–	**1,008**	**11,055**	**1,663,067**
Net book value:					
At 31 December 2017	13,427,974	2,004,277	543	1,369	15,434,163
At 30 June 2018	**14,080,186**	**2,329,133**	**484**	**805**	**16,410,608**

8. Plant and equipment (cont'd)

(a) Impairment of assets

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Movement of impairment provision:		
At beginning of period/year	**4,700**	4,800
Impairment of aircraft	–	10,600
Utilised	**(4,700)**	(10,700)
At end of period/year	–	4,700

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

As at 30 June 2018, the net book value of aircraft and aircraft held for sale (Note 11) owned by the Group that have been charged for loan facilities granted (Note 13) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft, including the net book value of aircraft held under finance lease arrangements (Note 14) of US$Nil (31 December 2017: US$93.1 million), amounted to US$3,349.8 million (31 December 2017: US$3,968.4 million).

(c) Capitalisation of borrowing costs

As at 30 June 2018, the borrowing costs capitalised as cost of aircraft amounted to US$14.1 million (31 December 2017: US$14.7 million). The rate used to determine the amount of borrowing costs for capitalisation ranged from 2.4% to 2.9% per annum for the period ended 30 June 2018 (for the year ended 31 December 2017: 2.4% to 2.7% per annum).

9. Trade receivables

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally due monthly in advance. None of the trade receivables were impaired as at 30 June 2018 and 31 December 2017. Included in the trade receivables was an amount of US$1.7 million (31 December 2017: US$2.8 million) which was contractually deferred by mutual agreement and interest bearing, and an amount of US$6.1 million (31 December 2017: US$1.4 million) that was past due for less than 30 days but not impaired. These trade receivables are secured by cash security deposits.

10. Cash and cash equivalents

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Fixed deposits	**319,022**	162,235
Cash and bank balances	**92,258**	143,058
	411,280	305,293
Less: encumbered cash and bank balances	**(38,064)**	(63,446)
Cash and cash equivalents	**373,216**	241,847

As at 30 June 2018, fixed deposits placed with an intermediate holding company and a related party amounted to US$81.0 million (31 December 2017: US$Nil) and US$13.0 million (31 December 2017: US$146.0 million) respectively.

As at 30 June 2018, the Group's cash and bank balances included an amount of US$9.8 million (31 December 2017: US$ 8.4 million) placed with an intermediate holding company.

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

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

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Assets held for sale:		
Plant and equipment - aircraft		
At beginning of period/year	**238,535**	250,573
Additions	**279,701**	582,065
Disposals	**(295,803)**	(594,103)
At end of period/year	**222,433**	238,535
Liabilities associated with assets held for sale:		
Maintenance reserve payable	**11,033**	–
	11,033	–

12. Trade and other payables

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Trade payables	**2,176**	2,519
Sundry payables	**5,474**	9,751
Accrued interest expenses	**73,141**	58,863
Accrued maintenance reserve payables	**4,521**	1,610
Accrued technical expenses	**885**	2,162
Staff costs related accruals	**43,765**	49,471
Other accruals and liabilities	**15,290**	12,482
	145,252	136,858

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

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

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Current	**2,019**	2,464
1 – 30 days	**60**	–
31 – 60 days	**28**	–
61 – 90 days	**14**	–
More than 90 days	**55**	55
	2,176	2,519

13. Loans and borrowings

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Current:		
Medium term notes	**792,225**	492,225
Loans	**856,693**	975,074
Medium term notes discount (net of premium)	**(544)**	79
Fair value and revaluation adjustments	**(44,837)**	(38,003)
Deferred debt issue costs	**(9,021)**	(9,932)
	1,594,516	1,419,443
Non-current:		
Medium term notes	**6,275,019**	5,425,019
Medium term notes discount (net of premium)	**(11,065)**	(12,334)
Fair value and revaluation adjustments	**(95,725)**	(61,469)
	6,168,229	5,351,216
Loans	**3,774,185**	3,988,387
Deferred debt issue costs	**(70,336)**	(76,789)
	9,872,078	9,262,814
Total loans and borrowings	**11,466,594**	10,682,257

As at 30 June 2018, total loans and borrowings of the Group included secured liabilities of US$1,820.9 million (31 December 2017: US$2,273.5 million). These amounts are secured by the related aircraft, certain cash and bank balances and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to the assets and revenues of these companies (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).

13. Loans and borrowings (cont'd)

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

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Unaudited 30 June 2018					
Medium term notes	792,225	977,620	3,236,342	2,061,057	7,067,244
Loans	856,693	1,067,465	2,476,087	230,633	4,630,878
Total gross loans and borrowings	**1,648,918**	**2,045,085**	**5,712,429**	**2,291,690**	**11,698,122**
Audited 31 December 2017					
Medium term notes	492,225	300,000	2,863,962	2,261,057	5,917,244
Loans	975,074	1,104,650	2,439,153	444,584	4,963,461
Total gross loans and borrowings	1,467,299	1,404,650	5,303,115	2,705,641	10,880,705

13. 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 2018		
		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	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.2% to 5.5%	2018 to 2024	782,404	742,404	40,000
Hong Kong Dollar	3.25%	2027	102,464	–	102,464
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2019 to 2027	4,850,000	500,000	–
			6,217,244	1,615,897	251,347
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	850,000	–	650,000
			7,067,244	**1,615,897**	**901,347**

			Audited As at 31 December 2017		
Currency	**Fixed Coupon Rate (p.a.)**	**Maturity (Year)**	**Outstanding amounts US$'000**	**Amounts swapped to US$ and floating rates US$'000**	**Amounts swapped to US$ and fixed rates US$'000**
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.2% to 5.5%	2018 to 2024	782,404	742,404	40,000
Hong Kong Dollar	3.25%	2027	102,464	–	102,464
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2019 to 2027	4,550,000	500,000	–
			5,917,244	**1,615,897**	**251,347**

13. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2018 and 31 December 2017, an amount of US$1,615.9 million has been swapped to floating rate liabilities and US Dollar (for non-US Dollar denominated notes) via cross-currency interest rate swap contracts to hedge the exposure to changes in fair values of the Group's non-US Dollar fixed rate liabilities, and interest rate swap contracts to hedge changes in fair value of fixed rate liabilities. These hedges are classified as fair value hedges. The carrying amount of these medium term notes was US$1,478.1 million (31 December 2017: US$1,511.1 million). The interest rates for the notes that have been swapped from fixed rates to floating rates ranged from 2.0% to 4.9% per annum for the period ended 30 June 2018 (for the year ended 31 December 2017: 2.0% to 4.0% per annum).

As at 30 June 2018 and 31 December 2017, an amount of US$251.3 million which was denominated in non-US Dollar at fixed rates has been swapped to US Dollar and at fixed rates via cross-currency interest rate swap contracts to hedge (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve. The net fair value gain of US$0.3 million (31 December 2017: US$4.1 million) on these cross-currency interest rate swaps was recognised in hedging reserve while the balance amount was recognised in profit or loss.

As at 30 June 2018, an amount of US$650 million (31 December 2017: US$Nil) has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows whereby the Group collects fixed rate rentals to pay interest on borrowings at floating rates. These hedges are classified as cash flow hedges. The net fair value loss of US$0.2 million (31 December 2017: US$Nil) 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.

13. Loans and borrowings (cont'd)

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 2.9% per annum for the period ended 30 June 2018 (for the year ended 31 December 2017: 2.2% per annum). The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans as at 30 June 2018 are between 2018 and 2025.

As at 30 June 2018, loans outstanding amounting to US$1,100 million (31 December 2017: US$800 million) have been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows whereby the Group collects fixed rate rentals to pay interest on borrowings at floating rates. 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$5.1 million (31 December 2017: gain of US$0.5 million) was accounted for in hedging reserve.

As at 30 June 2018, the loans due to related parties amounted to US$594.8 million (31 December 2017: US$375.8 million).

As at 30 June 2018, the Group had unutilised unsecured committed revolving credit facilities of US$3,525 million (31 December 2017: US$3,355 million). These facilities include a US$2 billion committed revolving credit facility which is granted by the intermediate holding company and matures in 2022, and an amount of US$299.2 million (31 December 2017: US$218.2 million) undrawn commitments which are provided by other related parties as part of committed syndicated revolving credit facilities which mature between 2019 and 2021.

14. Finance lease payables

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Current:		
Finance lease payables	–	33,526
Deferred debt issue costs	–	(48)
Finance lease payables, net	–	33,478
Non-current:		
Finance lease payables	–	24,771
Deferred debt issue costs	–	(131)
Finance lease payables, net	–	24,640
Total finance lease payables, net	–	58,118

The finance lease payables were repaid during the period ended 30 June 2018. Interest on the leases before repayment ranged from 1.9% to 3.6% per annum (for the year ended 31 December 2017: 1.7% to 3.6% per annum).

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

	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Unaudited 30 June 2018	–	–	–	–	–
Audited 31 December 2017	33,526	2,285	22,486	–	58,297

15. Deferred income tax assets and liabilities

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Deferred income tax liabilities	**320,789**	296,339
Deferred income tax assets	**(146)**	(141)
	320,643	296,198

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.

16. Share capital

	Unaudited 30 June 2018		Audited 31 December 2017	
	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.

17. Commitments

(a) Operating lease commitments

(i) Operating lease commitments - As lessor

Aircraft

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

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Within one year	**1,516,065**	1,422,158
After one year but not more than five years	**5,595,913**	5,158,185
After five years	**5,026,327**	4,912,322
	12,138,305	11,492,665

Future net minimum lease receivables under the non-cancellable operating leases for aircraft committed but yet to be delivered are as follows:

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Within one year	**87,263**	157,077
After one year but not more than five years	**856,574**	1,305,834
After five years	**1,591,552**	2,355,602
	2,535,389	3,818,513

17. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

Offices

The Group leases office and facility spaces and rental of office equipment under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

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

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Within one year	**2,336**	2,329
After one year but not more than five years	**6,227**	7,544
	8,563	9,873

(b) Capital expenditure commitments

As at 30 June 2018, the Group had committed to purchase various aircraft delivering between 2018 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery was US$7,627.1 million (31 December 2017: US$7,901.3 million).

17. Commitments (cont'd)

(c) Finance lease commitments

(i) Finance lease commitments - As lessee

	Unaudited		Audited	
	Minimum lease payments	**Present value of payments**	Minimum lease payments	Present value of payments
	30 June 2018	**30 June 2018**	31 December 2017	31 December 2017
	US$'000	**US$'000**	US$'000	US$'000
Finance lease with third parties:				
Within one year	**–**	**–**	34,820	33,526
After one year but not more than five years	**–**	**–**	27,337	24,771
After five years	**–**	**–**	–	–
Total minimum lease payments	**–**	**–**	62,157	58,297
Less: Amounts representing finance charges	**–**	**–**	(3,860)	–
Present value of minimum lease payments	**–**	**–**	58,297	58,297

17. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(ii) Finance lease commitments - As lessor

	Unaudited		Audited	
	Minimum lease payments	**Present value of payments**	Minimum lease payments	Present value of payments
	30 June 2018	**30 June 2018**	31 December 2017	31 December 2017
	US$'000	**US$'000**	US$'000	US$'000
Finance lease with third parties:				
Within one year	**6,864**	**6,290**	6,364	5,625
After one year but not more than five years	**7,415**	**7,187**	10,847	10,375
Total minimum lease payments	**14,279**	**13,477**	17,211	16,000
Less: Amounts representing finance charges	**(802)**	**–**	(1,211)	–
Present value of minimum lease payments	**13,477**	**13,477**	16,000	16,000

18. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies and for obligations under certain lease agreements entered into by the subsidiary companies. As at 30 June 2018, the corporate guarantees for loans to subsidiary companies amounted to US$3,524.6 million (31 December 2017: US$3,823.5 million).

19. 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 directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities.

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

The Group considers only those entities known to us to be a subsidiary company, associate or joint venture of Central Huijin to be related parties.

In addition to the information disclosed elsewhere in the interim financial statements, the following significant transactions took place between the Group and related parties in the normal course of business and on commercial terms:

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**109**	45
(b) Other related parties:		
Interest income	**89**	75
Interest expense	**8,323**	3,431

19. Related party transactions (cont'd)

	Unaudited 1 January 2018 to 30 June 2018 US$'000	Unaudited 1 January 2017 to 30 June 2017 US$'000
Directors' and key executives' remuneration paid during the period*		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**5,054**	5,108
(b) Key executives (excluding executive directors) of the Group:		
Salary, bonuses and other costs	**8,077**	6,986
CPF and other defined contributions	**208**	172
	8,285	7,158

* Exclude share-based compensation expense as described below.

As at 30 June 2018, deferred cash bonuses of US$26.7 million (31 December 2017: US$19.5 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 2018, the Group granted 234,263 and 351,472 RSUs to directors of the Company and key executives of the Group respectively. The share-based compensation expense for the period ended 30 June 2018 was US$0.1 million (2017: US$Nil) and US$0.1 million (2017: US$Nil) for directors of the Company and key executives of the Group respectively.

20. Financial risk management objectives and policies

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

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

Please refer to the Group's audited consolidated financial statements for year ended 31 December 2017 for a detailed discussion on how management manages its key financial risks.

21. 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 dividends payment to the shareholders or return capital to the shareholders. The changes in share capital and dividends are disclosed in Note 16 and Note 25 respectively. There were no changes made in the objectives, policies or processes during the period from 1 January 2018 to 30 June 2018 and the year ended 31 December 2017.

The Group monitors its gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in the loan facilities and to maintain its investment grade credit rating. Gross debt comprises the Group's loans and borrowings and finance lease payables before adjustments for 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 2018 US$'000	Audited 31 December 2017 US$'000
Gross debt	**11,698,122**	10,939,002
Total equity	**3,988,204**	3,818,757
Gearing (times)	**2.9**	2.9

22. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the period attributable to 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 was no dilutive potential ordinary shares as at 30 June 2018 and 30 June 2017.

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

	Unaudited 1 January 2018 to 30 June 2018	Unaudited 1 January 2017 to 30 June 2017
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the period attributable to owners of the Company) (US$'000)	**297,020**	240,125
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	**694,010**	694,010
Basic earnings per share (US$)	**0.43**	0.35
Diluted earnings per share (US$)	**0.43**	0.35

23. Segmental analysis

All revenues are derived from the Group's principal activities of leasing and management of aircraft leases and other related activities. There is no known seasonality of the Group's 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 to various operators around the world. The distribution of lease rental income by the operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	Unaudited 1 January 2018 to 30 June 2018		Unaudited 1 January 2017 to 30 June 2017	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**182**	**24.2**	173	28.5
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**218**	**29.0**	168	27.7
Americas	**100**	**13.2**	98	16.1
Europe	**184**	**24.4**	140	23.1
Middle East and Africa	**69**	**9.2**	28	4.6
	753	**100.0**	607	100.0

Other than the lease rental income attributable to the Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 29.0% of the total lease rental income, there was no other country concentration in excess of 10% of the total lease rental income for the period ended 30 June 2018 (2017: 27.7%).

23. Segmental analysis (cont'd)

(b) Net book value of aircraft

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

	Unaudited 30 June 2018		Audited 31 December 2017	
	US$'million	**%**	US$'million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,227**	**22.6**	3,192	23.3
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**4,151**	**29.0**	4,139	30.3
Americas	**1,589**	**11.1**	1,786	13.1
Europe	**3,523**	**24.6**	3,311	24.2
Middle East and Africa	**1,812**	**12.7**	1,239	9.1
	14,302	**100.0**	13,667	100.0

Represented by:	**Unaudited 30 June 2018 US$'million**	Audited 31 December 2017 US$'million
Plant and equipment - Net book value (Note 8)	**14,080**	13,428
Plant and equipment - Assets held for sale (Note 11)	**222**	239
	14,302	13,667

The net book value of aircraft leased to operators in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 29.0% and in Qatar accounted for 10.5% of the total net book value as at 30 June 2018 (31 December 2017: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 30.3%). Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value as at 30 June 2018 and 31 December 2017.

24. 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 9), finance lease receivables, other non-current assets, other receivables, fixed deposits and cash and bank balances (Note 10).

As at 30 June 2018, the financial assets measured at amortised cost for the Group were US$441.2 million (31 December 2017: US$340.9 million).

Financial liabilities measured at amortised cost comprise trade and other payables (Note 12), loans and borrowings (except as disclosed in Note 13), finance lease payables (Note 14), security deposits, liabilities associated with assets held for sale (Note 11) and other non-current liabilities.

As at 30 June 2018, the financial liabilities measured at amortised cost for the Group were US$10,437.1 million (31 December 2017: US$9,630.3 million).

(a) Financial instruments measured at fair values

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

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

(b) Financial instruments whose carrying amounts approximate fair values

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

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

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

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

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

	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
Medium term notes :		
Carrying amounts	**4,575,709**	4,274,312
Fair values	**4,439,086**	4,296,180

As at 30 June 2018, the fair value measurement of the above financial instruments are classified under Level 1 of the fair value hierarchy as they are based on quoted prices, except for the carrying amount of US$102.2 million (31 December 2017: US$102.2 million) with fair value of US$96.2 million (31 December 2017: US$100.5 million) which were classified under Level 2 of the fair value hierarchy.

25. Dividends

At the Annual General Meeting held on 30 May 2018, the shareholders approved a final dividend of US$0.192 per ordinary share in respect of the profit for the year ended 31 December 2017 which amounted to US$133.250 million. This dividend was paid in June 2018.

	Unaudited 1 January 2018 to 30 June 2018		Unaudited 1 January 2017 to 30 June 2017	
	Per share US$	**Total US$'000**	Per share US$	Total US$'000
Interim dividend	**0.1284**	**89,111**	0.1038	72,038

At a meeting on 15 August 2018, the directors declared an interim dividend of US$0.1284 per ordinary share for the period ended 30 June 2018 amounting to US$89.111 million. This declared interim dividend is not reflected as a dividend payable in this interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

26. Authorisation of interim financial statements for issue

The interim financial statements for the period from 1 January 2018 to 30 June 2018 were authorised for issue in accordance with a resolution of the directors passed on 15 August 2018.

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