BOC AVIATION

BOC AVIATION LIMITED
中銀航空租賃有限公司*

(Incorporated in the Republic of Singapore with limited liability)

STOCK CODE: 2588

*For identification purpose only

WELL POSITIONED AS GROWTH RECOVERS

2022 INTERIM REPORT

BOC Aviation recorded core net profit after tax of US$206 million in the first half of 2022, excluding the impact of the write-down of the net book value of the 17 aircraft that remain in Russia. Including the write-down, we reported a net loss after tax of US$313 million or a loss per share of US$0.45.

The Board of Directors has approved a distribution of US$0.0889 per share by way of interim dividend, which represents 30% of our core net profit after tax. This is the same proportion of net profit after tax that we distributed as an interim dividend in prior years and demonstrates the Group's strong cash flow and the Board's confidence in the strength of its underlying business.

In the first half of 2022, we saw robust recovery in the world's airline and travel sectors. According to the International Air Transport Association, total global passenger traffic rose 83% in the six months to June 2022 compared with the prior year and has now reached 71% of 2019 levels, with the recovery most notable in the Americas, Western Europe and the Middle East. We expect further recovery when China and Japan fully resume international travel.

This has become evident in our airline customers' better earnings and cash flow during the first half of 2022, which has sustained our collections, as these rose to 97% from 96% the previous year. Operating cash flow net of interest also rose, up 29% to US$717 million and we ended the half year with liquidity in the form of cash and available credit lines largely unchanged at US$6.0 billion.

During the first half of 2022, we placed the largest single aircraft order by value in our Company's history when we committed to purchase 80 Airbus A320NEO family aircraft, which will support future revenues and position us well as growth recovers.

CONTENTS

02 Financial Overview

04 Portfolio and Operational Overview

10 Half Year Business Review

13 Business Overview

14 Management Discussion and Analysis

27 General Information

33 Corporate Information

34 Definitions

Appendix – Interim Condensed Consolidated Financial Statements

FINANCIAL OVERVIEW

Our financial overview for the six months ended 30 June 2022 are:

- **Total revenues and other income increased 8% to US$1,196 million compared with the first half of 2021**
- **Operating cash flow net of interest increased 29% to US$717 million compared with the first half of 2021**
- **Net loss after tax of US$313 million, compared with net profit after tax of US$254 million in the first half of 2021. This included write-downs of US$804 million related to the net book value of aircraft remaining in Russia partially offset by US$223 million of cash collateral held by the Group in respect of those aircraft and US$63 million of tax credit, resulting in an after-tax impact of US$518 million**
- **Loss per share of US$0.45**
- **Interim dividend of US$0.0889 per share**
- **Total assets decreased 4% to US$22.8 billion as at 30 June 2022 compared with 31 December 2021, primarily on account of the write-down of the net book value of aircraft remaining in Russia**
- **Maintained strong liquidity with US$454 million in cash and short-term deposits[1] in addition to US$5.5 billion in undrawn committed credit facilities as at 30 June 2022**

[1] *Includes encumbered cash and cash balances of US$3.2 million.*

Capitalised terms used but not defined in this interim report are found in pages 34 to 35.

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

FINANCIAL OVERVIEW

	Unaudited 6 months ended 30 June 2022 US$m	2021 US$m
Statement of Profit or Loss		
Revenues and other income	**1,196**	1,107
Costs and expenses	**(1,543)**	(820)
(Loss)/Profit before income tax	**(347)**	288
Net (loss)/profit after income tax	**(313)**	254
(Loss)/Earnings per share (US$)[1]	**(0.45)**	0.37
	Unaudited 30 June 2022 US$m	Audited 31 December 2021 US$m
Statement of Financial Position		
Cash and short-term deposits[2]	**454**	486
Total current assets	**679**	673
Total non-current assets	**22,133**	23,207
Total assets	**22,813**	23,879
Total current liabilities	**2,815**	2,206
Total non-current liabilities	**15,077**	16,408
Total liabilities	**17,893**	18,613
Net assets	**4,920**	5,266
Financial Ratios		
Net assets per share (US$)[3]	**7.09**	7.59
Gross debt to equity (times)[4]	**3.3**	3.2
Net debt to equity (times)[5]	**3.2**	3.1

1 *(Loss)/Earnings per share is calculated by dividing net (loss)/profit after tax by total number of shares outstanding at 30 June 2022 and 30 June 2021. Number of shares outstanding at 30 June 2022 and 30 June 2021 was 694,010,334.*

2 *Includes encumbered cash and bank balances of US$3.2 million and US$1.2 million at 30 June 2022 and at 31 December 2021, respectively.*

3 *Net assets per share is calculated by dividing net assets by total number of shares outstanding at 30 June 2022 and 31 December 2021. Number of shares outstanding at 31 December 2021 was 694,010,334.*

4 *Gross debt to equity is calculated by dividing gross debt by total equity at 30 June 2022 and 31 December 2021.*

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

PORTFOLIO AND OPERATIONAL OVERVIEW

Our operational overview as at 30 June 2022 included:

- **A portfolio of 608[1] aircraft owned, managed and on order**
- **Owned fleet of 390 aircraft, with an average age of 4.1 years and an average remaining lease term of 8.4 years, each weighted by net book value**
- **An orderbook of 181[1] aircraft scheduled for delivery through to 31 December 2029**
- **Total new aircraft deliveries of 20 aircraft, including five acquired by airline customers on delivery, in the first half of 2022**
- **Transitioned six used aircraft to airline customers**
- **Sold five aircraft from the owned fleet**
- **Signed 46 lease commitments in the first half of 2022, with all aircraft scheduled for delivery from our orderbook before 2023 placed with airline customers**
- **Customer base of 79 airlines in 36 countries and regions in the owned and managed fleet**
- **Owned aircraft utilisation at 96.1%, with five twin aisle aircraft (all of which are committed for lease), 11 single aisle aircraft (nine of which are committed for lease) and one freighter aircraft off lease[2] at 30 June 2022**
- **Cash collection from airline customers of 96.9% for the first half of 2022 compared with 95.9% in the first half of 2021**
- **Managed fleet comprised 37 aircraft, with four single aisle aircraft off lease[2] at 30 June 2022, of which three are committed for lease**

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

[2] *Excludes 17 owned and one managed aircraft that remain in Russia.*

PORTFOLIO AND OPERATIONAL OVERVIEW

EXHIBIT 1: AIRCRAFT PORTFOLIO AT 30 JUNE 2022, BY NUMBER OF AIRCRAFT

Aircraft Type	Owned Aircraft[1]	Managed Aircraft[1]	Aircraft on Order[2]	Total
Airbus A320CEO family	100	15	0	115
Airbus A320NEO family	93	0	111	204
Airbus A330CEO family	9	1	0	10
Airbus A330NEO family	6	0	0	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	72	14	0	86
Boeing 737 MAX family	50	0	49	99
Boeing 777-300ER	27	4	0	31
Boeing 777-300	0	1	0	1
Boeing 787 family	19	1	21	41
Freighters	5	1	0	6
Total	**390**	**37**	**181**	**608**

Subsequent to 30 June 2022, the Company cancelled a purchase commitment for three Boeing 787-9 aircraft. Details of such purchase commitment were announced by the Company on 1 June 2018. The Company also committed to purchase six additional Airbus A320NEO family aircraft, which are expected to be delivered in 2024.

References to the number of aircraft on order as at 30 June 2022 in this interim report does not take into account the above-mentioned subsequent events, unless otherwise stated.

1 *Includes 17 owned and one managed aircraft that remain in Russia.*

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 OVERVIEW

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

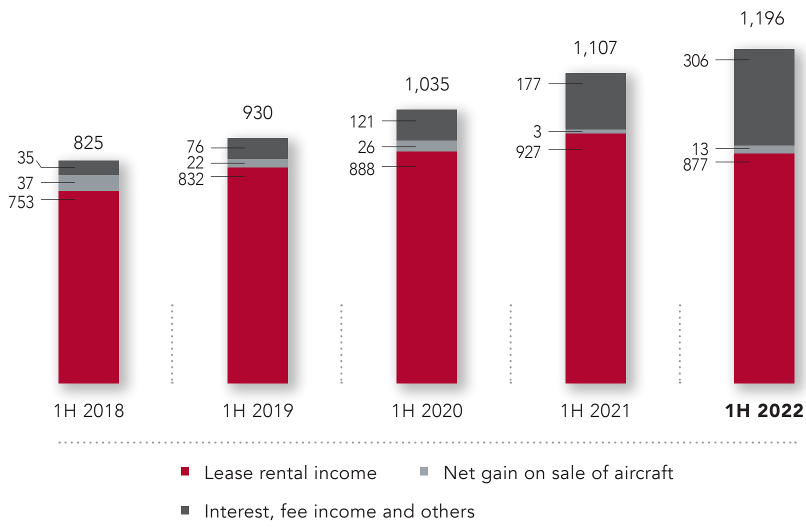
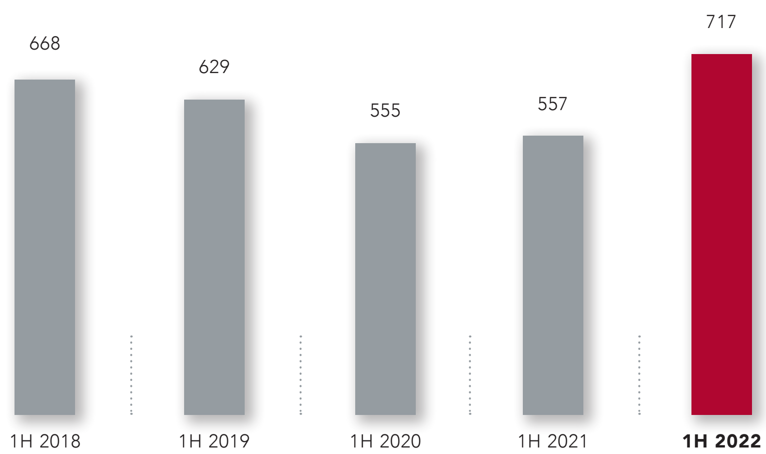


EXHIBIT 3: OPERATING CASH FLOW NET OF INTEREST, US$m



PORTFOLIO AND OPERATIONAL OVERVIEW

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

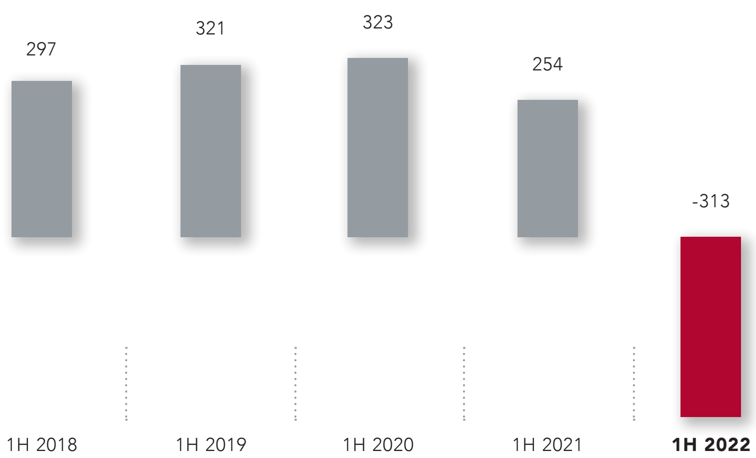
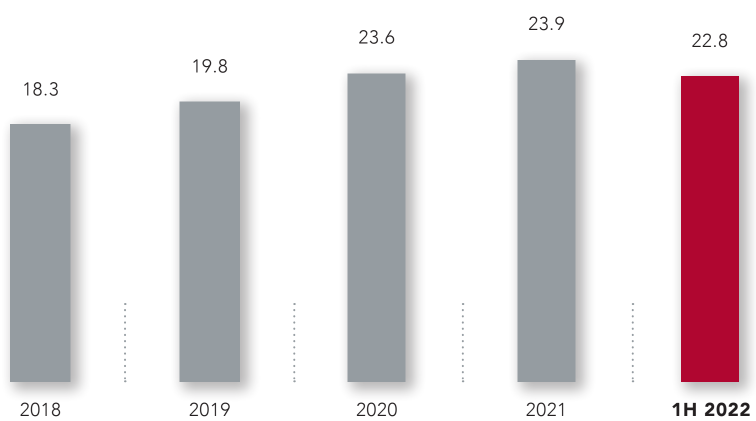


EXHIBIT 5: TOTAL ASSETS[1], US$b



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

PORTFOLIO AND OPERATIONAL OVERVIEW

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

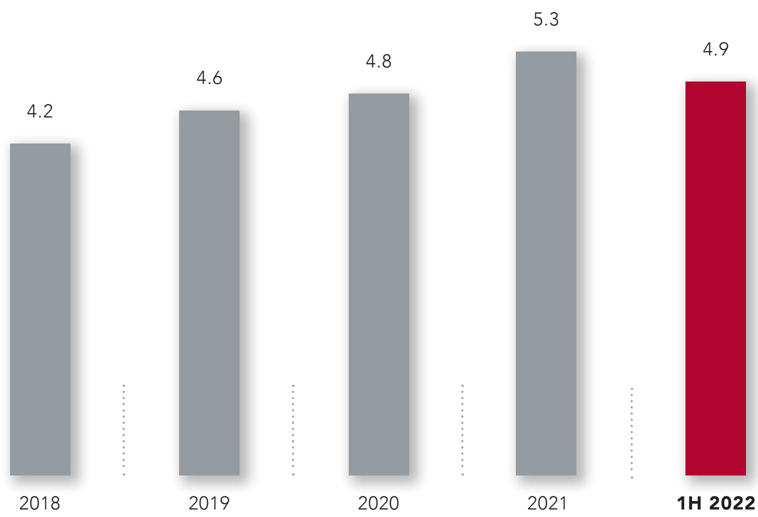
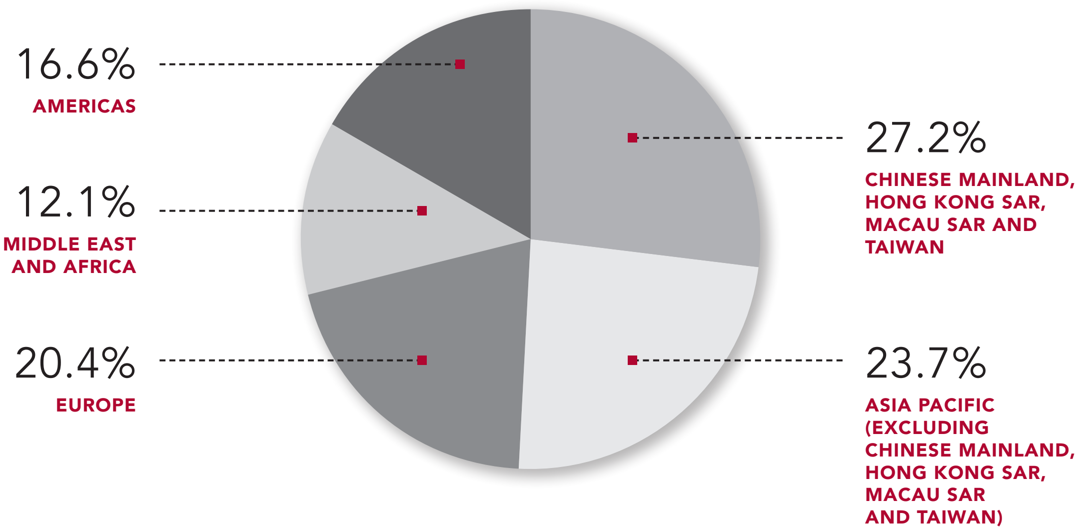


EXHIBIT 7: NET BOOK VALUE[2] OF AIRCRAFT BY REGION[3]



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

2 *Including net book value of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) and excluding 17 owned aircraft off lease as well as 17 owned aircraft that remain in Russia.*

3 *Based on the jurisdiction of the primary obligor under the relevant leases.*

PORTFOLIO AND OPERATIONAL OVERVIEW

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

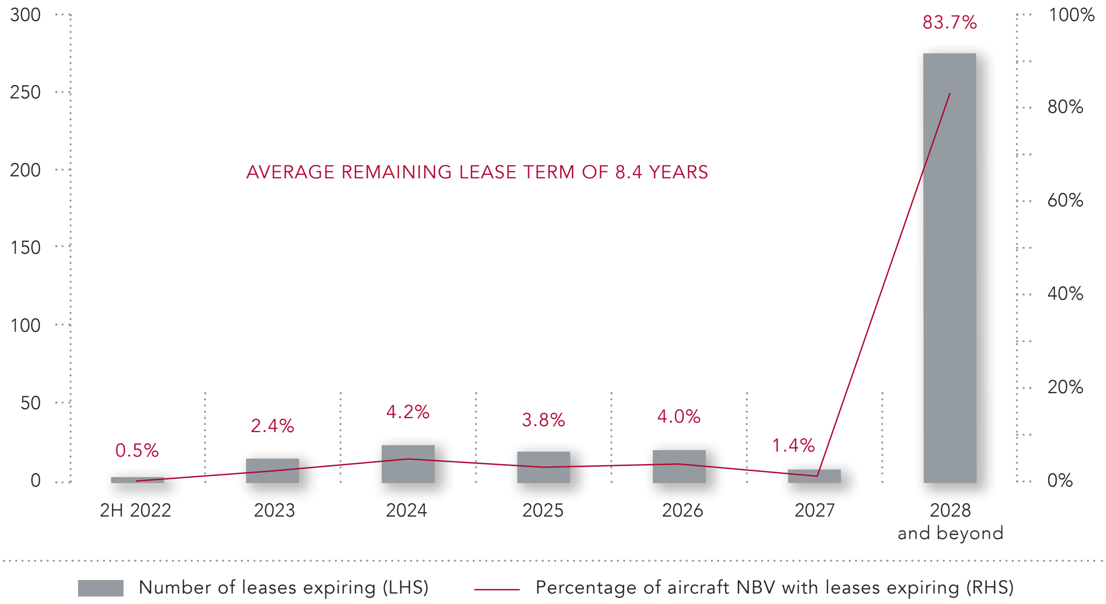
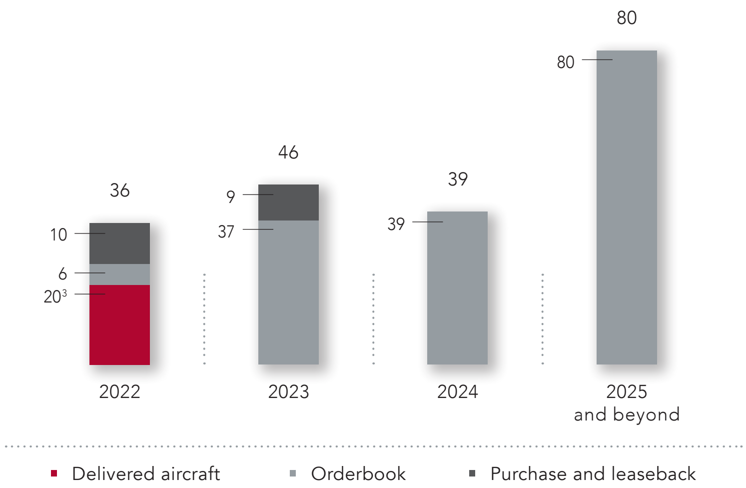


EXHIBIT 9: AIRCRAFT DELIVERIES BY NUMBER OF AIRCRAFT[2]



1 *Owned aircraft with lease expiring in each calendar year, weighted by net book value, excluding any aircraft for which the Company has sale or lease commitments, aircraft off lease as well as 17 owned aircraft that remain in Russia.*

2 *Includes aircraft acquired or to be acquired by an airline customer on delivery.*

3 *Aircraft delivered in 1H 2022, including five aircraft acquired by airline customers on delivery.*

HALF YEAR BUSINESS REVIEW

We reported a net loss after tax of US$313 million for the first half of 2022 or a loss per share of US$0.45. This compared with a net profit after tax ("NPAT") of US$254 million in 1H 2021 and earnings per share of US$0.37. The primary reason for the drop in both reported net profit after tax and earnings per share compared with the same period last year is the write-down of the net book value of the 17 aircraft that remain in Russia of US$804 million, which was partially offset by cash collateral held in respect of those aircraft of US$223 million and tax credit of US$63 million.

The Board of Directors has approved a distribution of US$0.0889 per share by way of interim dividend, which represents 30% of our NPAT of US$206 million, when adjusted to exclude the write-down of the net book value of aircraft that remain in Russia and partially offset by cash collateral held in respect of these aircraft. This is the same proportion of NPAT that we distributed as an interim dividend in prior years and demonstrates the Group's strong cash flow and the Board's confidence in the strength of its underlying business.

This confidence stems from the robust recovery currently underway in the world's airline and travel sectors. Following the strong recovery in freight that was witnessed from early 2021, most large domestic markets, with the exception of China and Japan, are experiencing passenger numbers similar to, or ahead of, pre-pandemic levels. International travel is catching up rapidly on 2019 levels as border controls are relaxed. According to the International Air Transport Association[1] ("IATA"), total global passenger traffic rose 83% in the six months to June 2022 compared with the prior year and has now reached 71% of 2019 levels, with the recovery most notable in Americas, Western Europe and in the Middle East.

Recovering traffic and rising airfares appear to be offsetting the effects of higher interest rates and jet fuel prices on airline profits, with IATA lifting its industry-wide earnings expectations for 2022 to a loss of US$9.7 billion, a 16% improvement on its previous estimate of US$11.7 billion in October 2021 and 77% better than 2021's loss of US$42.0 billion.

This improvement in industry earnings is despite a volatile macroeconomic environment, as well as the conflict in Eastern Europe, the latter of which accounted for a US$804 million write-down in the net book value of aircraft that remain in Russia. Offsetting this was US$223 million in cash collateral held by the Group in respect of these aircraft, which appears as other income and together with tax credit, reduced the post-tax impact to earnings to US$518 million, which was approximately 2% of total assets. Claims were filed in June under the insurances related to the aircraft that remain in Russia. In addition to writing down the net book value of our aircraft remaining in Russia, we recorded impairments of US$47 million against other aircraft and credit losses of US$6 million, both substantially below 1H 2021's levels.

[1] *Strong Passenger Demand Continues in June (IATA, 4 August 2022).*

HALF YEAR BUSINESS REVIEW

Better earnings and cash flow for our airline customers during 1H 2022 sustained our collections, which rose to 97% from 96% the previous year. Operating cash flow net of interest also rose, up 29% to US$717 million partially due to the draw down of letters of credit held by us in respect of aircraft formerly leased to Russian airlines and we ended the half year with liquidity in the form of cash and available credit lines largely unchanged at US$6.0 billion.

In April, we placed the largest single aircraft order by value in our Company's history when we committed to purchase 80 Airbus A320NEO family aircraft, which will deliver between 2027 and 2029 and will support future revenues. This provides growth in our orderbook, which stands at 181 as compared with 104 at the end of 2021. Our owned fleet increased to 390 aircraft as at 30 June 2022, up from 380 at the end of 2021, with growth slowed by ongoing manufacturer delivery delays. These delays affected nine aircraft scheduled for delivery in 1H 2022 and have resulted in accompanying reductions in our capital expenditure and revenue.

During the first half of 2022 we committed to purchase 84 aircraft, delivered 20 new aircraft to airline customers, transitioned six used aircraft to airline customers and sold five owned aircraft. We maintained the quality of our owned fleet, with its very young fleet age of 4.1 years as at 30 June 2022 and long weighted average remaining lease term of 8.4 years. We recorded utilisation of 96.1% for our owned portfolio during the first half of the year, ending the period with one freighter aircraft, five twin aisle passenger and 11 single aisle passenger aircraft off lease[1]. As airline demand picks up following the Covid pandemic, we signed lease commitments for 14 of the 17 aircraft off lease, including all five passenger twin aisle aircraft.

Total revenues and other income increased by 8% in the first half of 2022 to US$1,196 million from US$1,107 million in the first half of last year. This included US$223 million of income arising from the termination of leases with Russian airlines. Our lease rental income and core lease rental contribution[2] declined 5% and 19% to US$877 million and US$280 million, respectively, in the first half of 2022 due to lower lease rental income owing to aircraft off lease and the loss of revenue from aircraft that remain in Russia.

Our revenue from gains on sale of aircraft increased in the first half of 2022 to US$13 million, reflecting both the age and number of the aircraft that we sold, and included three twin aisle aircraft.

During the first half we invested US$0.6 billion in new aircraft and, as at 30 June 2022, we had committed capital expenditure of US$9.3 billion through end 2029. We required limited fund raising during the first half of 2022, issuing US$300 million of bonds. Our credit ratings were unchanged at A- from both Fitch Ratings and S&P Global Ratings, with each ratings agency affirming our outlook as stable during the period.

1 *Excludes 17 owned aircraft that remain in Russia.*

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

HALF YEAR BUSINESS REVIEW

We were pleased to welcome two new Non-executive Directors, Mr. Dong Zonglin and Mdm. Chen Jing, to the Board. Mr. Liu Chenggang and Mdm. Zhu Lin retired from the Board and we thank them for all their contributions during their tenure. Our Board of 11 Directors continues to include three female members and remains amongst the most gender diverse in our industry.

With in-person volunteering made possible as social distancing regulations were eased, we stepped up our presence in our local communities during the first half of 2022. In Singapore, we were active again packing food parcels for Food From the Heart, and worked with Waterways Watch Society and Green Nudge to clean rivers and beachfronts, with employees also donating toys, books and clothing for underprivileged children in Myanmar. Outside of Singapore, our teams cleared part of the Grand Canal in Dublin, as well as litter from the banks of the River Thames in London. Again, we supported Airlink, making US$20,000 in humanitarian donations for natural disasters in Tonga and Afghanistan. In April 2022 we relocated our Singapore headquarters, moving to a newly-constructed Green Mark Platinum[1] office building. This will reduce our direct carbon emissions and provide our employees with a superior working environment.

[1] *Accredited by the Singapore Building and Construction Authority.*

BUSINESS OVERVIEW

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

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

From our inception to 30 June 2022, we have:

- **Recorded more than US$5 billion of cumulative NPAT**
- **Purchased and committed to purchase more than 980 aircraft with an aggregate purchase price of close to US$57 billion**
- **Executed more than 1,170 leases with more than 170 airlines in 60 countries and regions**
- **Raised over US$38 billion in debt financing since 1 January 2007**
- **Sold more than 400 owned and managed aircraft**
- **Transitioned 110 aircraft at lease end, and repossessed and redeployed 65 aircraft, from customers based in 19 countries and regions**

As at 30 June 2022 our fleet comprised 427 owned and managed aircraft on lease to 79 customers in 36 countries and regions. We also had commitments to acquire 181 aircraft through to 2029. All of our orderbook comprises the latest technology aircraft, principally single aisle A320NEO and 737 MAX aircraft. As at 30 June 2022, 69% of our owned portfolio, weighted by net book value, are latest technology aircraft, up from 66% at the end of 2021.

We benefit from a low average cost of debt, which was 2.9% during the first half of 2022, unchanged from the first half of 2021, supported by our strong investment grade credit ratings, which were reaffirmed as A- in July 2022 by both Fitch Ratings and S&P Global Ratings, and by our access to diverse debt funding sources. Unsecured bonds and third-party commercial bank debt are our primary sources of debt funding. We enjoy strong and committed support from Bank of China, a top four global bank by total assets as at 30 June 2022[1]. Bank of China has provided us with a US$3.5 billion committed unsecured revolving credit facility which matures in December 2026, none of which was utilised as at 30 June 2022. Our cash and undrawn credit facilities gave us total available liquidity of US$6.0 billion as at 30 June 2022.

[1] *Sourced from Bloomberg as at 30 June 2022.*

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

We recorded a net loss after tax of US$313 million for 1H 2022 compared with net profit after tax of US$254 million for the same period last year. The net loss after tax for 1H 2022 was mainly due to a write-down of net book value of 17 aircraft in Russia of US$804 million. This write-down was partially offset by cash collateral held by us in respect of those aircraft of US$223 million and US$63 million of tax credit, resulting in an after-tax impact of US$518 million.

Total revenues and other income rose by 8.0% to US$1,196 million. Total costs and expenses increased by 88.2% to US$1,543 million mainly due to the asset write-down in 1H 2022, partially offset by lower impairment losses on financial assets.

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

	Unaudited 6 months ended 30 June			
	2022	2021	Change	Change
	US$'000	US$'000	US$'000	%
Lease rental income	**876,788**	926,554	(49,766)	(5.4)
Interest and fee income	**73,938**	95,442	(21,504)	(22.5)
Other sources of income:				
Net gain on sale of aircraft	**13,126**	3,216	9,910	308.1
Income arising from termination of leases	**222,876**	73,855	149,021	201.8
Other income	**9,412**	8,294	1,118	13.5
Total revenues and other income	**1,196,140**	1,107,361	88,779	8.0
Depreciation of property, plant and equipment	**395,028**	378,539	16,489	4.4
Impairment of aircraft	**850,571**	83,700	766,871	916.2
Finance expenses	**228,548**	235,920	(7,372)	(3.1)
Staff costs	**26,270**	27,554	(1,284)	(4.7)
Impairment losses on financial assets	**5,918**	62,788	(56,870)	(90.6)
Other operating costs and expenses	**36,670**	31,237	5,433	17.4
Total costs and expenses	**(1,543,005)**	(819,738)	723,267	88.2
(Loss)/Profit before income tax	**(346,865)**	287,623	(634,488)	(220.6)
Income tax credit/(expense)	**34,317**	(33,697)	(68,014)	(201.8)
(Loss)/Profit for the period	**(312,548)**	253,926	(566,474)	(223.1)

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUES AND OTHER INCOME

Our total revenues and other income increased by 8.0% to US$1,196 million in 1H 2022 from US$1,107 million in 1H 2021, primarily due to income arising from termination of leases as described below.

LEASE RENTAL INCOME

Our lease rental income decreased by 5.4% to US$877 million in 1H 2022 compared with US$927 million in 1H 2021 mainly due to the termination of leases with Russian airlines of 18 owned aircraft and aircraft that were off lease. The lease rental yield[1] for aircraft subject to operating leases was 9.1% for 1H 2022 compared with 9.6% for 1H 2021.

INTEREST AND FEE INCOME

Our interest and fee income, mainly in respect of fees from pre-delivery payment transactions and interest income on finance leases, was US$74 million in 1H 2022 compared with US$95 million in 1H 2021. The decrease was primarily due to lower fees from pre-delivery payment transactions. The lease rental yield[2] for aircraft on leases classified as finance leases in accordance with IFRS 16 *(Leases)* was 6.2% for 1H 2022, similar to 1H 2021.

NET GAIN ON SALE OF AIRCRAFT

Net gain on sale of aircraft increased by 308.1% to US$13 million in 1H 2022 compared with US$3 million in 1H 2021 due to higher profit per aircraft from the sale of five aircraft in 1H 2022 compared with nine aircraft in 1H 2021.

INCOME ARISING FROM TERMINATION OF LEASES

Income arising from termination of leases increased by 201.8% to US$223 million in 1H 2022 compared with US$74 million in 1H 2021 mainly due to the termination of leases with Russian airlines in 1H 2022.

[1] *Lease rental yield for operating leases is defined as annualised operating lease rental income divided by the average of aircraft net book value (including aircraft held for sale).*

[2] *Lease rental yield for finance leases is defined as the average effective interest rate per annum on finance lease receivables as at 30 June 2022 and 30 June 2021.*

MANAGEMENT DISCUSSION AND ANALYSIS

COSTS AND EXPENSES

Excluding the loss arising from asset write-down, the decrease in costs and expenses to US$739 million in 1H 2022 from US$820 million in 1H 2021 was primarily due to lower impairment losses on financial assets and lower impairment of aircraft, which are described below.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation of property, plant and equipment increased by 4.4% to US$395 million in 1H 2022, up from US$379 million in 1H 2021, mainly due to the growth of our fleet from 371 aircraft as at 30 June 2021 to 374 aircraft as at 31 December 2021, and a further increase to 384 aircraft as at 30 June 2022.

IMPAIRMENT OF AIRCRAFT

Impairment of aircraft increased by 916.2% to US$851 million in 1H 2022 from US$84 million in 1H 2021 mainly due to the write-down of net book value of 17 aircraft in Russia of US$804 million in 1H 2022.

FINANCE EXPENSES

Finance expenses fell by 3.1% to US$229 million in 1H 2022 from US$236 million in 1H 2021 mainly due to a 2.4% decrease in our average total indebtedness in 1H 2022 compared with 1H 2021.

STAFF COSTS

Staff costs decreased by 4.7% to US$26 million in 1H 2022 from US$28 million in 1H 2021 mainly due to lower provisions for variable cash bonuses in 1H 2022 compared with 1H 2021.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Impairment losses on financial assets of US$6 million in 1H 2022 decreased by 90.6% from US$63 million in 1H 2021 mainly due to improvement in cash collections from lessees as the airline industry began to recover from the impact of the Covid-19 pandemic and deferral arrangements entered into with certain lessees in 2H 2021 and 1H 2022.

OTHER OPERATING COSTS AND EXPENSES

Other operating costs and expenses mainly comprise amortisation of deferred debt issue costs, repossession and transition costs, taxes (other than income tax expense), and general and administration costs. The increase in these costs of 17.4% to US$37 million in 1H 2022 from US$31 million in 1H 2021 was mainly due to increased provision for costs in relation to the transition of aircraft.

MANAGEMENT DISCUSSION AND ANALYSIS

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

We recorded a loss before income tax of US$347 million in 1H 2022 compared with a profit before income tax of US$288 million in 1H 2021. Our pre-tax loss margin was 29.0% in 1H 2022 compared with a pre-tax profit margin of 26.0% in 1H 2021.

INCOME TAX CREDIT/(EXPENSE)

In 1H 2022, we recorded an income tax credit of US$34 million compared with a tax expense of US$34 million in 1H 2021. The income tax credit in 1H 2022 was primarily a result of the impact of the asset write-down of net book value of 17 aircraft in Russia, partially offset by tax expense on the profit before income tax arising in our operating entities apart from this asset write-down. Accordingly, our effective tax rate was 9.9% in 1H 2022, a decrease from 11.7% in 1H 2021.

(LOSS)/PROFIT FOR THE PERIOD

As a result of the foregoing, we recorded a loss after tax in 1H 2022 of US$313 million compared with a profit after tax of US$254 million in 1H 2021.

Since the publication of our audited financial statements for the year ended 31 December 2021 on 10 March 2022, there have been no material changes to our business.

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets decreased by 4.5% to US$22.8 billion as at 30 June 2022 from US$23.9 billion as at 31 December 2021. Our total equity decreased by 6.6% to US$4.9 billion as at 30 June 2022 compared with US$5.3 billion as at 31 December 2021.

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

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000	Change US$'000	Change %
Property, plant and equipment	**21,267,179**	22,363,617	(1,096,438)	(4.9)
Finance lease receivables	**654,197**	664,953	(10,756)	(1.6)
Trade receivables	**203,365**	182,217	21,148	11.6
Cash and short-term deposits	**454,027**	486,096	(32,069)	(6.6)
Derivative financial instruments	**14,559**	—	14,559	nm
Other assets	**219,193**	182,481	36,712	20.1
Total assets	**22,812,520**	23,879,364	(1,066,844)	(4.5)
Loans and borrowings	**16,200,191**	16,715,381	(515,190)	(3.1)
Maintenance reserves	**602,292**	672,110	(69,818)	(10.4)
Security deposits and non-current deferred income	**263,930**	241,297	22,633	9.4
Derivative financial instruments	**31,446**	94,238	(62,792)	(66.6)
Trade and other payables	**157,171**	200,090	(42,919)	(21.4)
Deferred income tax liabilities	**518,282**	547,208	(28,926)	(5.3)
Other liabilities	**119,275**	143,126	(23,851)	(16.7)
Total liabilities	**17,892,587**	18,613,450	(720,863)	(3.9)
Net assets	**4,919,933**	5,265,914	(345,981)	(6.6)
Share capital	**1,157,791**	1,157,791	—	—
Retained earnings	**3,749,221**	4,182,119	(432,898)	(10.4)
Statutory reserves	**912**	834	78	9.4
Share-based compensation reserves	**14,052**	9,766	4,286	43.9
Hedging reserves	**(2,043)**	(84,596)	82,553	97.6
Total equity	**4,919,933**	5,265,914	(345,981)	(6.6)

nm: Not meaningful

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY, PLANT AND EQUIPMENT

We had property, plant and equipment of US$21.3 billion as at 30 June 2022, which decreased by 4.9% from US$22.4 billion as at 31 December 2021 mainly due to a write-down of net book value of 17 aircraft in Russia.

Aircraft constituted the largest component, amounting to US$19.1 billion and US$19.6 billion as at 30 June 2022 and 31 December 2021, respectively, representing 89.8% and 87.8% of our total property, plant and equipment as at the same dates. Aircraft pre-delivery payments constituted 10.1% and 12.2% of our total property, plant and equipment as at 30 June 2022 and 31 December 2021, respectively.

FINANCE LEASE RECEIVABLES

Finance lease receivables of US$654 million as at 30 June 2022 and US$665 million as at 31 December 2021 were in respect of six aircraft subject to leases that were classified as finance leases in accordance with IFRS 16 *(Leases)*.

TRADE RECEIVABLES

Trade receivables, net of allowance for impairment losses on financial assets, increased to US$203 million as at 30 June 2022 from US$182 million as at 31 December 2021 mainly due to previously contracted deferral agreements with certain airline customers as at 30 June 2022. The gross trade receivables as at 30 June 2022 were US$227 million comprising US$196 million which was contractually deferred by mutual agreement and not overdue, and which is generally interest bearing, and US$31 million which was past due. A cumulative amount of US$24 million, representing the overdue receivables in excess of security deposits, was provided for as impairment losses on financial assets as at 30 June 2022.

CASH AND SHORT-TERM DEPOSITS

Our cash and short-term deposits, which were mainly denominated in US Dollars, decreased to US$454 million as at 30 June 2022 from US$486 million as at 31 December 2021. The decrease in cash and short-term deposits was mainly due to cash outflows from capital expenditure and financing activities having been greater than the total net cash inflows from operating activities and proceeds from sale of property, plant and equipment during 1H 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2022 and 31 December 2021 respectively. Under assets, our derivative financial instruments increased to US$15 million as at 30 June 2022 from nil as at 31 December 2021. Under liabilities, our derivative financial instruments decreased to US$31 million as at 30 June 2022 from US$94 million as at 31 December 2021. The movements in derivative financial assets and liabilities were primarily due to changes in marked-to-market values of the derivative financial instruments as a result of higher USD interest rates and swap payments. Accordingly, the unrealised loss in the hedging reserve decreased to US$2 million as at 30 June 2022 from US$85 million as at 31 December 2021 mainly due to higher USD interest rates and net change in fair value of cash flow hedges being reclassified into profit or loss upon swap payments.

OTHER ASSETS

Other assets mainly comprise receivables from manufacturers and accrued receivables in respect of future receipts for revenues and other income for which services have been rendered. Other assets increased to US$219 million as at 30 June 2022 from US$182 million as at 31 December 2021 mainly due to an amount receivable from a manufacturer which was deferred by mutual agreement in return for a fee.

LOANS AND BORROWINGS

Our loans and borrowings decreased by 3.1% to US$16.2 billion as at 30 June 2022 from US$16.7 billion as at 31 December 2021 mainly due to repayment and prepayment of US$1.7 billion in term loans, revolving credit facilities and medium term notes in 1H 2022. This was partially offset by an increase in loans and borrowings from the issuance of US$300 million of notes under our Global Medium Term Note Program and the utilisation of US$885 million in term loans.

MAINTENANCE RESERVES

Our maintenance reserves declined by 10.4% to US$602.3 million as at 30 June 2022 from US$672.1 million as at 31 December 2021 primarily due to the write-back of maintenance reserves held in respect of the aircraft that remain in Russia, partially offset by receipt of maintenance reserves from lessees during 1H 2022.

TRADE AND OTHER PAYABLES

Our trade and other payables decreased by 21.4% to US$157 million as at 30 June 2022 compared with US$200 million as at 31 December 2021, primarily due to lower accrued technical expenses, maintenance reserve payables and staff cost accruals.

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL EQUITY

Total equity decreased by 6.6% to US$4.9 billion as at 30 June 2022, compared with US$5.3 billion as at 31 December 2021. The decrease in total equity was attributable to loss for the period and payment of dividends amounting to US$120 million, partially offset by a decrease in unrealised losses in hedging reflected in hedging reserve as explained under "Derivative financial instruments".

CONTINGENT LIABILITIES

Other than guarantees for certain loans extended to our subsidiary companies and for obligations under certain lease agreements entered into by our subsidiary companies as disclosed in Note 23 to the interim condensed consolidated financial statements as set out in the Appendix (Interim Financial Statements) hereto, the Company had no material contingent liabilities as at 30 June 2022.

OTHER INFORMATION

LIQUIDITY

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 flow from our operations, particularly our revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments. Operating cash flow net of interest paid rose 29% to US$717 million in the first six months of 2022 compared with 1H 2021.

In the first half of 2022, we issued US$300 million of notes under our Global Medium Term Note Program and utilised US$885 million under term loan facilities. None of our revolving credit facilities was utilised as at 30 June 2022 compared with US$920 million of utilisation under these facilities as at 31 December 2021. Our liquidity remains strong, with cash and short-term deposits of US$454 million[1] and US$5.5 billion in undrawn committed credit facilities, comprising the unutilised portion of our revolving credit facilities and US$100 million in term loans that were unutilised as at 30 June 2022.

[1] *Includes encumbered cash and cash balances of US$3.2 million.*

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

Our gearing as at 30 June 2022 increased slightly compared with 31 December 2021 as set out in the table below:

	Unaudited 30 June 2022 US$m	Audited 31 December 2021 US$m
Gross debt	**16,291**	16,807
Net debt	**15,837**	16,321
Total equity	**4,920**	5,266
Gross debt to equity (times)	**3.3**	3.2
Net debt to equity (times)	**3.2**	3.1

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

A description of our indebtedness is set out below:

	30 June 2022 US$m	31 December 2021 US$m
Secured		
Term loans	**288**	404
Export credit agency supported financing	**141**	205
Total secured debt	**429**	609
Unsecured		
Term loans	**5,015**	4,230
Revolving credit facilities	**—**	921
Medium term notes	**10,847**	11,047
Total unsecured debt	**15,862**	16,198
Total indebtedness	**16,291**	16,807
Less: deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes	**(91)**	(92)
Total debt	**16,200**	16,715
Number of aircraft pledged as security	**29**	37
Net book value of aircraft pledged as security	**1,231**	1,567
Number of unencumbered aircraft	**355**	337
Net book value of unencumbered aircraft	**17,874**	18,076

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

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to US$12.4 billion as at 30 June 2022 compared with US$12.7 billion as at 31 December 2021.

Despite the increase in the number of unencumbered aircraft to 355 as at 30 June 2022 from 337 as at 31 December 2021, the net book value of unencumbered aircraft decreased by 1% mainly due to the write-down of net book value of 17 aircraft remaining in Russia.

MANAGEMENT DISCUSSION AND ANALYSIS

Collateral for secured debt will typically include a mortgage over the relevant aircraft, an assignment of the operating lease of the relevant aircraft and/or a pledge of the shares in the subsidiary company that holds title to the relevant aircraft. Secured debt as a proportion of total assets and of total indebtedness, have come down in 1H 2022 as set out in the table below:

	30 June 2022	31 December 2021
Secured debt/total assets	**1.9%**	2.6%
Secured debt/total indebtedness	**2.6%**	3.6%

As at 30 June 2022, our debt repayment profile was as follows:

DEBT REPAYMENT PROFILE

	30 June 2022 US$b
2H 2022	**1.1**
2023	**2.8**
2024	**3.9**
2025 and beyond	**8.5**
Total	**16.3**

FOREIGN CURRENCY RISK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS

Our estimated cash outflows based on aircraft capital expenditure commitments as at 30 June 2022 are set out below:

	30 June 2022
	US$b
2H 2022	0.5
2023	2.8
2024	1.0
2025 and beyond	5.0
Total	**9.3**

The table above is based on estimated contractual capital expenditure commitments as at 30 June 2022 and includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery. The capital expenditure figures for each year include anticipated escalation and are net of advance payments made before 30 June 2022.

SOURCES OF FUNDING

Our aircraft purchase commitments as at 30 June 2022 are expected to be financed through a range of funding sources, including (a) cash flow generated from our operating activities, (b) proceeds from our notes issuance from debt capital markets, (c) amounts drawn down under our various bank financing facilities, and (d) net proceeds from sales of aircraft.

We benefit from our strong investment grade corporate credit ratings of A- from both Fitch Ratings and S&P Global Ratings and from our access to diverse debt funding sources. Our primary sources of debt funding are unsecured notes and unsecured loan facilities. We have been an issuer of notes since 2000 and continue to regularly issue notes under our US$15 billion Global Medium Term Note Program. We also enjoy access to and continued support from a large group of lenders comprising over 50 financial institutions. We have US$5.5 billion in committed unsecured credit facilities including a US$3.5 billion facility from Bank of China which matures in December 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 30 June 2022 and 30 June 2021, we had 187 and 185 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 employee bonuses include two employee 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. The share-based long term incentive plan involves the grant of awards in the form of RSUs, fulfilled through the purchase of Shares in the secondary market by an independent trustee after the announcement of results for the relevant financial year in which performance occurred. Upon vesting, RSUs will generally be satisfied by the transfer of Shares from the independent trustee to the employee. Each RSU award is amortised over the vesting period of approximately three years commencing from the date of grant.

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 2022 and 30 June 2021, our staff costs were US$26 million and US$28 million respectively, representing approximately 2.2% and 2.5% of the Group's total revenues and other income of each period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2022, there was no material acquisition or disposal of subsidiaries and affiliated companies by the Company.

GENERAL INFORMATION

DIVIDEND POLICY

The Company's dividend policy is to distribute up to 35% of net profit after tax for a full financial year. The Board has absolute discretion as to whether to declare any dividend for any year, and if it decides to declare a dividend, how much to declare.

INTERIM DIVIDEND

Notwithstanding reporting a net loss after tax for the six months ended 30 June 2022, the Directors have declared an interim dividend of US$0.0889 per Share for the six months ended 30 June 2022, to be paid out of the Company's retained earnings from prior financial periods. 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 2022 to Shareholders registered at the close of business on the record date, being 30 September 2022. 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 2022.

The register of members will be closed from 28 September 2022 to 30 September 2022 (both dates inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong, for registration not later than 4:30 p.m. on 27 September 2022.

GENERAL INFORMATION

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2022, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Shareholder	Capacity/ Nature of Interest	Number and class of Shares held	Approximate percentage of total issued share capital (%)
Central Huijin Investment Limited	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOC	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOCGI	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
Sky Splendor Limited	Beneficial owner (L)	485,807,334 (Ordinary)	70
Pandanus Associates Inc.	Interest of controlled corporation (L)	41,743,600 (Ordinary)	6.01
Pandanus Partners L.P.	Interest of controlled corporation (L)	41,743,600 (Ordinary)	6.01
FIL Limited	Beneficial owner/ Interest of controlled corporation (L)	41,743,600 (Ordinary)	6.01

Notes:

1. *BOCGI holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOCGI is deemed to have the same interests in the Company as Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.*
2. *BOC holds the entire issued share capital of BOCGI, which in turn holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCGI and Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.*
3. *Central Huijin Investment Limited holds the controlling stake in the equity capital of BOC. Accordingly, for the purpose of the SFO, Central Huijin Investment Limited is deemed to have the same interest in the Company as BOC.*
4. *Pandanus Partners L.P. controls more than one-third of voting rights in FIL Limited. Accordingly, for the purpose of the SFO, Pandanus Partners L.P. is deemed to have the same interest in the Company as FIL Limited, which has interest in 41,743,600 Shares.*
5. *Pandanus Associates Inc. holds the entire issued share capital of Pandanus Partners L.P. Accordingly, for the purpose of the SFO, Pandanus Associates Inc. is deemed to have the same interest in the Company as Pandanus Partners L.P.*
6. *FIL Limited is deemed to be interested in 41,743,600 Shares held directly and indirectly by its controlled corporations for the purpose of the SFO.*

GENERAL INFORMATION

All the interests stated above represented long positions. Save as disclosed above and so far as the Directors are aware as at 30 June 2022, no other persons or corporations had 5% or more interests or short positions in the Shares or underlying shares of the Company which were recorded in the register maintained by the Company under section 336 of the SFO.

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

As at 30 June 2022, interests of the Directors and the Chief Executive Officer and their respective associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO and Section 164 of the Singapore Companies Act 1967, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2022, were as follows:

LONG POSITION (ORDINARY SHARES)

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

Note: *As at 30 June 2022, Mr. Martin had a beneficial interest in a total of 801,676 Shares, which included 428,968 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan. Mdm. Zhang had a beneficial interest in a total of 110,606 Shares, representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan.*

None of the Directors or the Chief Executive Officer of the Company or their respective associates had any short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO and Section 164 of the Singapore Companies Act 1967, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2022.

GENERAL INFORMATION

RESTRICTED SHARE UNIT LONG TERM INCENTIVE PLAN

The Company adopted the RSU Plan on 18 December 2017. The purpose of the RSU Plan is to attract skilled and experienced management and professional employees, to motivate and reward them to maximise profit and long term investment returns for Shareholders by providing them with the opportunity to acquire 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.

During the six months ended 30 June 2022, the Company granted awards under the RSU Plan on 18 May 2022. For more information on the grant of awards under the RSU Plan on 18 May 2022, please refer to the Company's announcement dated 18 May 2022 on the websites of the Stock Exchange and the Company. In addition, certain RSUs out of those granted since the adoption of the RSU Plan in 2017 were forfeited during the six months ended 30 June 2022 in accordance with the terms and conditions of the RSU Plan. Details are set out below:

Participants	**Position***	**Number of RSUs granted**	**Number of RSUs vested**	**Number of RSUs forfeited**
Mr. Robert James MARTIN	Executive Director	104,022	Nil	Nil
Mdm. ZHANG Xiaolu	Executive Director	66,197	Nil	Nil
Certain directors of subsidiaries of the Company	Subsidiary Directors	280,865	Nil	Nil
Employees and former employees of the Group other than the Executive Directors and Subsidiary Directors mentioned above	—	652,723	Nil	7,853
Total		**1,103,807**	**Nil**	**7,853**

* *Based on their positions as at 18 May 2022.*

GENERAL INFORMATION

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the change 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 2021 annual report dated 26 April 2022, up to 20 September 2022 (being the approval date of this interim report) is set out below:

EXPERIENCE INCLUDING OTHER DIRECTORSHIPS

Mr. Dai Deming, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of CSC Financial Co. Ltd. with effect from 2 September 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. During the six months ended 30 June 2022, the Company was in full compliance with all code provisions of the Corporate Governance Code as contained in Part 2 of Appendix 14 of the Listing Rules.

GENERAL INFORMATION

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 2022.

FORWARD-LOOKING STATEMENTS

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

INTERIM REPORT

This interim report is available in both English and Chinese. A copy prepared in the language different from that which you have received is available by writing to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or email to bocaviation.ecom@computershare.com.hk. This interim report is also available (in both English and Chinese) on the Company's website at www.bocaviation.com and the Stock Exchange's website at www.hkexnews.hk. You are encouraged to access the interim report and other corporate communications of the Company through these websites in lieu of receiving printed copies to help protect the environment. We believe that it is also the most efficient and convenient method of communication with our shareholders.

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

CORPORATE INFORMATION

As at 18 August 2022

BOARD OF DIRECTORS

Chairman
CHEN Huaiyu*

Vice Chairman
ZHANG Xiaolu

Directors
Robert James MARTIN
CHEN Jing*
DONG Zonglin*
WANG Xiao*
WEI Hanguang*
DAI Deming#
FU Shula#
Antony Nigel TYLER#
YEUNG Yin Bernard#

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

SENIOR MANAGEMENT

Managing Director and Chief Executive Officer
Robert James MARTIN

Deputy Managing Director
ZHANG Xiaolu

Deputy Managing Director and Chief Financial Officer
Steven TOWNEND

Deputy Managing Director and Chief Operating Officer
David WALTON

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

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

COMPANY SECRETARY

ZHANG Yanqiu Juliana

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

79 Robinson Road
#15-01
Singapore 068897

PLACE OF BUSINESS IN HONG KONG

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

INDEPENDENT AUDITOR

Recognised Public Interest Entity Auditor
PricewaterhouseCoopers LLP

HONG KONG SHARE REGISTRAR

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

CREDIT RATINGS

Fitch Ratings
S&P Global Ratings

STOCK CODES

Ordinary shares:

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

WEBSITE

www.bocaviation.com

DEFINITIONS

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

TERMS	MEANINGS
"1H 2021"	The six months ended 30 June 2021
"1H 2022"	The six months ended 30 June 2022
"Airbus"	Airbus S.A.S., a societe par actions simplifiee duly created and existing under French law
"Board"	The board of Directors of the Company
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-share and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules
"BOCGI"	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, and a wholly-owned subsidiary of BOC, a controlling shareholder of the Company and a connected person of the Company under the Listing Rules
"Boeing"	The Boeing Company, a corporation organised and existing under the General Corporation Law of the State of Delaware, U.S.A., and its affiliates
"Company" or "BOC Aviation"	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related businesses
"Corporate Governance Code"	Appendix 14 Corporate Governance Code to the Listing Rules
"Dealing Policy"	The Directors'/Chief Executive Officer's Dealing Policy adopted by the Board on 12 May 2016 on terms no less exacting than the Model Code
"Director(s)"	The director(s) of the Company

DEFINITIONS

"Group"	The Company together with its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Operating cash flow net of interest"	Net cash flow from operating activities less finance expenses paid
"RSU"	A restricted share unit, which is a contingent right to receive Shares, awarded pursuant to the RSU Plan
"RSU Plan"	The BOC Aviation Limited Restricted Share Unit Long Term Incentive Plan
"Senior Management"	Managing Director and Chief Executive Officer, Vice Chairman and Deputy Managing Director, Deputy Managing Director and Chief Financial Officer, Deputy Managing Director and Chief Operating Officer, Chief Commercial Officer (Asia Pacific and the Middle East) and Chief Commercial Officer (Europe, Americas and Africa)
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder"	A holder of Shares
"Shares"	Ordinary shares in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD", "US$" or "US Dollar"	The lawful currency of the United States of America

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2022 to 30 June 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF BOC AVIATION LIMITED

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of BOC Aviation Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and Singapore Financial Reporting Standard (International) 1-34 Interim Financial Reporting ("SFRS(I) 1-34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review. This report, including our conclusion, has been prepared solely for the Company in accordance with the contract between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

18 August 2022

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2022 to 30 June 2022

	Note	**Unaudited 1 January 2022 to 30 June 2022 US$'000**	Unaudited 1 January 2021 to 30 June 2021 US$'000
Revenues and other income			
Lease rental income	28(a)	**876,788**	926,554
Interest and fee income	3	**73,938**	95,442
Other sources of income:			
Net gain on sale of aircraft	4	**13,126**	3,216
Income arising from termination of leases		**222,876**	73,855
Other income	5	**9,412**	8,294
		1,196,140	1,107,361
Costs and expenses			
Depreciation of property, plant and equipment		**395,028**	378,539
Finance expenses	6	**228,548**	235,920
Amortisation of deferred debt issue costs		**12,822**	12,382
Amortisation of lease transaction closing costs		**223**	111
Staff costs	7	**26,270**	27,554
Marketing and travelling expenses		**2,416**	94
Impairment of aircraft*		**850,571**	83,700
Impairment losses on financial assets		**5,918**	62,788
Other operating expenses		**21,209**	18,650
		(1,543,005)	(819,738)
(Loss)/Profit before income tax		**(346,865)**	287,623
Income tax credit/(expense)	8	**34,317**	(33,697)
(Loss)/Profit for the period attributable to owners of the Company		**(312,548)**	253,926
(Loss)/Earnings per share attributable to owners of the Company:			
Basic (loss)/earnings per share (US$)	27	**(0.45)**	0.37
Diluted (loss)/earnings per share (US$)	27	**(0.45)**	0.37

** Includes asset write-down of US$803.6 million in respect of the net book value of 17 aircraft that remain in Russia as at 30 June 2022.*

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 2022 to 30 June 2022

	Unaudited 1 January 2022 to 30 June 2022 US$'000	Unaudited 1 January 2021 to 30 June 2021 US$'000
(Loss)/Profit for the period	**(312,548)**	253,926
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	**48,612**	1,670
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	**33,941**	37,440
Total comprehensive (loss)/income for the period attributable to owners of the Company	**(229,995)**	293,036

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 FINANCIAL POSITION

As at 30 June 2022

	Note	**Unaudited 30 June 2022 US$'000**	Audited 31 December 2021 US$'000
Non-current assets			
Property, plant and equipment	9	**21,267,179**	22,363,617
Lease transaction closing costs		**1,772**	1,975
Derivative financial instruments	17	**13,566**	–
Finance lease receivables	22(b)	**631,661**	643,104
Trade receivables	10	**137,611**	135,116
Other receivables	11	**64,130**	53,175
Deferred income tax assets	18	**159**	153
Other non-current assets		**17,230**	9,550
		22,133,308	23,206,690
Current assets			
Trade receivables	10	**65,754**	47,101
Prepayments		**4,074**	2,419
Derivative financial instruments	17	**993**	–
Finance lease receivables	22(b)	**22,536**	21,849
Other receivables	11	**120,589**	104,141
Income tax receivables		**775**	604
Short-term deposits	12	**387,049**	248,224
Cash and bank balances	12	**66,978**	237,872
Other current assets		**10,464**	10,464
		679,212	672,674
Total assets		**22,812,520**	23,879,364
Current liabilities			
Derivative financial instruments	17	**3,899**	11,821
Trade and other payables	14	**157,171**	200,090
Deferred income	15	**82,670**	104,249
Income tax payables		**173**	1,337
Loans and borrowings	16	**2,500,285**	1,849,754
Lease liabilities		**2,280**	1,490
Security deposits		**68,815**	36,808
		2,815,293	2,205,549
Net current liabilities		**(2,136,081)**	(1,532,875)
Total assets less current liabilities		**19,997,227**	21,673,815

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

As at 30 June 2022

	Note	**Unaudited 30 June 2022 US$'000**	Audited 31 December 2021 US$'000
Non-current liabilities			
Derivative financial instruments	17	**27,547**	82,417
Loans and borrowings	16	**13,699,906**	14,865,627
Lease liabilities		**15,136**	1,267
Security deposits		**152,981**	169,323
Deferred income	15	**42,134**	35,166
Maintenance reserves		**602,292**	672,110
Deferred income tax liabilities	18	**518,282**	547,208
Other non-current liabilities		**19,016**	34,783
		15,077,294	16,407,901
Total liabilities		**17,892,587**	18,613,450
Net assets		**4,919,933**	5,265,914
Equity attributable to owners of the Company			
Share capital	19	**1,157,791**	1,157,791
Retained earnings		**3,749,221**	4,182,119
Statutory reserves		**912**	834
Share-based compensation reserves		**14,052**	9,766
Hedging reserves	20	**(2,043)**	(84,596)
Total equity		**4,919,933**	5,265,914
Total equity and liabilities		**22,812,520**	23,879,364

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2022 to 30 June 2022

		Attributable to owners of the Company					
	Note	**Share capital US$'000**	**Retained earnings US$'000**	**Statutory reserves* US$'000**	**Share-based compensation reserves US$'000**	**Hedging reserves US$'000**	**Total equity US$'000**
Unaudited 2022							
At 1 January 2022		**1,157,791**	**4,182,119**	**834**	**9,766**	**(84,596)**	**5,265,914**
Loss for the period		**–**	**(312,548)**	**–**	**–**	**–**	**(312,548)**
Transfers to statutory reserves		**–**	**(78)**	**78**	**–**	**–**	**–**
Other comprehensive income for the period, net of tax	20	**–**	**–**	**–**	**–**	**82,553**	**82,553**
Total comprehensive (loss)/income for the period		**–**	**(312,626)**	**78**	**–**	**82,553**	**(229,995)**
Transactions with owners of the Company:							
Dividends	21	**–**	**(120,272)**	**–**	**–**	**–**	**(120,272)**
Amortisation of share-based compensation	7	**–**	**–**	**–**	**4,286**	**–**	**4,286**
At 30 June 2022		**1,157,791**	**3,749,221**	**912**	**14,052**	**(2,043)**	**4,919,933**
Unaudited 2021							
At 1 January 2021		1,157,791	3,778,620	624	10,554	(170,789)	4,776,800
Profit for the period		–	253,926	–	–	–	253,926
Transfers to statutory reserves		–	(210)	210	–	–	–
Other comprehensive income for the period, net of tax		–	–	–	–	39,110	39,110
Total comprehensive income for the period		–	253,716	210	–	39,110	293,036
Transactions with owners of the Company:							
Dividends	21	–	(81,407)	–	–	–	(81,407)
Amortisation of share-based compensation	7	–	–	–	3,863	–	3,863
At 30 June 2021		1,157,791	3,950,929	834	14,417	(131,679)	4,992,292

* 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 2022 to 30 June 2022

	Note	**Unaudited 1 January 2022 to 30 June 2022 US$'000**	Unaudited 1 January 2021 to 30 June 2021 US$'000
Cash flows from operating activities:			
(Loss)/Profit before income tax		**(346,865)**	287,623
Adjustments for:			
Depreciation of property, plant and equipment		**395,028**	378,539
Amortisation of deferred debt issue costs		**12,822**	12,382
Amortisation of lease transaction closing costs		**223**	111
Amortisation of share-based compensation	7	**4,286**	3,863
Net gain on sale of aircraft	4	**(13,126)**	(3,216)
Interest and fee income	3	**(73,938)**	(95,442)
Finance expenses	6	**228,548**	235,920
Income arising from termination of lease		**(222,876)**	(54,806)
Impairment of aircraft		**850,571**	83,700
Impairment losses on financial assets		**5,918**	62,788
Operating profit before working capital changes		**840,591**	911,462
Increase in receivables		**(53,015)**	(109,373)
Decrease in payables		**(64,589)**	(45,763)
Increase in maintenance reserves		**84,528**	347
Decrease in deferred income		**(17,618)**	(20,800)
Cash generated from operations		**789,897**	735,873
Security deposits received/(paid), net		**87,202**	(32,452)
Lease transaction closing costs paid		**(69)**	(249)
Income tax (paid)/received, net		**(4,801)**	46
Interest and fee income received		**73,940**	93,846
Net cash flows from operating activities		**946,169**	797,064
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(607,091)**	(1,128,385)
Proceeds from sale of property, plant and equipment	4	**405,475**	250,614
Refund of pre-delivery payment by airlines		**91,835**	198,007
Net cash flows used in investing activities		**(109,781)**	(679,764)

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

For the period from 1 January 2022 to 30 June 2022

	Note	**Unaudited 1 January 2022 to 30 June 2022 US$'000**	Unaudited 1 January 2021 to 30 June 2021 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**1,185,000**	2,130,000
Repayment of loans and borrowings		**(780,415)**	(1,090,626)
Decrease in borrowings from revolving credit facilities, net		**(920,000)**	(765,000)
Repayment of lease liabilities		**(1,454)**	(1,423)
Finance expenses paid		**(229,323)**	(239,888)
Debt issue costs paid		**(1,993)**	(15,786)
Dividends paid	21	**(120,272)**	(81,407)
Increase in cash and bank balances - encumbered		**(2,008)**	(455)
Net cash flows used in financing activities		**(870,465)**	(64,585)
Net (decrease)/increase in cash and cash equivalents		**(34,077)**	52,715
Cash and cash equivalents at 1 January		**484,885**	407,556
Cash and cash equivalents at 30 June		**450,808**	460,271

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

1. Corporate information

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

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

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

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by US$2,136.1 million (31 December 2021: US$1,532.9 million). The interim financial statements have been prepared on a going concern basis as the management is reasonably confident that after taking into account cash generated by the Group and unutilised committed banking facilities, the Group will have sufficient resources to pay its debts as and when they fall due.

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board and are also prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) as issued by the Singapore Accounting Standards Council. Accordingly, the interim financial statements of the Group have been prepared in accordance with both International Accounting Standard 34 *Interim Financial Reporting* and SFRS(I) 1-34 *Interim Financial Reporting*.

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2021.

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

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

2.2 Changes in significant accounting policies

The significant accounting policies adopted are consistent with those of the previous financial year which are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2021, except for the adoption of new and revised standards effective for annual periods beginning on or after 1 January 2022. The adoption of these standards did not have any material impact on the interim financial statements of the Group.

3. Interest and fee income

	Unaudited 1 January 2022 to 30 June 2022	Unaudited 1 January 2021 to 30 June 2021
	US$'000	US$'000
Fee income from aircraft pre-delivery payments	**45,923**	61,059
Interest income from finance leases	**20,466**	21,109
Interest income from deferred payments	**2,513**	1,248
Interest income from short-term deposits and bank balances	**373**	202
Lease management and remarketing fee income	**1,741**	2,381
Others	**2,922**	9,443
	73,938	95,442

4. Net gain on sale of aircraft

	Unaudited 1 January 2022 to 30 June 2022	Unaudited 1 January 2021 to 30 June 2021
	US$'000	US$'000
Proceeds from sale of aircraft	**405,475**	250,614
Net book value of aircraft classified as:		
Property, plant and equipment	**(391,847)**	(226,331)
Assets held for sale	**–**	(20,587)
Expenses, net of costs written back	**(502)**	(480)
	13,126	3,216

5. Other income

During the period ended 30 June 2022 and 30 June 2021, other income was mainly related to income arising from the amounts paid by manufacturers and certain airline customers based on mutual agreements, tax rebates and government wage subsidies under a jobs support scheme.

6. Finance expenses

	Unaudited 1 January 2022 to 30 June 2022 US$'000	Unaudited 1 January 2021 to 30 June 2021 US$'000
Interest expense and other charges on:		
Loans and borrowings	**228,449**	235,777
Lease liabilities	**99**	143
	228,548	235,920

7. Staff costs

	Unaudited 1 January 2022 to 30 June 2022 US$'000	Unaudited 1 January 2021 to 30 June 2021 US$'000
Salaries, bonuses and other staff costs	**21,093**	22,983
Employers' defined contributions	**891**	708
Amortisation of share-based compensation	**4,286**	3,863
	26,270	27,554

Share-based compensation (equity-settled)

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

7. Staff costs (cont'd)

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

Movement of RSUs:

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

			Number of RSUs				
Year of grant	**Fair value at grant date HK$**	**Fair value at grant date US$**	**At 1 January 2021**	**Granted during the period**	**Forfeited during the period**	**Vested during the period**	**At 30 June 2021**
2019	65.64	8.36	1,153,695	–	(7,021)	–	1,146,674
2020	47.08	6.06	1,755,376	–	(14,882)	–	1,740,494
2021	74.10	9.55	–	820,600	–	–	820,600
			2,909,071	820,600	(21,903)	–	3,707,768

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.

8. Income tax (credit)/expense

	Unaudited 1 January 2022 to 30 June 2022	Unaudited 1 January 2021 to 30 June 2021
	US$'000	US$'000
Current income tax	**2,673**	557
Deferred income tax	**(34,266)**	39,153
Overprovision in prior years	**(2,724)**	(6,013)
Income tax (credit)/expense	**(34,317)**	33,697

9. Property, plant and equipment

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Cost:						
At 1 January 2021	21,610,032	3,300,130	1,890	15,730	12,778	24,940,560
Additions	1,751,714	387,834	32	494	–	2,140,074
Disposals/Reductions	(593,774)	(243,735)	–	–	–	(837,509)
Transfers	726,465	(726,465)	–	–	–	–
Transfer to assets held for sale	(460,729)	–	–	–	–	(460,729)
Remeasurement	–	–	–	–	(4,298)	(4,298)
Adjustments	2,561	–	–	64	–	2,625
At 31 December 2021 and 1 January 2022	23,036,269	2,717,764	1,922	16,288	8,480	25,780,723
Additions	402,958	208,641	2,769	538	16,350	631,256
Disposals/Reductions	(458,307)	(92,035)	(1,549)	(330)	(5,208)	(557,429)
Transfers	693,329	(693,329)	–	–	–	–
Adjustments	1,589	–	–	–	(3)	1,586
At 30 June 2022	**23,675,838**	**2,141,041**	**3,142**	**16,496**	**19,619**	**25,856,136**

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

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Accumulated depreciation and impairment:						
At 1 January 2021	2,759,515	–	1,665	14,573	4,014	2,779,767
Charge for the year	761,986	–	191	1,271	2,113	765,561
Disposals	(129,496)	–	–	–	–	(129,496)
Impairment of aircraft	145,800	–	–	–	–	145,800
Transfer to assets held for sale	(144,526)	–	–	–	–	(144,526)
At 31 December 2021 and 1 January 2022	3,393,279	–	1,856	15,844	6,127	3,417,106
Charge for the period	393,574	–	69	140	1,245	395,028
Disposals	(66,661)	–	(1,549)	(330)	(5,208)	(73,748)
Impairment of aircraft	850,571	–	–	–	–	850,571
At 30 June 2022	**4,570,763**	**–**	**376**	**15,654**	**2,164**	**4,588,957**
Net book value:						
At 31 December 2021	19,642,990	2,717,764	66	444	2,353	22,363,617
At 30 June 2022	**19,105,075**	**2,141,041**	**2,766**	**842**	**17,455**	**21,267,179**

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

(a) Impairment of aircraft assets

As at 30 June 2022, the accumulated impairment loss on the Group's property, plant and equipment was US$1,104.2 million (31 December 2021: US$253.6 million).

Movement of accumulated impairment loss provision:

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
At beginning of period/year	**253,600**	108,600
Impairment loss	**850,571**	145,800
Utilised under assets held for sale	**–**	(800)
At end of period/year	**1,104,171**	253,600

The impairment loss for period ended 30 June 2022 represented the write-down of the book value of certain aircraft to their recoverable amounts. The recoverable amount was determined based on the management's best estimate of each aircraft value from appraisers' valuation less costs of disposal as at 30 June 2022.

Russia exposure

Due to the military activity in Ukraine that began in February 2022, the European Union (EU), the USA, the UK, Singapore and certain other countries imposed sanctions that affect commercial relations with businesses in Russia. As at 30 June 2022, 17 of the Group's owned aircraft whose leases were terminated in March 2022 in compliance with the sanctions remain in Russia and the Group believes that it is unlikely to be able to recover those aircraft from Russia in the foreseeable future, if ever. Accordingly, the Group recognised an asset write-down of US$803.6 million during the period ended 30 June 2022, representing the net book value of the 17 aircraft as at 30 June 2022. The write-down was partially offset by cash collateral in respect of these 17 aircraft held by the Group in the form of maintenance reserves and security deposits amounting to US$200.4 million and US$22.5 million respectively, recorded as income arising from termination of leases in the statement of profit or loss. This results in a net pre-tax write-down of US$580.7 million for the period ended 30 June 2022. In June 2022, formal claims have been made under the insurance policies related to the aircraft that remain in Russia.

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

(b) Right-of-use assets

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

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

(c) Assets pledged as security

As at 30 June 2022, the net book value of aircraft owned by the Group that have been charged for loan facilities granted (Note 16) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft amounted to US$1,230.8 million (31 December 2021: US$1,566.7 million).

(d) Capitalisation of borrowing costs

As at 30 June 2022, the borrowing costs capitalised as cost of aircraft amounted to US$7.8 million (31 December 2021: US$15.7 million). The interest rates used to determine the amount of borrowing costs for capitalisation ranged from 2.5% to 3.6% per annum for the period ended 30 June 2022 (for the year ended 31 December 2021: 2.5% to 3.6% per annum).

10. Trade receivables

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Trade receivables – gross carrying amount		
Current	**89,860**	67,238
Non-current	**137,611**	135,116
	227,471	202,354
Less: Allowance for expected credit losses	**(24,106)**	(20,137)
	203,365	182,217
Trade receivables – net of allowance for expected credit losses		
Current	**65,754**	47,101
Non-current	**137,611**	135,116
	203,365	182,217

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables are generally secured by cash security deposits or letters of credit. As at 30 June 2022, included in the Group's current and non-current portion of trade receivables was an amount of US$58.5 million and US$137.6 million (31 December 2021: US$40.4 million and US$135.1 million), respectively, that was contractually deferred by mutual agreements and was generally interest bearing.

Impairment of financial assets – trade receivables

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

10. Trade receivables (cont'd)

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

As at 30 June 2022 and 31 December 2021, the aging of trade receivables based on the receivables due date was as follows:

Unaudited 30 June 2022	**Current/ Deferred**	**Less than 30 days past due**	**30 to 60 days past due**	**61 to 90 days past due**	**More than 90 days past due**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount	**196,125**	**6,950**	**3,249**	**2,731**	**18,416**	**227,471**
Allowance for expected credit losses	**(5,901)**	**–**	**–**	**(987)**	**(17,218)**	**(24,106)**
Audited 31 December 2021						
Gross carrying amount	175,505	646	3,236	646	22,321	202,354
Allowance for expected credit losses	–	–	–	–	(20,137)	(20,137)

As at 30 June 2022, the allowance for expected credit loss rate for the Group was assessed to be immaterial for less than 30 days past due and 30 to 60 days past due as the outstanding exposure is secured by cash security deposits (31 December 2021: immaterial for less than 30 days past due, 30 to 60 days past due and 61 to 90 days past due). The allowance for expected credit loss rate for the gross carrying amounts which are current/deferred was 3%, 61 to 90 days past due was 36% and more than 90 days past due was 93% (31 December 2021: more than 90 days past due was 90%).

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

	Unaudited 30 June 2022	Audited 31 December 2021
	US$'000	US$'000
At beginning of period/year	**20,137**	68,047
Charged/(Credited) to profit or loss	**5,918**	(7,921)
Write-off*	**(1,949)**	(39,989)
At end of period/year	**24,106**	20,137

* The Group has no trade receivables (31 December 2021: US$2.4 million) written off during the period that were still subject to enforcement activities.

11. Other receivables

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Current:		
Deposits	**688**	1,509
Interest receivables	**1,544**	1,399
Sundry receivables	**2,585**	5,704
Receivables from manufacturers	**109,629**	92,350
Accrued receivables	**6,143**	3,179
	120,589	104,141
Non-current:		
Receivables from airlines	**18,000**	18,000
Accrued receivables	**44,417**	33,448
Interest receivables	**1,713**	1,727
	64,130	53,175

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

As at 30 June 2022, included in the Group's receivables was an amount of US$109.6 million (31 December 2021: US$90.2 million) due from a manufacturer which was deferred by agreement in return for a fee.

The Group's receivables from airlines are non-trade related, secured by letter of credit, fee bearing and are repayable based on agreed repayment schedule.

Accrued receivables relate to future receipts for revenues and other income for which services have been rendered.

12. Cash and cash equivalents

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Short-term deposits	**387,049**	248,224
Cash and bank balances	**66,978**	237,872
	454,027	486,096
Less: encumbered cash and bank balances	**(3,219)**	(1,211)
Cash and cash equivalents	**450,808**	484,885

As at 30 June 2022, the Group's short-term deposits included an amount of US$170 million (31 December 2021: US$87 million) placed with a related party.

As at 30 June 2022, the Group's short-term deposits included an amount of US$25 million (31 December 2021: US$50 million) placed with the intermediate holding company.

As at 30 June 2022, the Group's cash and bank balances included an amount of US$14.4 million (31 December 2021: US$16.9 million) placed with the intermediate holding company.

13. Assets held for sale

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

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Property, plant and equipment - aircraft		
At beginning of period/year	**–**	–
Additions	**–**	316,203
Disposals	**–**	(316,203)
At end of period/year	**–**	–

14. Trade and other payables

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Trade payables	**839**	2,436
Sundry payables	**9,483**	20,023
Accrued interest expenses	**98,669**	95,150
Accrued maintenance reserve payables	**75**	10,278
Accrued technical expenses	**19,400**	33,550
Staff costs related accruals	**24,976**	32,597
Other accruals and liabilities	**3,729**	6,056
	157,171	200,090

Trade payables and sundry payables are substantially denominated in US Dollar (31 December 2021: US Dollar), non-interest bearing, current in nature and are normally contracted between 30 and 45 days credit terms.

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

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Current	**833**	1,758
1 – 30 days	**6**	85
31 – 60 days	**–**	593
	839	2,436

15. Deferred income

Deferred income (current) relates to advance receipts for lease and other income for which services have not yet been rendered.

Deferred income (non-current) mainly relates to advance receipts for lease for which services have not yet been rendered and the difference between the nominal value of the security deposits and their amortised value using effective interest rate method. The deferred income is charged to profit or loss on a straight-line basis over the lease term.

16. Loans and borrowings

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Current:		
Medium term notes	**1,398,301**	1,048,301
Loans	**1,110,089**	808,577
Medium term notes discount (net of premium)	**(191)**	(630)
Fair value and revaluation adjustments	**(3,443)**	(1,158)
Deferred debt issue costs	**(4,471)**	(5,336)
	2,500,285	1,849,754
Non-current:		
Medium term notes	**9,449,020**	9,999,020
Loans	**4,333,829**	4,950,756
Medium term notes discount (net of premium)	**(19,887)**	(22,872)
Fair value and revaluation adjustments	**(11,854)**	(112)
Deferred debt issue costs	**(51,202)**	(61,165)
	13,699,906	14,865,627
Total loans and borrowings	**16,200,191**	16,715,381

16. Loans and borrowings (cont'd)

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

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Unaudited 30 June 2022					
Medium term notes	**1,394,290**	**2,877,122**	**4,191,369**	**2,327,177**	**10,789,958**
Loans	**1,105,995**	**1,571,226**	**2,690,526**	**42,486**	**5,410,233**
Total loans and borrowings	**2,500,285**	**4,448,348**	**6,881,895**	**2,369,663**	**16,200,191**
Audited 31 December 2021					
Medium term notes	1,045,991	2,186,053	5,432,033	2,332,814	10,996,891
Loans	803,763	658,400	4,217,461	38,866	5,718,490
Total loans and borrowings	1,849,754	2,844,453	9,649,494	2,371,680	16,715,381

As at 30 June 2022, secured loans amounted to US$428.9 million (31 December 2021: US$609.3 million) for the Group. These amounts are secured by the related aircraft (Note 9), certain cash and bank balances and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to aircraft.

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

16. Loans and borrowings (cont'd)

(a) Medium term notes

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

			Unaudited As at 30 June 2022		
		Maturity (Year)	**Outstanding amounts US$'000**	**Amounts swapped to US$ and floating rates US$'000**	**Amounts swapped to US$ and fixed rates US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15%	2029	**140,590**	**–**	**140,590**
Chinese Yuan	4.7% to 5.5%	2022 to 2024	**98,011**	**98,011**	**–**
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	**159,837**	**–**	**159,837**
Singapore Dollar	3.93%	2025	**108,883**	**–**	**108,883**
United States Dollar	1.625% to 4.375%	2022 to 2030	**9,400,000**	**–**	**–**
			9,907,321	**98,011**	**409,310**
Currency	**Floating Rate (p.a.)** 3-month LIBOR + Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	**940,000**	**–**	**840,000**
			10,847,321	**98,011**	**1,249,310**

			Audited As at 31 December 2021		
		Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to US$ and floating rates US$'000	Amounts swapped to US$ and fixed rates US$'000
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15%	2029	140,590	–	140,590
Chinese Yuan	4.7% to 5.5%	2022 to 2024	98,011	98,011	–
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	1.625% to 4.375%	2022 to 2030	9,600,000	–	–
			10,107,321	98,011	409,310
Currency	**Floating Rate (p.a.)** 3-month LIBOR + Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	–	840,000
			11,047,321	98,011	1,249,310

16. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2022, an amount of US$98.0 million (31 December 2021: US$98.0 million) in medium term notes has been swapped to floating rate liabilities and US Dollars (for non-US Dollar denominated notes) via cross-currency interest rate swap contracts. The carrying amount of these medium term notes was US$89.4 million (31 December 2021: US$94.1 million). These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 1.6% to 3.1% per annum for the period ended 30 June 2022 (for the year ended 31 December 2021: 1.6% to 2.6% per annum).

The effects of fair value hedges on the notes as at 30 June 2022 and 31 December 2021 were as follows:

	Unaudited 30 June 2022			
	Outstanding amounts	**Discount and deferred debt issue costs**	**Accumulated amount of fair value adjustments**	**Carrying amounts of liabilities**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	**98,011**	**(30)**	**(8,597)**	**89,384**

	Audited 31 December 2021			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value adjustments	Carrying amounts of liabilities
	US$'000	US$'000	US$'000	US$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	98,011	(47)	(3,836)	94,128

As at 30 June 2022, an amount of US$409.3 million (31 December 2021: US$409.3 million) in medium term notes which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollars and at fixed rates via cross-currency interest rate swap contracts to hedge the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. The net fair value loss of US$3.4 million for the period ended 30 June 2022 (for the year ended 31 December 2021: US$6.9 million) on these cross-currency interest rate swaps was recognised in hedging reserve.

16. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2022, an amount of US$840 million (31 December 2021: US$840 million) in medium term notes has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value gain of US$37.6 million for the period ended 30 June 2022 (for the year ended 31 December 2021: US$39.9 million) on these financial instruments was recognised in hedging reserve.

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

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 1.5% per annum for the period ended 30 June 2022 (for the year ended 31 December 2021: 1.1% per annum). The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans as at 30 June 2022 are between 2022 and 2028 (31 December 2021: 2022 and 2028).

As at 30 June 2022, the loans due to the intermediate holding company amounted to US$695 million (31 December 2021: US$785 million), and the loans due to other related parties amounted to US$1,942.2 million (31 December 2021: US$1,623.2 million).

As at 30 June 2022, loans outstanding amounting to US$1,720 million (31 December 2021: US$1,865 million) have been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The net fair value gain of US$48.3 million for the period ended 30 June 2022 (for the year ended 31 December 2021: US$53.2 million) was accounted for in hedging reserve.

As at 30 June 2022, the Group had unutilised unsecured committed revolving credit facilities of US$5,420 million (31 December 2021: US$4,575 million). These facilities included US$3,500 million (31 December 2021: US$3,410 million) available under a committed revolving credit facility provided by the intermediate holding company that matures in 2026 (31 December 2021: 2026). The unutilised committed revolving credit facilities provided by other related parties to the Group totalled US$127.8 million (31 December 2021: US$46.8 million) that matures in 2024 (31 December 2021: 2024).

As at 30 June 2022, committed unutilised unsecured term loan facility available to the Group totalled US$100 million (31 December 2021: US$985 million) which was provided by other related parties (31 December 2021: US$500 million).

17. Derivative financial instruments

	Unaudited 30 June 2022			Audited 31 December 2021		
	Outstanding notional amounts	**Assets**	**Liabilities**	Outstanding notional amounts	Assets	Liabilities
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Current:						
Cross-currency interest rate swaps	**48,301**	**–**	**(3,443)**	48,301	–	(1,158)
Interest rate swaps	**970,000**	**993**	**(456)**	745,000	–	(10,663)
		993	**(3,899)**		–	(11,821)
Non-current:						
Cross-currency interest rate swaps	**459,020**	**–**	**(27,547)**	459,020	–	(12,222)
Interest rate swaps	**1,590,000**	**13,566**	**–**	1,960,000	–	(70,195)
		13,566	**(27,547)**		–	(82,417)

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

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

The Group determines the economic relationship between the loans and borrowings and the derivatives by matching the critical terms of the hedging instruments with the terms of the hedged items. The hedge ratio (the ratio between the notional amount of the derivative financial instrument to the amount of the loans and borrowings being hedged) is determined to be 1:1. Hedge ineffectiveness arises from the difference in timing of cash flows of hedged items and hedging instruments, but it was negligible for the period ended 30 June 2022 and the year ended 31 December 2021.

17. Derivative financial instruments (cont'd)

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

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
Unaudited 30 June 2022					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Chinese Yuan	98,011	(8,597)	6-month LIBOR + Margin ranging from 1.45% to 2.28%	US$1 : CNY6.04 to CNY6.21	2022 to 2024
Cash flow hedge					
Cross-currency interest rate swaps[2]					
- Australian Dollar	140,590	(14,892)	3.43%	US$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(4,131)	3.72% to 4.13%	US$1 : HK$7.81 to HK$7.84	2026 to 2027
- Singapore Dollar	108,883	(3,370)	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	2,560,000	14,103	2.612% to 4.242%	–	2022 to 2025

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
Audited 31 December 2021					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Chinese Yuan	98,011	(3,836)	6-month LIBOR + Margin ranging from 1.45% to 2.28%	US$1 : CNY6.04 to CNY6.21	2022 to 2024
Cash flow hedge					
Cross-currency interest rate swaps[2]					
- Australian Dollar	140,590	(5,276)	3.43%	US$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(2,885)	3.72% to 4.13%	US$1 : HK$7.81 to HK$7.84	2026 to 2027
- Singapore Dollar	108,883	(1,383)	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	2,705,000	(80,858)	2.612% to 4.242%	–	2022 to 2025

17. Derivative financial instruments (cont'd)

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

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

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

18. Deferred income tax assets and liabilities

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Deferred income tax liabilities, net	**518,282**	547,208
Deferred income tax assets, net	**(159)**	(153)
	518,123	547,055

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

19. Share capital

	Unaudited 30 June 2022 No. of shares '000	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 No. of shares '000	Audited 31 December 2021 US$'000
Issued and fully paid ordinary shares:				
At beginning and end of period/year	**694,010**	**1,157,791**	694,010	1,157,791

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

20. Hedging reserves

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

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Interest rate and foreign currency risk:		
At beginning of period/year	**(84,596)**	(170,789)
Effective portion of changes in fair value of cash flow hedges, net of tax:		
- Interest rate swaps	**61,634**	23,367
- Cross-currency interest rate swaps	**(13,022)**	(17,212)
	48,612	6,155
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:		
- Interest rate swaps	**24,288**	69,715
- Cross-currency interest rate swaps	**9,653**	10,323
	33,941	80,038
	82,553	86,193
At end of period/year	**(2,043)**	(84,596)

21. Dividends

	Unaudited 1 January 2022 to 30 June 2022 US$'000	Unaudited 1 January 2021 to 30 June 2021 US$'000
Declared and paid during the period:		
Final dividend for 2021: US$0.1733 (2020: US$0.1173) per share	**120,272**	81,407
Proposed as at 30 June:		
Interim dividend for 2022: US$0.0889 (2021: US$0.1098) per share	**61,698**	76,202

At the Annual General Meeting held on 9 June 2022, the shareholders approved a final dividend of US$0.1733 per ordinary share, which amounted to US$120.3 million, in respect of the profit for the year ended 31 December 2021. This dividend was paid in June 2022.

At a meeting on 18 August 2022, the directors declared an interim dividend of US$0.0889 per ordinary share for the period ended 30 June 2022 amounting to US$61.7 million. This declared interim dividend is not reflected as a dividend payable in these interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2022.

22. Commitments

(a) Operating lease commitments

Operating lease commitments - As lessor

Aircraft

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

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

	Unaudited 30 June 2022 US$ million	Audited 31 December 2021 US$ million
Within one year	**1,765**	1,747
Between one and two years	**1,744**	1,815
Between two and three years	**1,629**	1,729
Between three and four years	**1,493**	1,577
Between four and five years	**1,387**	1,469
After five years	**5,769**	6,122
	13,787	14,459

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

	Unaudited 30 June 2022 US$ million	Audited 31 December 2021 US$ million
Within one year	**119**	114
Between one and two years	**248**	248
Between two and three years	**271**	270
Between three and four years	**271**	269
Between four and five years	**271**	268
After five years	**1,665**	1,705
	2,845	2,874

22. Commitments (cont'd)

(b) Finance lease commitments

Finance lease commitments - As lessor

	Group	
	Unaudited	Audited
	Minimum lease payments	Minimum lease payments
	30 June 2022	31 December 2021
	US$'000	US$'000
Within one year	**62,496**	62,496
Between one and two years	**252,476**	262,892
Between two and three years	**223,716**	234,132
Between three and four years	**194,358**	204,774
Total minimum lease payments	**733,046**	764,294
Less: Amounts representing finance charges	**(78,849)**	(99,341)
	654,197	664,953

The scheduled receivables of the finance lease are as follows:

	Unaudited	Audited
	30 June 2022	31 December 2021
	US$'000	US$'000
Finance lease receivables	**654,197**	664,953
Less: Current portion	**(22,536)**	(21,849)
Non-current portion	**631,661**	643,104

The effective interest rates on the finance lease receivables ranged from 6.1% to 6.3% per annum for the period ended 30 June 2022 (for the year ended 31 December 2021: 6.1% to 6.3%).

(c) Capital expenditure commitments

As at 30 June 2022, the Group had committed to purchase various aircraft delivering between 2022 and 2029. The amount of future commitments under purchase agreements including assumed escalation to delivery was US$9.3 billion (31 December 2021: US$4.7 billion). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

23. Contingent liabilities

Guarantees of subsidiary companies' obligations

The Company has provided guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 30 June 2022, the obligations under the guarantees for loans to subsidiary companies amounted to approximately US$4.5 billion (31 December 2021: US$4.8 billion). The guarantees are callable on demand.

24. Related party transactions

The Group is majority owned by Bank of China Limited which is controlled by Central Huijin, a wholly owned subsidiary of CIC, which is a wholly state-owned company in the PRC. Central Huijin and CIC have equity interests in certain other entities in the PRC. Bank of China Limited is indirectly subject to the control of the State Council of the PRC Government through CIC and Central Huijin. The State Council directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state-controlled entities.

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

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

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

	Unaudited 1 January 2022 to 30 June 2022 US$'000	Unaudited 1 January 2021 to 30 June 2021 US$'000
Costs and expenses		
(a) Intermediate holding company:		
Interest expense	**5,290**	8,153
(b) Other related parties:		
Interest expense	**14,387**	7,652
Debt issue costs	**1,000**	2,050
Dividend paid to immediate holding company	**84,190**	56,985

24. Related party transactions (cont'd)

	Unaudited 1 January 2022 to 30 June 2022 US$'000	Unaudited 1 January 2021 to 30 June 2021 US$'000
Directors' and key executives' remuneration paid during the period*		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**4,775**	4,797
CPF and other defined contributions	**3**	3
	4,778	4,800
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	**5,966**	6,307
CPF and other defined contributions	**100**	72
	6,066	6,379

* Exclude share-based compensation expense as described below.

The share-based compensation expense for the period ended 30 June 2022 was US$0.6 million (2021: US$0.6 million) and US$0.6 million (2021: US$0.7 million) for directors of the Company and key executives of the Group respectively.

As at 30 June 2022, deferred cash bonuses of US$12.5 million (31 December 2021: US$ 11.5 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 2022, the Group had granted 1,178,077 (31 December 2021: 746,615) RSUs to the directors of the Company and key executives of the Group.

25. Financial risk management objectives and policies

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

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

Interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates.

As the publication of US Dollar LIBOR (excluding the one week and two-month tenors, to which the Group has no exposure beyond their cessation dates) has been extended to 30 June 2023, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments of the Group. Accordingly, IBOR reform may impact the Group's risk management and hedge accounting. The Group has financial instruments and off-balance sheet items that are exposed to US Dollar LIBOR which will be replaced or reformed as part of these market-wide initiatives. The table below sets out the Group's exposure to US Dollar LIBOR as at 30 June 2022. These balances have not yet transitioned to an alternative benchmark rate and some of the balances will naturally expire before USD LIBOR ceases to be published in June 2023.

	US$'000
Group	
Assets	
Derivative financial instruments	14,559
Liabilities	
Gross debt	6,383,918
Derivative financial instruments	9,053
Off-balance sheet items	
Operating lease commitments – as lessor	471,142
Unutilised committed credit facilities	5,470,000

As at 30 June 2022, the notional amount of derivative financial instruments exposed to US Dollar LIBOR is US$2,658.0 million.

The Group is engaging with counterparties to transition its floating rate liabilities and hedging derivatives to the alternative interest rate benchmarks.

26. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders. The changes in share capital and dividends are disclosed in Note 19 and Note 21 respectively. There were no changes made in the objectives, policies or processes during the period from 1 January 2022 to 30 June 2022 and the year ended 31 December 2021.

The Group monitors its gross debt to equity, which is gross debt divided by total equity, to ensure that it complies with the debt to equity covenants in its loan facilities and to maintain its investment grade credit rating. Gross debt comprises the Group's loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Total equity refers to the equity attributable to owners of the Company.

	Unaudited 30 June 2022 US$'000	Audited 31 December 2021 US$'000
Gross debt	**16,291,239**	16,806,654
Total equity	**4,919,933**	5,265,914
Gross debt to equity (times)	**3.3**	3.2

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

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

Diluted (loss)/earnings per share is calculated by dividing (loss)/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 were no dilutive potential ordinary shares as at 30 June 2022 and 30 June 2021.

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

	Unaudited 1 January 2022 to 30 June 2022	Unaudited 1 January 2021 to 30 June 2021
(Loss)/Earnings		
(Loss)/Earnings used in the computation of basic and diluted (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company) (US$'000)	**(312,548)**	253,926
Number of shares		
Weighted average number of ordinary shares of basic and diluted (loss)/earnings per share computation ('000)	**694,010**	694,010
Basic (loss)/earnings per share (US$)	**(0.45)**	0.37
Diluted (loss)/earnings per share (US$)	**(0.45)**	0.37

28. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management. Senior Management assesses the financial performance and position of the Group and uses the information to support strategic decisions.

All revenues are derived from the Group's principal activities of 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 on operating lease to various airline customers around the world. The distribution of lease rental income by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	Unaudited 1 January 2022 to 30 June 2022		Unaudited 1 January 2021 to 30 June 2021	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**198**	**22.5**	171	18.4
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**238**	**27.1**	259	28.0
Americas	**146**	**16.7**	143	15.4
Europe	**187**	**21.4**	247	26.7
Middle East and Africa	**108**	**12.3**	107	11.5
	877	**100.0**	927	100.0

The lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 27.1%, and United States of America accounted for 12.7%, of the total lease rental income (2021: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 28.0%, and United States of America accounted for 12.2%). There was no other country concentration in excess of 10% of the total lease rental income for the periods ended 30 June 2022 and 30 June 2021.

28. Segmental analysis (cont'd)

(b) Net book value of aircraft

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

	Unaudited 30 June 2022		Audited 31 December 2021	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)[1]	**4,999**	**26.2**	4,528	23.0
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**4,518**	**23.6**	4,813	24.5
Americas	**3,146**	**16.4**	3,254	16.6
Europe[2]	**4,138**	**21.7**	4,768	24.3
Middle East and Africa	**2,304**	**12.1**	2,280	11.6
	19,105	**100.0**	19,643	100.0

[1] Includes ten single-aisle and four twin-aisle aircraft that were off-lease as at 30 June 2022. Signed lease commitments were in place with airlines in the Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) region for eight single-aisle and four twin-aisle aircraft as at 18 August 2022.

[2] Includes one single-aisle, one twin-aisle and one freighter aircraft that were off-lease as at 30 June 2022. Signed lease commitments were in place with airlines in the Europe region for one-single aisle and one twin aisle aircraft as at 18 August 2022. In addition, the Europe region also includes the 17 aircraft that remain in Russia fully written down to zero net book value as at 30 June 2022.

The net book value of aircraft leased to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 23.6% (31 December 2021: 24.5%), and United States of America accounted for 12.1% (31 December 2021: 13.3%), of the total net book value as at 30 June 2022. Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value as at 30 June 2022 and 31 December 2021.

29. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities, as defined in IFRS 9/SFRS(I) 9, are disclosed either in the statement of financial position or in the notes to the financial statements.

Financial assets measured at amortised cost comprise trade receivables (Note 10), other receivables (Note 11), short-term deposits[1] (Note 12), cash and bank balances (Note 12) and finance lease receivables (Note 22(b)).

As at 30 June 2022, the financial assets measured at amortised cost for the Group were US$1,309.3 million (31 December 2021: US$1,479.9 million).

[1] Excluding investment in money market funds.

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

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

As at 30 June 2022, the financial liabilities measured at amortised cost for the Group were US$16,579.2 million (31 December 2021: US$17,121.6 million).

[2] Excluding bonuses and related employers' contributions payable and provided for under the staff cash incentive plans.

(a) Financial instruments carried at fair values

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

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the derivative financial instruments and investment in money market funds under the Group are determined by reference to marked-to-market values provided by counterparties and are classified under Level 2 of the fair value hierarchy. There were no transfers between Levels 1, 2 and 3 during the period ended 30 June 2022 and the year ended 31 December 2021.

(b) Financial instruments whose carrying amounts approximate fair values

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

Non-current loans and borrowings (excluding non-current medium term notes as disclosed in Note 29(c) below) and receivables from airlines (Note 11) reasonably approximate their fair values for those that are at floating rate and are re-priced to market interest rates on or near the end of each period/year.

Non-current finance lease receivables and trade receivables reasonably approximate their fair values as the implicit interest rate of each financial instrument approximates the market interest rate prevailing at the end of each period/year.

29. 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 2022** **US$'000**	Audited 31 December 2021 US$'000
Medium term notes :		
Carrying amounts	**9,768,783**	10,462,290
Fair values	**9,433,233**	10,282,721

As at 30 June 2022, the fair value measurement of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$159.6 million (31 December 2021: US$159.6 million) with fair value of US$152.3 million (31 December 2021: US$168.9 million) which was classified under Level 2 of the fair value hierarchy as it was determined based on indicative bid price obtained from a counterparty.

30. Impact of Covid-19

The World Health Organisation declared the outbreak of Covid-19 as a global pandemic in March 2020. The Covid-19 outbreak has provoked responses including government-imposed travel restrictions, which have negatively affected passenger demand for air travel and the financial condition of certain airlines.

The Covid-19 pandemic has affected air travel and the ability of certain of the Group's airline customers to satisfy their lease obligations to the Group, which in turn has affected the Group's cash flow and results of operations for the period ended 30 June 2022.

However, the airline industry is beginning to recover and the Group is well positioned to manage the impact of the Covid-19 pandemic.

31. Authorisation of interim financial statements for issue

The interim financial statements for the period from 1 January 2022 to 30 June 2022 were authorised for issue in accordance with a resolution of the directors passed on 18 August 2022.

This page is intentionally left blank.

This page is intentionally left blank.

BOC AVIATION

HEADQUARTERED IN
Singapore

79 Robinson Road
#15-01
Singapore 068897

OFFICES IN
Dublin, Ireland

Suite 202, SOBO Works
Windmill Lane
Dublin 2, D02 K156
Ireland

London, UK

1 Lothbury
London EC2R 7DB
United Kingdom

New York, USA

1045 Avenue of The Americas
New York, NY 10018
United States

Tianjin, China

Towers AB of Block No. 5
Binhai Financial Street (West Area)
No. 51, 3rd Avenue, TEDA
Tianjin 300457
China