

BOC AVIATION LIMITED
中銀航空租賃有限公司*

(Incorporated in the Republic of
Singapore with limited liability)

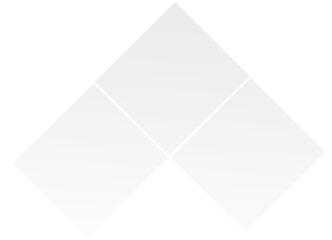
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*For identification purpose only

WELL POSITIONED AS GROWTH RECOVERS

2022 ANNUAL REPORT





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FINANCIAL HIGHLIGHTS

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

- **Total revenues and other income were up 6% year-on-year, at US\$2.3 billion**
- **Net profit after tax of US\$20 million compared with US\$561 million in 2021. 2022 NPAT included a write-down of aircraft in Russia, which negatively impacted net profit after tax by US\$507 million**
- **Core net profit after tax was US\$527 million, excluding the impact of the write-down of aircraft in Russia**
- **Recorded a second half net profit after tax of US\$333 million, up 8% on US\$307 million in 2H 2021**
- **Earnings per share of US\$0.03 and net assets per share of US\$7.50**
- **Operating cash flows net of interest rose 14% to US\$1.5 billion**
- **Total assets of US\$22.1 billion at 31 December 2022**
- **Utilised US\$1.7 billion of debt financing comprising US\$1.4 billion of loans and US\$300 million of bonds**
- **Maintained strong liquidity of US\$5.3 billion, comprising US\$392 million in cash and cash equivalents and US\$4.9 billion in undrawn committed credit facilities at 31 December 2022**
- **Board recommended a final dividend for 2022 of US\$0.1770 per share, calculated at 35% of core net profit after tax pending approval at the AGM to be held on 30 May 2023. The final dividend will be payable to Shareholders registered at the close of business on the record date, being 7 June 2023, bringing the total dividend for the financial year 2022 to US\$0.2659¹ per share**

Capitalised terms used but not defined in this annual report are found in pages 155 to 157.

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

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

FINANCIAL HIGHLIGHTS

EXHIBIT 1: FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2022	2021	Change ¹
	US\$m	US\$m	%
Statement of Profit or Loss			
Revenues and other income	2,307	2,183	5.7
Costs and expenses	(2,278) ²	(1,545)	47.5
Profit before income tax	29	639	(95.4)
Net profit after income tax	20	561	(96.4)
Core net profit after tax	527 ³	561	(6.0)
Earnings per share (US\$) ⁴	0.03	0.81	(96.4)
Core earnings per share (US\$) ⁵	0.76	0.81	(6.0)
	As at	As at	Change ¹
	31 December 2022	31 December 2021	
	US\$m	US\$m	%
Statement of Financial Position			
Cash and short-term deposits ⁶	397	486	(18.4)
Total current assets	845	673	25.6
Total non-current assets	21,226	23,207	(8.5)
Total assets	22,071	23,879	(7.6)
Total current liabilities	2,719	2,206	23.3
Total non-current liabilities	14,150	16,408	(13.8)
Total liabilities	16,869	18,613	(9.4)
Net assets	5,202	5,266	(1.2)
Financial Ratios			
Net assets per share (US\$) ⁷	7.50	7.59	(1.2)
Gross debt to equity (times) ⁸	2.9	3.2	
Net debt to equity (times) ⁹	2.8	3.1	

¹ Percentage change is calculated based on numbers in US\$ thousands as shown in the financial statements.

² Includes the impairment of aircraft in Russia.

³ Excludes the impact of the write-down of aircraft in Russia.

⁴ Earnings per share is calculated by dividing net profit after tax by total number of shares outstanding at 31 December 2022 and 31 December 2021. Number of shares outstanding at 31 December 2022 and 31 December 2021 was 694,010,334.

⁵ Core earnings per share is calculated by dividing core net profit after tax by total number of shares outstanding at 31 December 2022 and 31 December 2021.

⁶ Includes encumbered cash and bank balances of US\$5.0 million and US\$1.2 million at 31 December 2022 and at 31 December 2021, respectively.

⁷ Net assets per share is calculated by dividing net assets by total number of shares outstanding at 31 December 2022 and 31 December 2021.

⁸ Gross debt to equity is calculated by dividing gross debt by total equity at 31 December 2022 and 31 December 2021.

⁹ Net debt is defined as gross debt less cash and short-term deposits. Net debt to equity is calculated by dividing net debt by total equity.

FINANCIAL HIGHLIGHTS

**EXHIBIT 2: OPERATING CASH FLOW
NET OF INTEREST, US\$m**

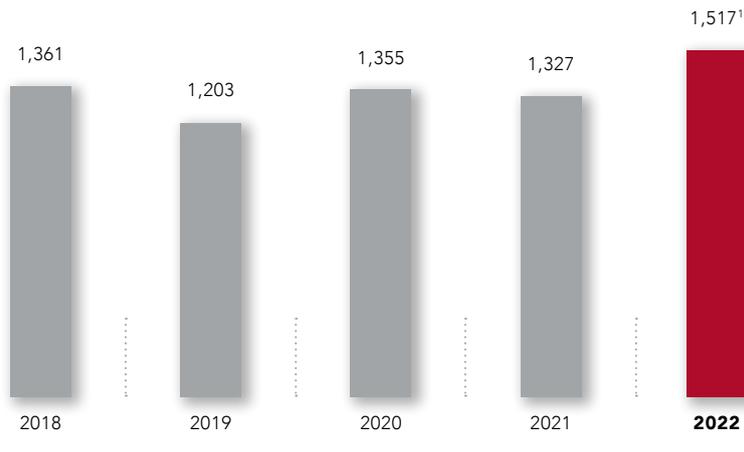
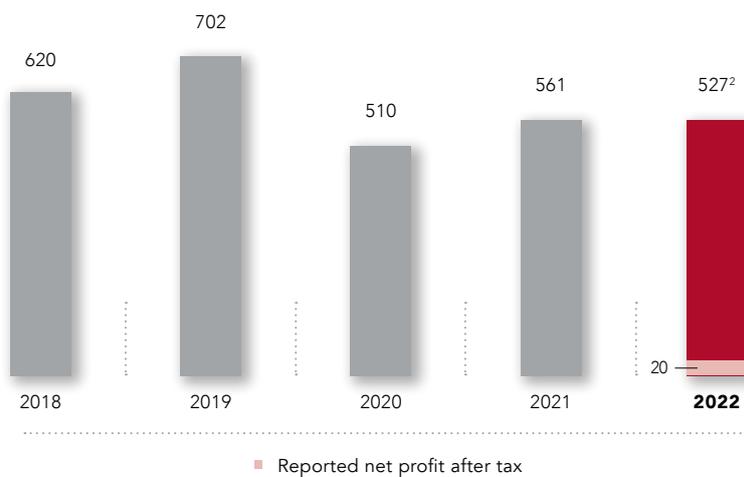


EXHIBIT 3: NET PROFIT, US\$m



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

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

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

As at 31 December 2022, BOC Aviation had:

- **A total fleet of 633 aircraft owned, managed and on order¹, with an average aircraft age of 4.4 years and an average remaining lease term of 8.1 years for the 392 owned aircraft fleet, weighted by net book value**
- **A customer base of 84 airlines in 39 countries and regions in the owned and managed portfolios**
- **Executed 298 transactions in 2022, including:**
 - **Commitments to purchase 147 aircraft**
 - **Delivery of 34 aircraft (including five acquired by airline customers on delivery)**
 - **Sale of 18 aircraft, including one from the managed fleet**
 - **78 lease commitments**
- **Placed two large orders with Airbus and Boeing for 120 aircraft in total, to close the year with an orderbook of 206 aircraft¹**
- **Recorded aircraft utilisation of 96% for the owned portfolio for the year ended 31 December 2022**

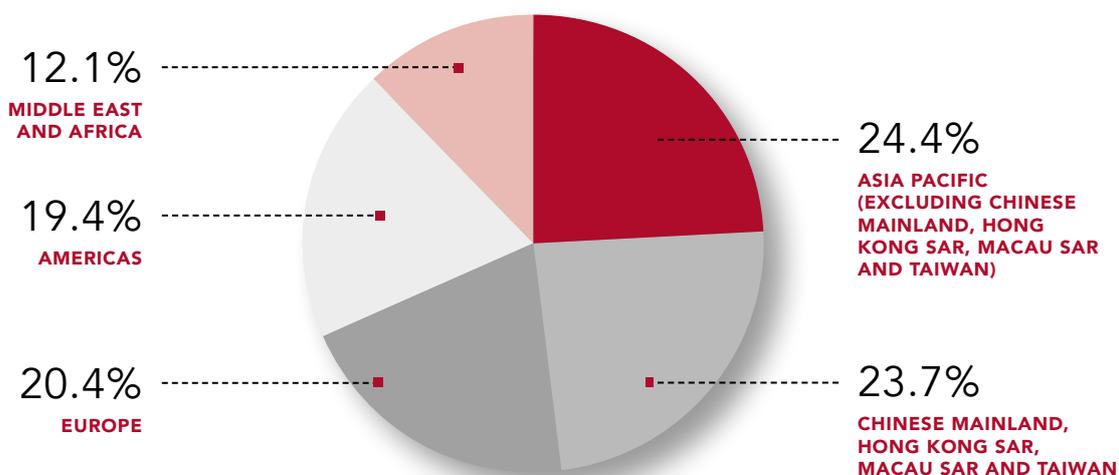
¹ *Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.*

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

**EXHIBIT 4: AIRCRAFT PORTFOLIO AT 31 DECEMBER 2022,
BY NUMBER OF AIRCRAFT**

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

EXHIBIT 5: NET BOOK VALUE OF AIRCRAFT BY REGION²



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

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

CHAIRMAN'S STATEMENT



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

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

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

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

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

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

A handwritten signature in black ink, appearing to be the Chinese characters '刘金' (Liu Jin).

Liu Jin
Chairman

CHIEF EXECUTIVE'S COMMENTS



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

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

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

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

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

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

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

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

CHIEF EXECUTIVE'S COMMENTS

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

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

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

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

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

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

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



Robert Martin
Managing Director and Chief Executive Officer

BUSINESS AND FINANCIAL REVIEW

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

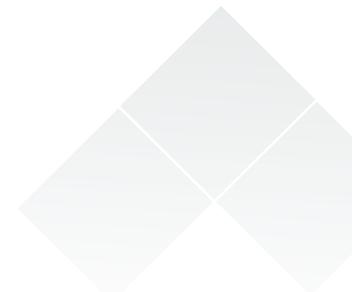
From our inception to 31 December 2022, we have:

- **Purchased and committed to purchase more than 1,000 aircraft with an aggregate purchase price of more than US\$58 billion**
- **Executed more than 1,200 leases with more than 180 airlines in more than 60 countries and regions**
- **Sold more than 400 owned and managed aircraft**
- **Raised over US\$38 billion in debt financing¹**

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

We have strong liquidity including access to US\$5.3 billion in undrawn committed lines of credit and cash as at 31 December 2022.

¹ Since 1 January 2007.



BUSINESS AND FINANCIAL REVIEW

REVENUE

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

EXHIBIT 6: REVENUE BREAKDOWN, % 2022¹

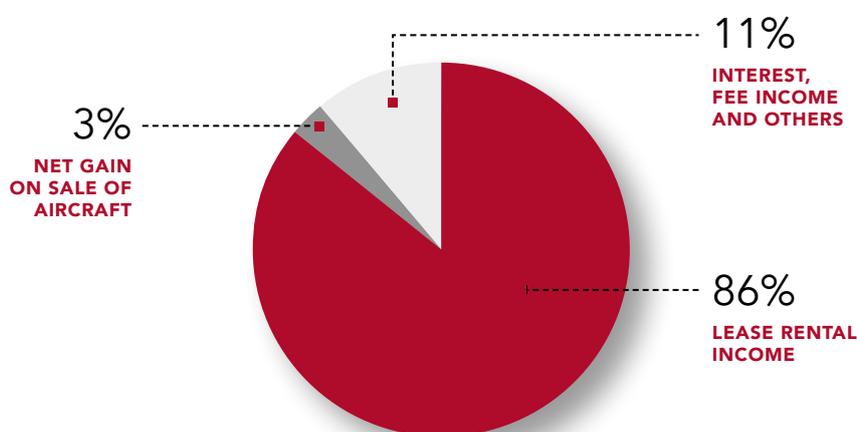
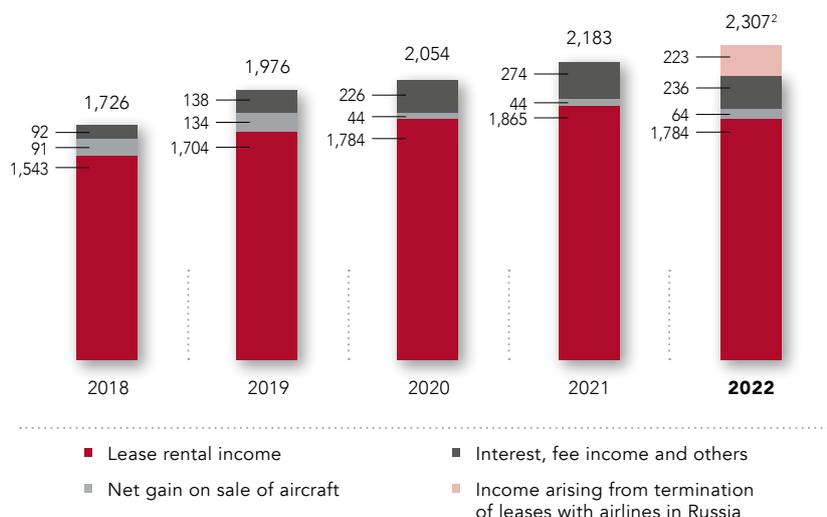


EXHIBIT 7: REVENUE BREAKDOWN, US\$m



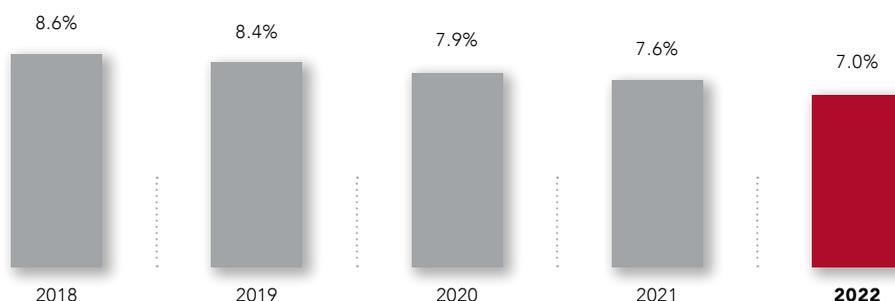
¹ Excludes income arising from termination of leases with airlines in Russia.

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

BUSINESS AND FINANCIAL REVIEW

Our net lease yield¹ declined in 2022 from 2021 mainly due to the impact on rentals from the termination of leases of 18 owned aircraft with Russian airlines, aircraft off lease as well as higher cost of debt in a rising interest rate environment.

EXHIBIT 8: NET LEASE YIELD¹, %



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

EXHIBIT 9: LEASE EXPIRIES AS % OF PORTFOLIO² AS AT 31 DECEMBER 2022



We had three single-aisle aircraft and four twin-aisle aircraft off lease at 31 December 2022. As at the approval date of this annual report, two of the twin-aisle aircraft and one of the single-aisle aircraft had been delivered to new lessees and all but one single-aisle aircraft had been committed for lease.

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

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

BUSINESS AND FINANCIAL REVIEW

OPERATING EXPENSES

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

EXHIBIT 10: OPERATING COST BREAKDOWN, % 2022

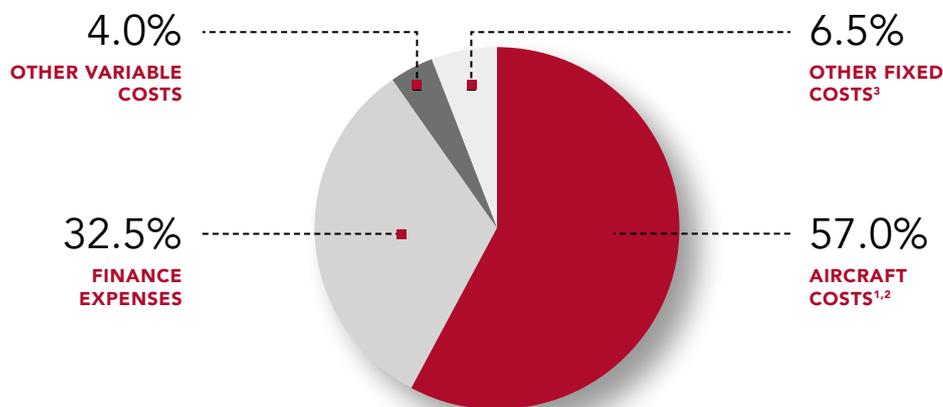
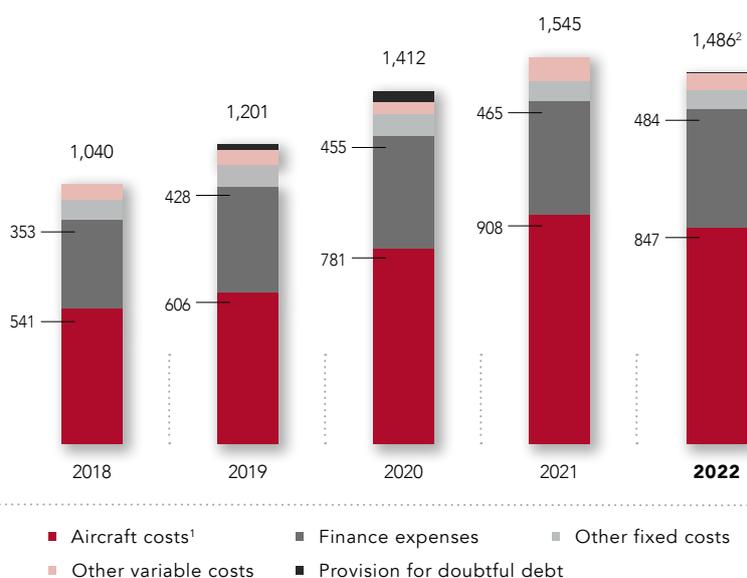


EXHIBIT 11: OPERATING COST BREAKDOWN, US\$m



¹ Aircraft costs comprise depreciation and impairment charges.
² Excludes the impairment of aircraft in Russia in 2022.
³ Includes provision for doubtful debt of US\$1 million.

BUSINESS AND FINANCIAL REVIEW

NET PROFIT AFTER TAX

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

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

EXHIBIT 12: EFFECTIVE TAX RATE, %

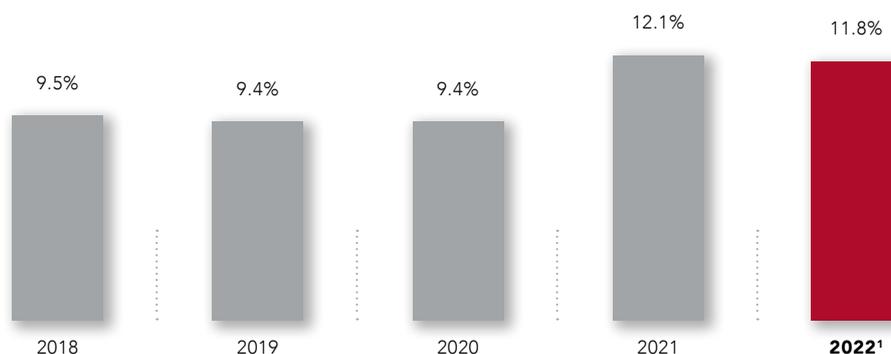
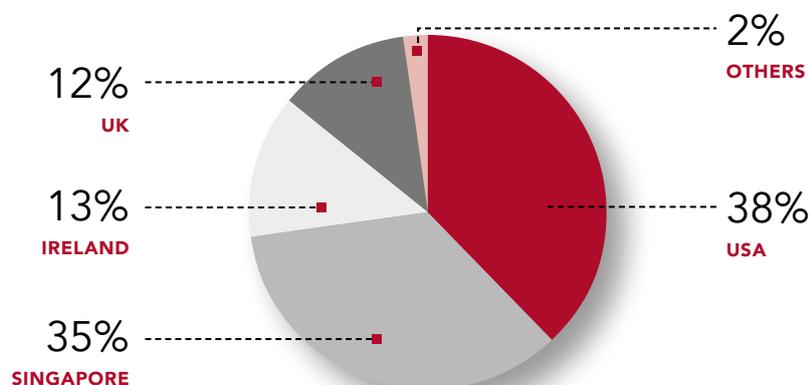


EXHIBIT 13: INCOME TAX EXPENSE BY JURISDICTION¹, % 2022



¹ Excludes the tax impact of the write-down of aircraft in Russia.

BUSINESS AND FINANCIAL REVIEW

ASSETS AND EQUITY

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

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

EXHIBIT 14: TOTAL ASSETS VS. FLEET NBV, US\$b

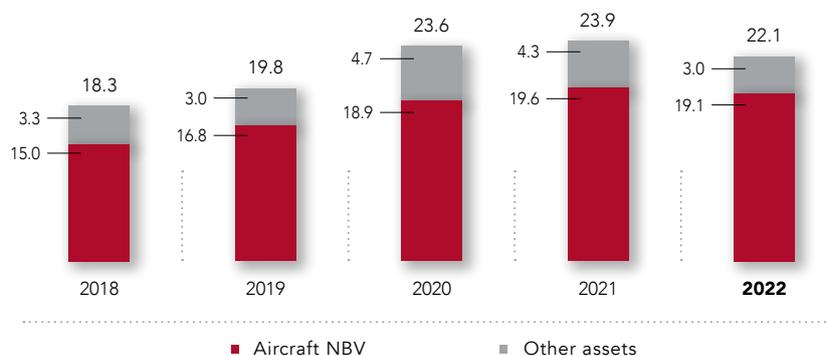
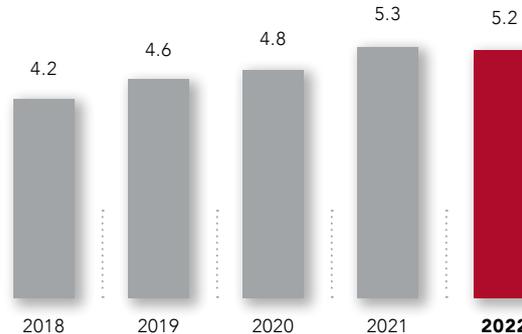


EXHIBIT 15: 2022 AIRCRAFT NBV EVOLUTION, US\$b



EXHIBIT 16: TOTAL EQUITY, US\$b



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

¹ Includes the impairment of aircraft in Russia.

BUSINESS AND FINANCIAL REVIEW

LIABILITIES

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

EXHIBIT 17: TOTAL LIABILITIES, US\$b

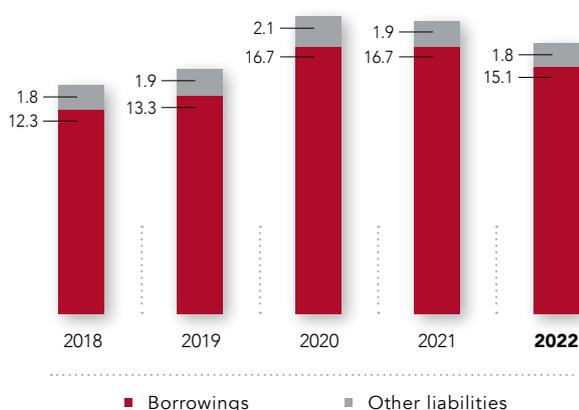
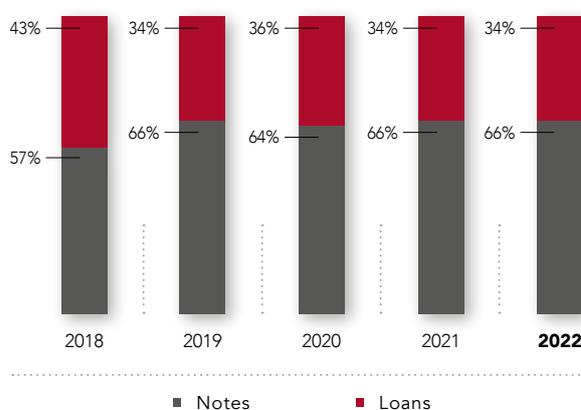


EXHIBIT 18: SOURCES OF DEBT, %



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

EXHIBIT 19: FIXED VS. FLOATING RATE LEASES¹, %

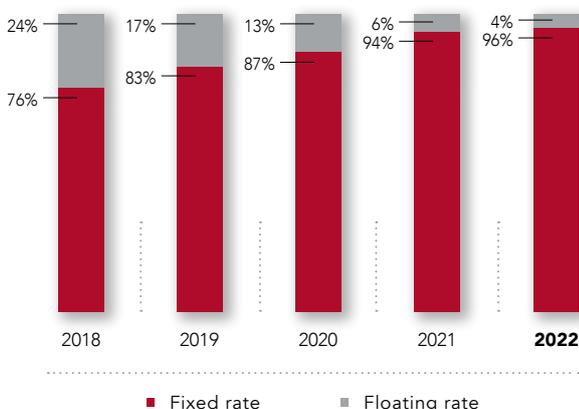
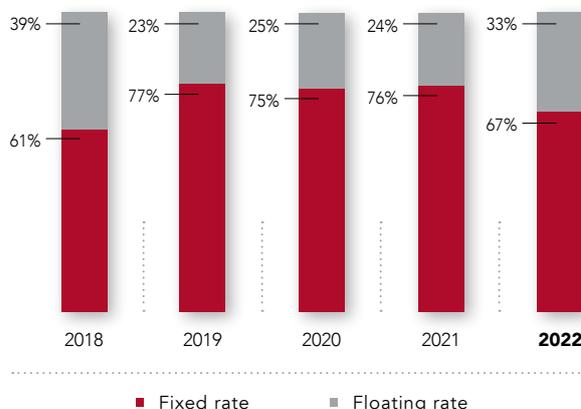


EXHIBIT 20: FIXED VS. FLOATING RATE DEBT, %



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

BUSINESS AND FINANCIAL REVIEW

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2022

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

On 24 April 2023, Mr. Liu Jin was appointed as a Non-executive Director, Chairman of the Board and Chairman of the Nomination Committee. Please refer to the Company's announcement dated 24 April 2023 on the websites of the Stock Exchange and the Company for more information.

BUSINESS ENVIRONMENT

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

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

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

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

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

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

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

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

BUSINESS AND FINANCIAL REVIEW

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

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

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

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

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

We also seek to control our cost of funding, the other major component of our cost base, by maintaining our investment grade credit ratings of A- from both Fitch and S&P Global Ratings and by regular engagement with our broad and diverse investor and lending groups. Rising US Dollar interest rates increase our overall funding cost and thus affect the margins that we can achieve to the extent that we cannot pass this on to lessees in our leasing business. However, 67% of our existing debt is fixed rate, which will mitigate this effect. We are actively transitioning our USD LIBOR- based financial exposures to new floating benchmark rates before the cessation of publication of USD LIBOR in June 2023.

BUSINESS AND FINANCIAL REVIEW

ENVIRONMENTAL POLICY AND PERFORMANCE

BOC Aviation is committed to using resources efficiently and reducing waste. We invest in the latest technology, most fuel efficient aircraft and we focus on actively reducing our direct carbon emissions and being carbon neutral for our direct carbon emissions by offset. While we do not operate the aircraft that we own and cannot directly control the greenhouse gas emissions of aircraft operated by our airline customers, our business model is centered on a portfolio of latest technology, fuel efficient aircraft, which contribute to reductions in carbon emissions. In addition, in our sustainable business model, we set targets to reduce our electricity use, reduce our direct CO₂ emissions and reduce waste produced directly in our business, and we are 100% carbon neutral for our direct CO₂ emissions by offset. More information is presented in the Company's Environmental, Social and Governance Report set out on pages 81 to 153 of this annual report.

FORWARD-LOOKING STATEMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUES AND OTHER INCOME

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

LEASE RENTAL INCOME

Our lease rental income decreased by 4.3% to US\$1.8 billion in 2022 compared with US\$1.9 billion in 2021 mainly due to the termination of leases of 18 owned aircraft with Russian airlines and aircraft that were off lease. The lease rental yield¹ for aircraft subject to operating leases was 9.2% for 2022 compared with 9.7% for 2021.

INTEREST INCOME FROM FINANCE LEASES

Our interest income from finance leases decreased slightly by 3.1% to US\$41 million in 2022. The lease rental yield² for aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases) was 6.2% for 2022, similar to 2021.

OTHER INTEREST AND FEE INCOME

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

NET GAIN ON SALE OF AIRCRAFT

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

INCOME ARISING FROM TERMINATION OF LEASES

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

OTHER INCOME

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

COSTS AND EXPENSES

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

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT OF AIRCRAFT

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

FINANCE EXPENSES

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

STAFF COSTS

Staff costs decreased by 28.5% to US\$49 million in 2022 from US\$69 million in 2021 mainly due to lower provisions for variable cash bonuses in 2022 compared with 2021 and changes to the Group's long-term incentive plan under which awards for 2022 and later years will be settled entirely by shares under the RSU Plan, as described on page 68 of this annual report, amortised over 3 years from the date of grant commencing in 2Q 2023.

IMPAIRMENT/(WRITE-BACK OF) LOSSES ON FINANCIAL ASSETS

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

OTHER OPERATING COSTS AND EXPENSES

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT BEFORE INCOME TAX

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

CORE PROFIT BEFORE INCOME TAX

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

INCOME TAX EXPENSE

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

PROFIT FOR THE YEAR

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

CORE NET PROFIT AFTER TAX

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

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF FINANCIAL POSITION ANALYSIS

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

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

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

Nm: Not meaningful

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY, PLANT AND EQUIPMENT

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

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

FINANCE LEASE RECEIVABLES

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

TRADE RECEIVABLES

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

CASH AND SHORT-TERM DEPOSITS

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

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

OTHER ASSETS

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

LOANS AND BORROWINGS

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

TRADE AND OTHER PAYABLES

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

TOTAL EQUITY

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

OTHER INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

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

In 2022 we raised US\$920 million of debt including issuing US\$300 million of notes under our Global Medium Term Note Program and US\$620 million from new bank facilities. We utilised US\$1.4 billion under term loan facilities, including US\$885 million which was raised in the previous year. We also had US\$735 million utilised under our revolving credit facilities as at 31 December 2022 compared with US\$920 million of utilisation under these facilities as at 31 December 2021. Our liquidity remains strong, with cash and short-term deposits of US\$397 million¹ and US\$4.9 billion in undrawn committed credit facilities, comprising the unutilised portion of our revolving credit facilities and US\$225 million in undrawn term loans as at 31 December 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

A description of our indebtedness is set out below:

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

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

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

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, has come down in 2022 from 2021 as set out in the table below:

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

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

DEBT REPAYMENT PROFILE

	31 December 2022
	US\$b
2023	2.4
2024	3.3
2025	3.5
2026 and beyond	6.0
Total	15.2

PLEDGE OF ASSETS

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

CREDIT RATINGS

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

FOREIGN CURRENCY RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

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

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

SOURCES OF FUNDING

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2022 and 31 December 2021, we had 192 and 186 employees, respectively, who were engaged in the operation and management of our business.

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS

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

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

DIRECTORS

Mr. LIU Jin

Chairman, Non-executive Director and Chairman of the Nomination Committee, aged 56. Mr. Liu has been serving as the Chairman of the Board of Directors of the Company since April 2023.

Mr. Liu has been serving as the Vice Chairman of the Board of Directors and an Executive Director of BOC since June 2021 and President of BOC since April 2021. Prior to joining BOC in 2021, Mr. Liu served as Executive Director of China Everbright Group from December 2019 to March 2021, President of China Everbright Bank from January 2020 to March 2021, and Executive Director of China Everbright Bank from March 2020 to March 2021. From September 2018 to November 2019, he worked at China Development Bank as its Executive Vice President. Mr. Liu had previously worked in Industrial and Commercial Bank of China (ICBC) for many years, serving as Deputy General Manager of its Shandong Branch, Vice Chairman, Executive Director, General Manager of ICBC (Europe) and General Manager of ICBC Frankfurt Branch, General Manager of the Investment Banking Department of its Head Office, and General Manager of its Jiangsu Branch. Mr. Liu began to serve as Vice Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited as of August 2021. He graduated from Shandong University in 1993 with a Master of Arts degree. He holds the title of Senior Economist.

Mdm. ZHANG Xiaolu

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

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

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

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Mr. Robert James MARTIN

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

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

Mdm. CHEN Jing

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

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

Mr. DONG Zonglin

Non-executive Director, Chairman of the Strategy and Budget Committee and a member of the Audit Committee, aged 58. Mr. Dong was appointed as a Non-executive Director in April 2022.

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

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Mr. WANG Xiao

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

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

Mdm. WEI Hanguang

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

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

Mr. DAI Deming

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

Mr. Dai has been serving as a Professor at the Accounting Department of the School of Business of Renmin University of China since July 1996. He is also an Independent Non-executive Director of Power Construction Corporation of China, Ltd which is listed on the Shanghai Stock Exchange, Poly Developments and Holdings Group Co., Ltd. which is listed on the Shanghai Stock Exchange and China Great Wall Securities Co., Ltd. which is listed on the Shenzhen Stock Exchange.

Mr. Dai was an Independent Non-executive Director of CRRC Corporation Limited and Chairman of its audit and risk management committee from August 2008 to June 2014. Mr. Dai was also an Independent Director of Shanxi Taigang Stainless Steel Co., Ltd. from May 2011 to October 2016, Beijing Xinwei Technology Group Co., Ltd. from September 2014 to August 2016, Beijing Capital Development Co. Ltd. from September 2015 to May 2018, Haier Smart Home Co., Ltd. from June 2015 to June 2021, China Zheshang Bank Co., Ltd. from February 2015 to February 2022, and CSC Financial Co. Ltd. from August 2016 to September 2022. Mr. Dai also served as the Dean of the Accounting Department of the School of Business of Renmin University of China from October 2001 to September 2010 and an Associate Professor of the Accounting Department from July 1993 to June 1996.

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Mr. Dai graduated from Hunan College of Finance & Economics in the PRC with a Bachelor's degree in Economics with a major in Industrial Financial Accounting in July 1983, graduated with an Accounting major in July 1986 and obtained a Master's degree in Economics in October 1986 from Zhongnan University of Finance & Economics in the PRC, and obtained a Doctorate degree in Economics with a major in Accounting at Renmin University of China in June 1991.

Mr. FU Shula

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

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

Mr. Antony Nigel TYLER

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

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

Dr. YEUNG Yin Bernard

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

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

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

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

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

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

SENIOR MANAGEMENT

Mr. Robert James MARTIN

Please refer to his biography on page 34.

Mdm. ZHANG Xiaolu

Please refer to her biography on page 33.

Mr. Steven TOWNEND

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

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Mr. David WALTON

Deputy Managing Director and Chief Operating Officer, aged 62. Mr. Walton joined the Company in November 2014 as Chief Operating Officer. He currently oversees the Legal and Transaction Management, Compliance and Insurance, Technical, Procurement and Information Technology Departments. Mr. Walton has more than 30 years of experience in the aircraft leasing and finance industry. Prior to joining the Company, he served as a general counsel for both privately held and publicly listed companies, with primary responsibility for structuring and documenting capital raising, joint venture and leasing activities. Mr. Walton graduated from Stanford University in the United States with a Bachelor of Arts (Honours) degree and received a law degree from the University of California, Berkeley (Boalt Hall) in the United States.

Mr. DENG Lei

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

Mr. Paul KENT

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

COMPANY SECRETARY

Ms. ZHANG Yanqiu Juliana

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE POLICY

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

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

CORPORATE GOVERNANCE PRACTICE

CORPORATE GOVERNANCE FUNCTIONS

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

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

CONSTITUTIONAL DOCUMENTS

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS

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

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

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

SHAREHOLDERS MEETINGS

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

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

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

CORPORATE GOVERNANCE REPORT

ROLES OF THE BOARD AND MANAGEMENT

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

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

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

CORPORATE GOVERNANCE REPORT

THE CHAIRMAN AND THE CHIEF EXECUTIVE

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

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

- sets the Board's agenda taking into account any proposal by other Directors to include items in the Board's agenda
- ensures that all Directors are properly briefed on issues arising at Board meetings
- ensures that all Directors receive, in a timely manner, adequate information which is accurate, clear, complete and reliable
- ensures that all key and appropriate issues are discussed by the Board in a timely manner
- leads the Board in establishing good corporate governance practices and procedures for the Company
- encourages efficient and constructive deliberation of issues within the Board
- promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors to the Company's matters and ensures constructive relations between executive and non-executive directors

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

BOARD COMPOSITION

The Board comprises five Non-executive Directors, four Independent Non-executive Directors and two Executive Directors. Their biographical details are set out on pages 33 to 37 of this annual report. A list of Directors is set out on page 53 of this annual report.

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

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

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

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

- Leadership review and succession planning for the Board of Directors and Senior Management
- Review of the Board and Board Committees' evaluation reports
- Review of the Board Diversity Policy and Board Nomination Policy, including the implementation and effectiveness of the Board Diversity Policy
- Directors' rotation and re-election at the next AGM

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

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

CORPORATE GOVERNANCE REPORT

BOARD NOMINATION POLICY

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

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

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

- Expertise and skills: The candidate should possess international business experience, with proven achievement and experience in his or her area of expertise, ideally in aviation or finance, or other fields relevant to the Company's business.
- Attributes complementary to the Board: The candidate should possess attributes that complement and expand the skill set, experience and expertise of the Board as a whole, having regard to the current structure, size, diversity profile and skills matrix of the Board and the needs of the Board.
- Time commitment: The candidate should be able to devote sufficient time and attention to discharge the duties of a Director effectively, including devoting adequate time for the preparation and participation in meetings at the meeting location, training and other Board activities.
- Personal attributes: The candidate should be a person of integrity, good repute and high professional standing.
- Independence: The Board should ensure that independent views and input are available to the Board, and that there is a strong element of independence in the Board.
- Diversity: The Board should consider factors listed in the Company's Board Diversity Policy.

CORPORATE GOVERNANCE REPORT

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

CHANGES IN COMPOSITION OF THE BOARD AND BOARD COMMITTEES

From 1 January 2022 to 24 April 2023 (being the approval date of this annual report), the changes in composition of the Board and Board Committees are listed below:

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

Save as disclosed above, there were no other changes to the composition of the Board and Board Committees from 1 January 2022 to 24 April 2023 (being the approval date of this annual report).

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules after the publication of the Company's 2022 interim report dated 27 September 2022 up to 24 April 2023 (being the approval date of this annual report) are set out below:

CORPORATE GOVERNANCE REPORT

EXPERIENCE INCLUDING OTHER DIRECTORSHIPS

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD MEETING PROCESS AND ATTENDANCE

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

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

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

A typical Board meeting would consist of:

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

TRAINING AND PROFESSIONAL DEVELOPMENT

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

CORPORATE GOVERNANCE REPORT

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

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

Notes:

1. Mr. Chen Huaiyu resigned on 3 February 2023.
 2. Mr. Liu Chenggang resigned on 18 April 2022.
 3. Mr. Dong Zonglin was appointed on 18 April 2022.
 4. Mdm. Zhu Lin resigned on 18 April 2022.
 5. Mdm. Chen Jing was appointed on 18 April 2022.
 6. Certain Directors did not attend certain Board or Board Committee meetings due to other business commitments.
- A: Attending briefing(s) and/or training session(s).
 B: Reading articles, journals, newspapers and/or other materials.

CORPORATE GOVERNANCE REPORT

BOARD'S OVERSIGHT OVER RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

INTERNAL AUDIT

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY STATEMENT IN RELATION TO FINANCIAL STATEMENTS

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

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

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

BOARD DELEGATION

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

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

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

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

The table below sets out the chairman and members of each Board Committee as at 24 April 2023 (being the approval date of this annual report):

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

Explanatory notes:

C means committee chairman

M means committee member

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

RISK COMMITTEE

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

- conducting regular review of risk factors in the Company's business, including but not limited to customer credit risk, aircraft asset and portfolio risks, cash flow, liquidity, hedging and funding risks, and procurement and technical risks, as well as other enterprise risk matters
- regularly reviewing with management new and emerging risks and providing guidance on measures to be taken to mitigate these risks
- reviewing the adequacy of departmental resources, and policies and procedures, to mitigate current and potential future risks
- oversight of the Company's ESG strategy and reporting
- providing regular reports to the Board on the foregoing
- approving other matters delegated to it by the Board

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

- quarterly review of the overall risk status of the Company, including portfolio credit quality and collections status, liability risk management, geo-political risk factors, risk factors impacting the commercial aviation industry generally, and enterprise risk matters
- quarterly status review of technical and procurement risk factors
- review of corporate tax, insurance and vendor risk management matters
- review of the Company's ESG targets

CORPORATE GOVERNANCE REPORT

STRATEGY AND BUDGET COMMITTEE

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

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

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

- considering and recommending to the Board for approval the final dividend for full-year 2021
- considering and recommending to the Board for approval the interim dividend for the six-month period ending 30 June 2022
- reviewing and reporting to the Board on developments in market conditions and opportunities relevant to the Company's business, including developments in the lease placement and purchase-leaseback markets and developments relating to the procurement of aircraft
- reviewing and recommending to the Board for approval the 2023 budget and the 2023 Corporate Scorecard
- reviewing and recommending to the Board for approval the Company's 2022 Corporate Scorecard result and certain metrics for the Company's short-term and long-term incentive plans
- reviewing the Company's Five Year Plan covering the period from 2021 to 2025

CORPORATE GOVERNANCE REPORT

MANAGEMENT STRUCTURE

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

- The **Management Committee** has decision-making authority, delegated from the Board, to approve transactions that meet certain criteria, including leases and lease extensions, purchase and leasebacks, sales, loan and bond financings, hedging, aircraft specification changes and other procurement matters and general administrative matters. The committee is chaired by the Managing Director and Chief Executive Officer. The six members of the Senior Management team and the Chief Risk Officer are members of the committee.
- The **Risk Management Committee** provides an ongoing and forward-looking review of risk factors impacting the Company's balance sheet, comprising asset/credit risk and liability risk matters. The committee also reviews changes in the external operating environment and the portfolio impact of implementing revenue plans. The committee is chaired by the Managing Director and Chief Executive Officer.
- The **Operations Committee** brings together the main business functions involved in executing the Company's aircraft acquisition, leasing and sales transactions and is involved in day-to-day management of the owned and managed aircraft portfolio, including the heads of the legal and transaction management, risk, technical, procurement, airline leasing and sales and aircraft sales departments. The committee is chaired by the Deputy Chief Operating Officer.
- The **Finance Committee** monitors and coordinates issues between the heads of the accounting and reporting, financial control, financial planning and analysis, tax, risk, aircraft sales, treasury, settlement and investor relations departments, including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Deputy Managing Director and Chief Financial Officer.
- The **Funding Committee** provides guidance on funding strategy for both debt maturities and capital expenditure as well as managing the overall costs of funding. The committee is chaired by the Deputy Managing Director and Chief Financial Officer.
- The **Revenue Committee** provides guidance and planning for new lease and sales activities, and provides direction to the customer-facing airline leasing and sales and aircraft sales team for prospective new transactions. Approval of the Revenue Committee is typically obtained for proposals falling outside certain parameters. The committee is chaired by the Managing Director and Chief Executive Officer.
- The **Investment Committee** reviews overall investment and divestment strategy for the Company's portfolio of aircraft and other assets. The committee is chaired by the Managing Director and Chief Executive Officer.
- The **Sales Committee** provides guidance on all matters related to the Company's aircraft sales business including evaluating sales strategy and monitoring external market conditions for aircraft sales. The committee is chaired by the Managing Director and Chief Executive Officer.

CORPORATE GOVERNANCE REPORT

- The **Procurement Committee** reviews all matters related to aircraft procurement strategy, capital expenditure pipeline and delivery of aircraft. The committee monitors the status of deliveries and any delays in placement of aircraft on order and its impact on the Company. The committee is chaired by the Managing Director and Chief Executive Officer.
- The **Internal Control Committee** monitors compliance with internal processes and procedures and provides direction for any needed improvements thereto. The committee is responsible for oversight of the Company's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Company's business. The committee is chaired by the General Counsel.
- The **Disclosure Committee** monitors and approve all disclosures made on the Stock Exchange according to the Listing Rules. The committee is responsible for oversight of the Company's disclosure and the Company's inside information related policies and procedure. The committee is chaired by the Managing Director and Chief Executive Officer.
- The **Environmental, Social and Governance Committee** drives the Company's ESG initiatives, and reviews and monitors the Company's ESG commitments, targets and reporting obligations at management level. The committee is chaired by the Deputy Managing Director and Chief Operating Officer.

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

D&O LIABILITY INSURANCE POLICY

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

COMPANY SECRETARY

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

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

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

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

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

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

The methods used to communicate with Shareholders include the following:

- the Head of Investor Relations makes himself available for regular meetings with major Shareholders, investors and analysts
- the Company's website includes electronic copies of financial reports, call transcripts, audio webcasts of analyst presentations, presentation slides, latest news, public announcements and general information about the Company
- publication of interim and annual reports
- publication of press releases and announcements
- the annual general meeting of the Company

SHAREHOLDERS COMMUNICATION POLICY

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

During the year we hosted an investor day in Singapore that featured Senior Management and heads of departments. In addition, we hosted two earnings calls with the investment community, attended 12 investor conferences and participated in 550 meetings and calls with investors and research analysts, which we consider represents a substantial effort to ensure that our Shareholders remain as well informed as possible. As at 31 December 2022, BOC Aviation was rated as a consensus Buy by all 18 research analysts that publish on the Company¹ and therefore, the implementation and effectiveness of the Shareholders Communication Policy is satisfactory.

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

¹ Source: Bloomberg

DIRECTORS' STATEMENT

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

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND PRINCIPAL RISKS

Please refer to "Chairman's Statement", "Chief Executive's Comments", "Business and Financial Review", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" sections for a review of the Company's business for the year ended 31 December 2022. The Company's business model and details of the principal risks faced by the Company, the potential impact of such risks on the Company and measures taken by the Company to mitigate such risks are set out on pages 17 to 18 of this annual report.

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

ANNUAL GENERAL MEETING

The AGM will be held on 30 May 2023.

RESULTS

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

DIRECTORS' STATEMENT

DIVIDEND POLICY

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

DIVIDENDS

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

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

CLOSURE OF REGISTER OF MEMBERS – ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS – FINAL DIVIDEND

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

FINANCIAL SUMMARY

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 1 June 2016. A five year financial summary of the Group is set out on page 79 of this annual report.

DIRECTORS' STATEMENT

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

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

SHARE CAPITAL

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

PUBLIC FLOAT

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

TAX RELIEF

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

BANK LOANS, DEBENTURES ISSUED AND OTHER BORROWINGS

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

DIRECTORS' STATEMENT

DISTRIBUTABLE RESERVES

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

CONTINGENT LIABILITIES

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

DIRECTORS

A list of Directors as at 9 March 2023 (and updated to reflect subsequent changes up to 24 April 2023) is set out on page 53 of this annual report.

The changes in Board composition, and the biographical details of the Directors and their terms of office are set out on pages 33 to 37 and 46 to 47 of this annual report.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

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

DIRECTORS' STATEMENT

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

DIRECTORS' STATEMENT

RESTRICTED SHARE UNIT LONG TERM INCENTIVE PLAN

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

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

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

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

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

DIRECTORS' STATEMENT

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

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

Notes:

- Subject to the terms and conditions of the first RSU Plan, the Shares underlying each award will vest in the December of the third year after the end of the financial year for which the award was granted. There are no performance targets attached to the vesting of the award, and no consideration is required from the relevant grantee at the time of vesting.
 - The closing price of the Company's Shares on 17 May 2022, the day preceding the date of grant, was HK\$61. The fair value of each RSU award at the date of grant was HK\$62.36, as determined by the average market price at which the shares of the Company were purchased from the secondary market by an independent trustee.
 - The closing price of the Company's Shares on 14 December 2022, the day preceding the vesting date, was HK\$61.
 - The information includes the grants to one Director who is one of the five highest paid individuals in 2022.
- A: Granted on 28 April 2020 and 7 May 2021, as applicable.
 B: Granted on 7 May 2021 and 18 May 2022, as applicable.

DIRECTORS' STATEMENT

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES AND DEBENTURES

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

LONG POSITION (ORDINARY SHARES)

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

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

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

SUBSTANTIAL SHAREHOLDERS

The register maintained by the Company pursuant to Section 336 of the SFO recorded that, as at 31 December 2022, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

DIRECTORS' STATEMENT

Name of Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of total issued share capital (%)
Central Huijin Investment Limited	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOC	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOCGI	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
Sky Splendor Limited	Beneficial owner (L)	485,807,334 (Ordinary)	70
Pandanus Associates Inc.	Interest of controlled corporation (L)	56,203,200 (Ordinary)	8.10
Pandanus Partners L.P.	Interest of controlled corporation (L)	56,203,200 (Ordinary)	8.10
FIL Limited	Interest of controlled corporation (L)	56,203,200 (Ordinary)	8.10
FIL Asia Holdings Pte Limited	Interest of controlled corporation (L)	36,136,100 (Ordinary)	5.2

Notes:

1. BOCGI holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOCGI is deemed to have the same interests in the Company as Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.
2. BOC holds the entire issued share capital of BOCGI, which in turn holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCGI and Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.
3. Central Huijin Investment Limited holds the controlling stake in the equity capital of BOC. Accordingly, for the purpose of the SFO, Central Huijin Investment Limited is deemed to have the same interest in the Company as BOC.
4. Pandanus Partners L.P. controls more than one-third of voting rights in FIL Limited. Accordingly, for the purpose of the SFO, Pandanus Partners L.P. is deemed to have the same interest in the Company as FIL Limited, which in turn is deemed to be interested in 56,203,200 Shares held by its controlled corporations for the purpose of the SFO.
5. Pandanus Associates Inc. holds the entire issued share capital of Pandanus Partners L.P. Accordingly, for the purpose of the SFO, Pandanus Associates Inc. is deemed to have the same interest in the Company as Pandanus Partners L.P.
6. FIL Limited is deemed to be interested in 56,203,200 Shares held by its controlled corporations for the purpose of the SFO.
7. FIL Asia Holdings Pte Limited is deemed to be interested in 36,136,100 Shares held by its controlled corporations for the purpose of the SFO.

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

DIRECTORS' STATEMENT

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY

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

SHARE OPTION SCHEME

The Company has not adopted a share option scheme.

EQUITY-LINKED AGREEMENTS

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

SHARES UNDER OPTION

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

MAJOR CUSTOMERS

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

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

DIRECTORS' STATEMENT

MAJOR SUPPLIERS

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

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

CONTINUING CONNECTED TRANSACTIONS

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

A. BANK DEPOSITS

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

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

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

2. Bank deposits with the BOCHK Holdings Group

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

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

DIRECTORS' STATEMENT

OTHER TERMS

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

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

B. SECURED LOANS AND OTHER BANKING SERVICES

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

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

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

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

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

DIRECTORS' STATEMENT

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

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

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

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

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

OTHER TERMS

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

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

DIRECTORS' STATEMENT

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

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

C. LISTING RULE IMPLICATIONS

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

D. ANNUAL REVIEW

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

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

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this annual report;

DIRECTORS' STATEMENT

- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
- (iv) have exceeded their respective annual caps for the financial year ended 31 December 2022 set out in the prospectus or previous announcements of the Company.

In accordance with paragraph 14A.57 of the Listing Rules, a copy of the auditor's letter has been provided by the Company to the Stock Exchange at least 10 business days before the bulk printing of this annual report.

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

E. RELATED PARTY TRANSACTIONS

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

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

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

DIRECTORS' STATEMENT

DEBENTURES ISSUED

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

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

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

REVIEW BY THE AUDIT COMMITTEE

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

AUDITOR

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

On behalf of the Board

BOC Aviation Limited

ZHANG Xiaolu

*Vice Chairman and
Executive Director*

Robert James MARTIN

Executive Director

Singapore, 9 March 2023

FIVE YEAR FINANCIAL SUMMARY

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

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

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

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

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

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

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BOC AVIATION ESG REPORT 2022



LEADERSHIP MESSAGE

BOC Aviation is a world-class aircraft operating lessor headquartered in Singapore and listed on the Hong Kong Stock Exchange (HKEX code: 2588). We are committed to building a sustainable global economy and to continuing to strengthen our business strategies and operations in the areas of environment, social and governance.

Strong corporate governance remains a fundamental part of our business, it is also one of our key strengths. We bring a 360° approach to risk management, with a clear focus on both the asset and liability sides of our balance sheet and cash flow. We have one of our sector's most gender diverse Boards, which features three female Board directors including our Vice Chairman.

Caring for our employees is a top priority. We commit to providing an inclusive, equal opportunity environment in which they can thrive. We are increasing our commitment to training, and we continue to emphasise coaching and mentoring. We have introduced a target to have at least three training days annually per employee, both related to their employment and in life skills, to enable them to reach their full potential. We have 20 nationalities in our employee base and half of our employees are female.

A robust ESG strategy will require hard targets. Commitments to shape the industry in which we operate must come from the players themselves. On the environment front, we are committed to having at least 75% of our owned fleet consisting of latest technology aircraft by end 2025. We were 100% carbon neutral for direct emissions through carbon offset purchases in 2022.

Having achieved our 2022 Hong Kong Stock Exchange targets, we are renewing and extending these and introducing additional targets relevant to our business.

The journey to being a sustainable corporate citizen is a marathon and not a sprint. We strive to work together with our stakeholders to achieve our targets in all aspects of ESG performance.

We would like to thank all stakeholders for your support and welcome your feedback on our strategy and initiatives.

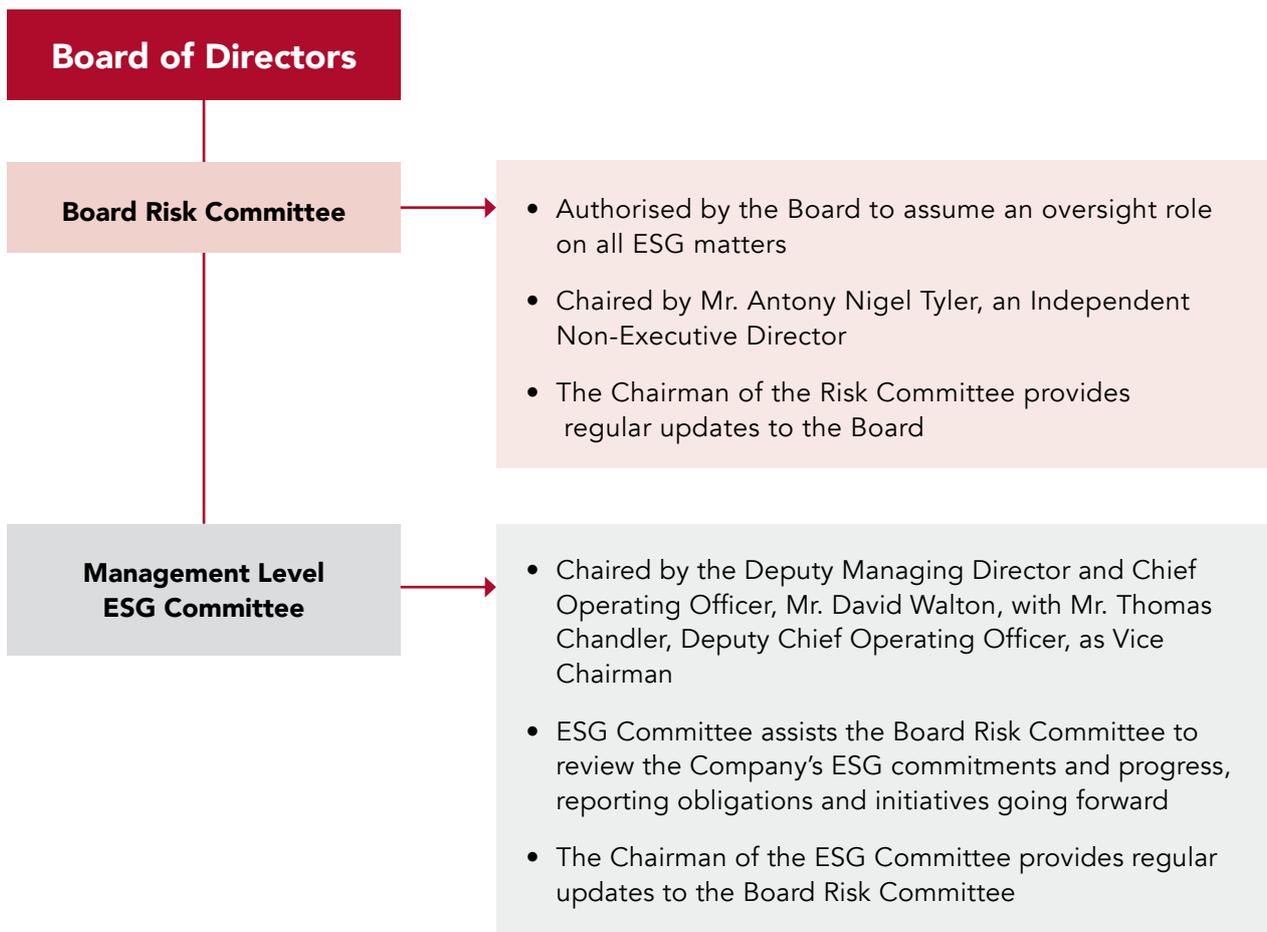
The Board of BOC Aviation

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH

STATEMENT FROM THE BOARD

The Board has overall responsibility for evaluating and determining the Company's ESG strategy, identifying and addressing ESG risks, and ensuring that appropriate and effective ESG initiatives, risk management and internal control systems are in place. At the Board level, the Risk Committee has oversight of all ESG matters including the process used to evaluate, prioritise and manage material ESG-related issues, setting ESG targets and tracking progress made against ESG targets and goals.

At the management level, the Company's ESG Committee develops day-to-day ESG initiatives to execute the Company's ESG strategy and ensure compliance with the Listing Rules as they relate to ESG matters. The ESG Committee also regularly gathers feedback from employees, investors and other stakeholders on ESG matters to inform the Company's policies and activities.



OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH

CORPORATE CULTURE

BOC Aviation aims to be a world-class aircraft lessor and is committed to growth, profitability and caring for employees.

FORWARD LOOKING

- BOC Aviation understands that to advance, it has to be forward looking. It is not a follower but adapts and innovates to be successful.
- We take a flexible approach towards growth that is built on a knowledge-based environment. Advance planning enables the Company to prepare for different potential future scenarios.



PROFESSIONALISM

- BOC Aviation strives to be a world-class global aircraft operating lessor with a portfolio of young, fuel-efficient aircraft leased to a diversified global customer base. In the quest for profitability and sustainable growth as part of a major global banking group, high standards of performance and behaviour are expected at all times.
- We are committed to high standards of fairness, truthfulness, and integrity in our relationships with our stakeholders. We believe such standards contribute not only to the credibility and stability of BOC Aviation but also to the smoothness and efficiency of business transactions.
- Exhibiting professionalism at corporate and individual levels ensures that the Company's and BOC Group's good reputation is upheld. Shareholders, customers, suppliers and other third parties will know that they are working with an ethical and honest organisation. Within the Company, there is an environment of integrity with mutual respect and trust among employees.

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH

MERITOCRACY

- BOC Aviation works on the principle of meritocracy. The Company does not practice discrimination or favouritism. It is committed to providing equal employment opportunities to all individuals without regard to race, colour, religion, gender, national origin, age, disability, marital status, or sexual orientation.
- All employees are empowered to perform their duties and take responsibility for their actions; promotions and compensation are based on the quality of work delivered.

EFFICIENCY

- BOC Aviation operates in a dynamic industry. To be competitive, the Company has to work fast and efficiently. This is complemented by an organisation structure that is lean with minimal bureaucracy; communication channels are open and decisions are made quickly.



TEAMWORK

- Employees are the foundation of a company. All employees have a role in contributing to the success of the Company. By cooperating and working together in the best interests of the Company, the strengths of each individual are harnessed.
- By working as a team in a fun, exciting and fast-paced environment, every individual will feel a sense of belonging and be committed and motivated.
- During times of stress, we encourage our employees to stay in contact with each other in person, by phone, or video conferencing, to be supportive and maintain overall morale in the Company.

ALIGNMENT OF INTERESTS

- The Company's remuneration policy seeks to align the respective interests of both shareholders and the employees by enabling staff to share in the financial success of the Company and act in the Shareholders' best interests with appropriate balance between profit generation and long-term sustainable growth.

ABOUT BOC AVIATION



**A
TOP 5**
global aircraft lessor



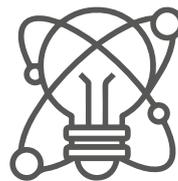
Listed on
HKEx

Strong
**CORPORATE
GOVERNANCE**
and
RISK AWARENESS

A-
credit ratings from
Fitch Ratings and
S&P Global Ratings



71%
of owned fleet is
latest technology
aircraft



100%
of orderbook is
latest technology
aircraft

192
employees across
five offices globally



**DEVELOPING
and
RETAINING TALENT**
is a priority

2022 ESG HIGHLIGHTS

ENVIRONMENT			
	100% carbon neutral for direct emissions	100% latest technology aircraft in the orderbook	71% latest technology aircraft in the owned fleet
REDUCED resource consumption	NEW TARGETS on direct greenhouse gas emissions reduction		4.4 YEARS average fleet age

SOCIAL			
MORE THAN 4,200 training hours	50% female representation in our workforce	20 nationalities across five offices	1,300 volunteer hours in local communities
	YEAR-LONG coaching programme launched	SUPPORTS AIRLINK and other global and local NGOs	

GOVERNANCE			
3 female Board Directors	4 independent Board Directors	3 lines of defence in risk management	
360° risk management focus	30% females in the management team	NIL regulatory breaches	100% successfully completed compliance and cyber security training

COMMITMENT TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

BOC Aviation is committed to supporting the United Nations (UN) Sustainable Development Goals in order to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere by the target date of 2030. In particular, our initiatives are aligned with the following Goals:

END POVERTY IN ALL ITS FORMS EVERYWHERE

OUR INITIATIVES:

- We partner with local charities such as Food From The Heart that provides food assistance to beneficiaries in Singapore.
- The carbon offset project we supported in 2022, the Kasigau Corridor REDD+ Project in Kenya, has created more than 300 jobs.



ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

OUR INITIATIVES:

- We are committed to providing a safe and healthy workplace for our employees.
- In 2022, we organised a flu vaccination drive and launched the Mindfulness Based Stress Reduction course for employees.
- We moved into a BCA Green Mark Platinum certified¹ office, this is the highest certification standard for green buildings in Singapore.



ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

OUR INITIATIVES:

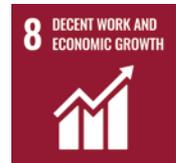
- Women accounted for 30% of the management team and 50% of our total workforce at 31 December 2022.
- Women received 52% of total training hours in 2022.
- We have three female Board Directors, including our Vice Chairman.



PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

OUR INITIATIVES:

- In 2022, we recorded 2.8 days of training per employee.
- We offer competitive remuneration and benefits.



TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

OUR INITIATIVES:

- 100% of our orderbook comprises latest technology aircraft that are at least 20% more fuel-efficient than the previous generation aircraft.
- We have a low direct carbon footprint that we are committed to further reducing. In 2022, we were 100% carbon neutral for our direct emissions through carbon offset purchases.

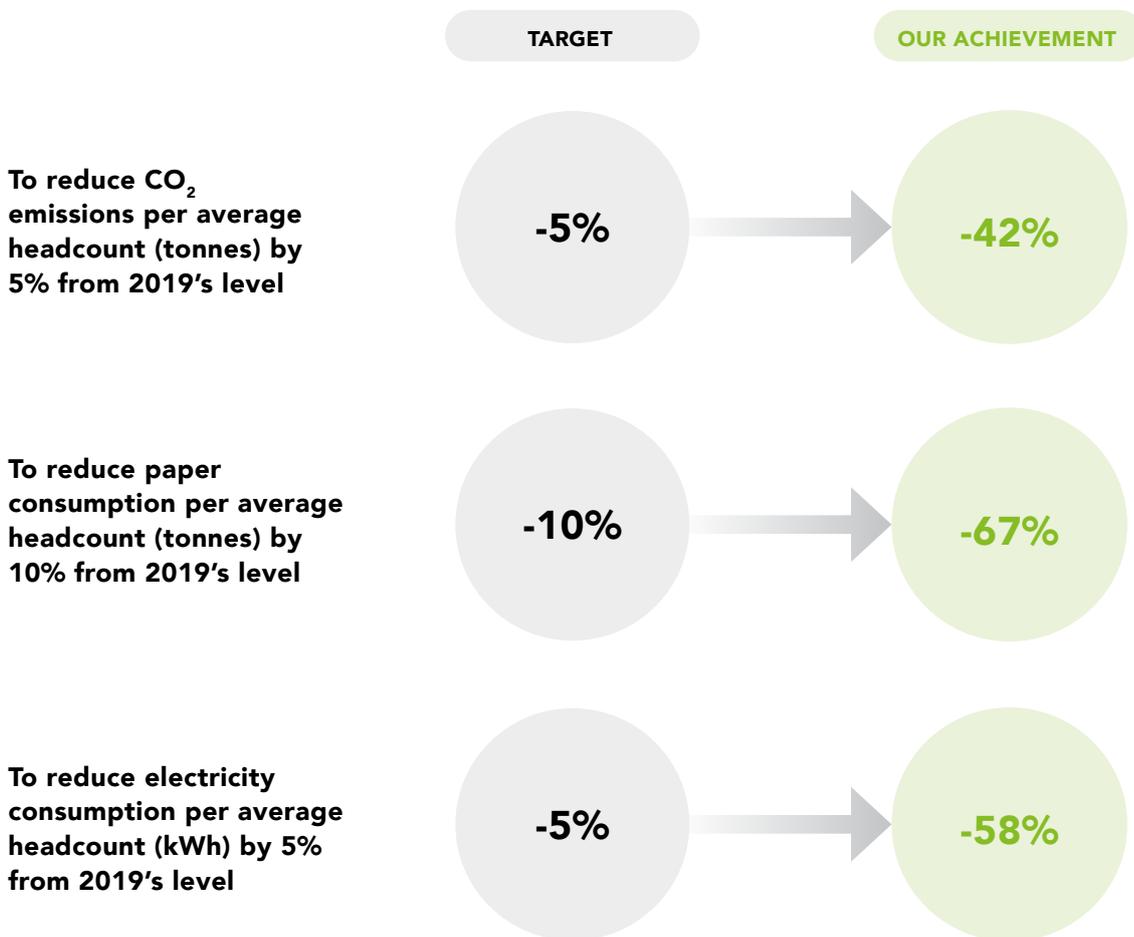


¹ Details of the BCA Greenmark Platinum Certification can be found on page 99.

RENEWING OUR COMMITMENT TO SUSTAINABILITY

TARGETS FOR THE PERIOD OF 2019–2022

Our first targets were introduced in 2020 and paced the company’s ESG efforts over a period of three years. We are pleased to report to our stakeholders that our targets have now been achieved.



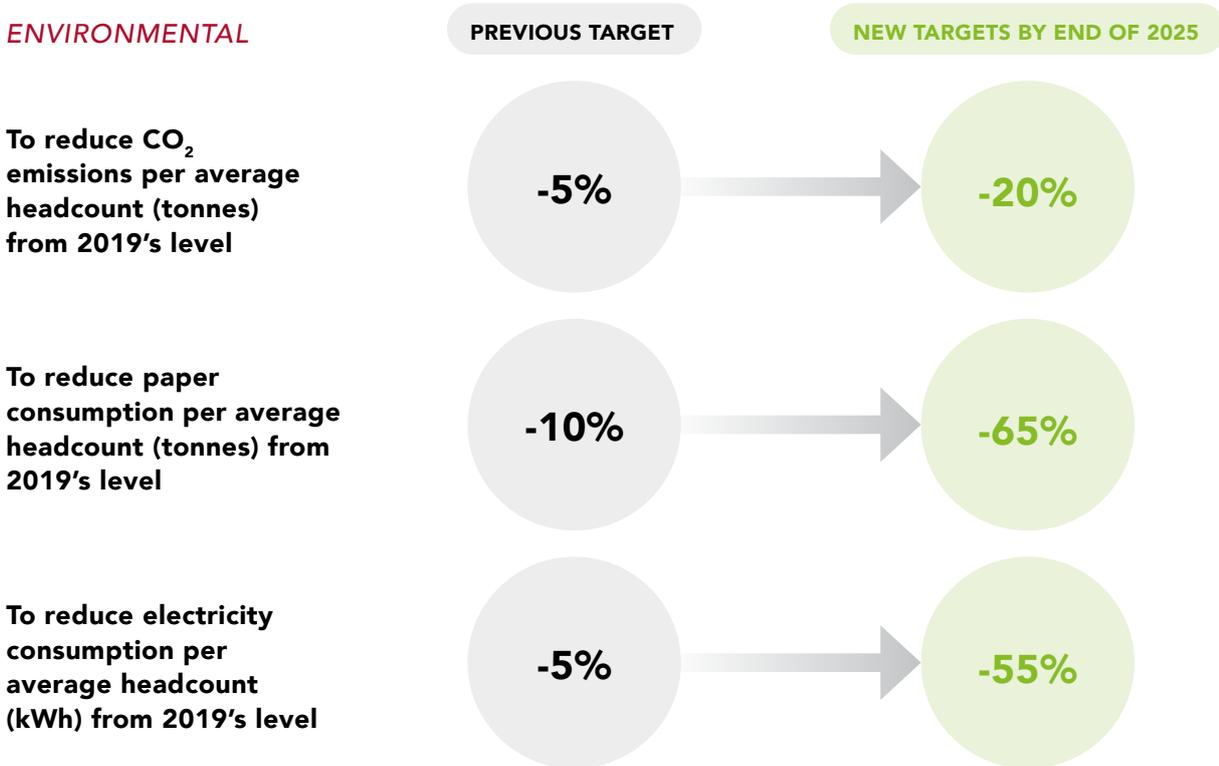
NEW TARGETS FOR 2023–2025

In order to continue our drive to sustainability, we have established a new set of targets to be achieved by end of 2025. These include targets set in compliance with the Hong Kong Exchange’s Environmental Key Performance Indicators.

Our targets will continue to use 2019 as a baseline, as the following years saw global shifts in travelling and working, and might distort data comparison.

RENEWING OUR COMMITMENT TO SUSTAINABILITY

ENVIRONMENTAL



OTHER NEW TARGETS BY END OF 2025

ENVIRONMENTAL
<ul style="list-style-type: none"> • Being 100% carbon neutral every year for direct CO₂ emissions through offset purchases • At least 75% of latest technology aircraft in the owned fleet • To maintain an orderbook of 100% latest technology aircraft
SOCIAL
<ul style="list-style-type: none"> • To have at least 3 training days on average, per employee annually • At least 45% female representation in the workforce
GOVERNANCE
<ul style="list-style-type: none"> • At least two female Directors on the Board • At least 25% female members in management team

STAKEHOLDER ENGAGEMENT

Ongoing stakeholder engagement to drive ESG efforts continues to be a hallmark of 2022.

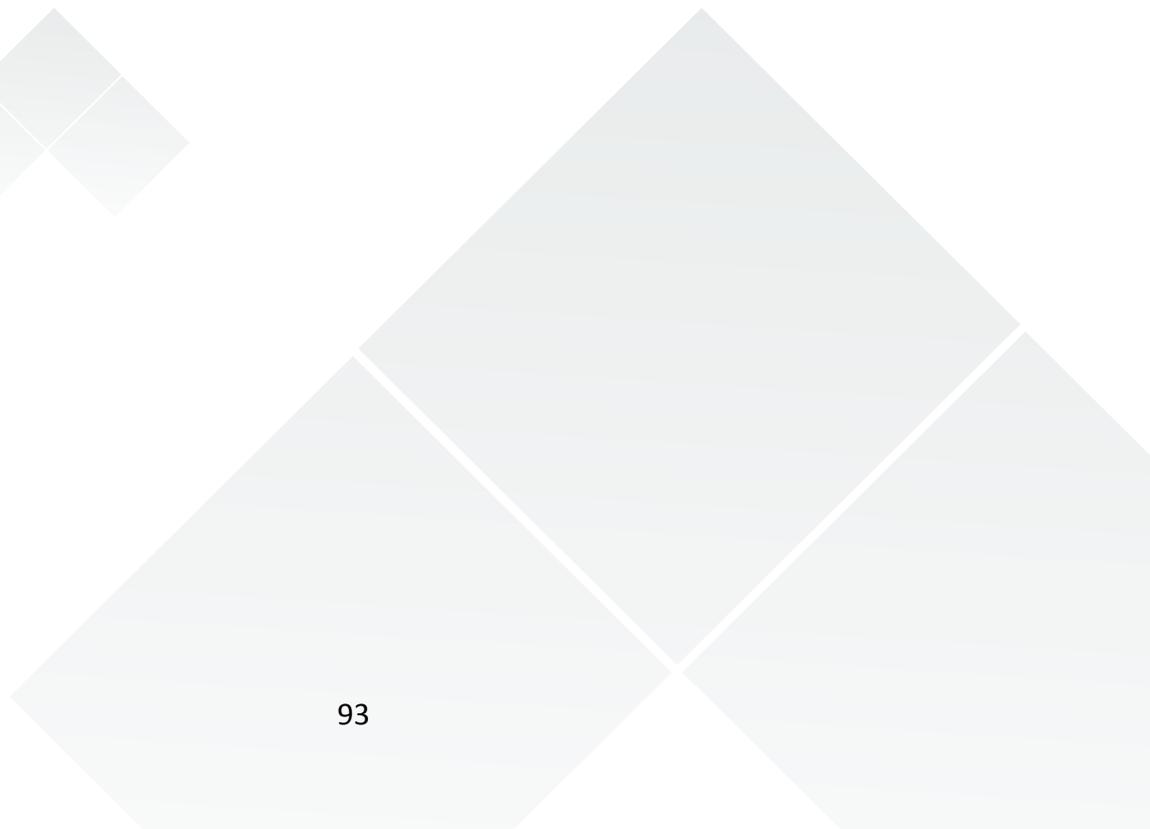
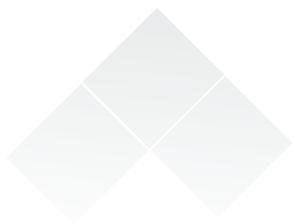
Stakeholder	Platforms	2022 Achievements
Customers	<ul style="list-style-type: none"> • Latest technology aircraft leased to global airline customer base 	<ul style="list-style-type: none"> • Delivered 34 latest technology aircraft • Customer base of 84 airlines in 39 countries and regions
Employees	<ul style="list-style-type: none"> • Regular business updates to employees throughout the year • Training and development • Focus on employee health and safety • CEO Circle 	<ul style="list-style-type: none"> • Coaching Connect initiative launched in September 2022 to encourage employees to take ownership of their professional growth and development • Two employee surveys to gather employees' feedback • More than 4,200 hours of training, with each employee having an average of 2.8 days of training annually • 100% of employees completed compliance and cyber security training that covered anti-corruption, anti-bribery and anti-money laundering
Investors	<ul style="list-style-type: none"> • Semi-annual results conference calls and roadshows • Annual General Meeting • Investor conferences • Analyst briefings • ESG issues actively discussed with investors • Day-to-day investor communication 	<ul style="list-style-type: none"> • Held AGM on 9 June 2022 • Participated in 550 investor and analyst calls and meetings including two results calls and one analyst briefing • Hosted BOC Aviation Investor Day in Singapore • Participated in 12 investor conferences attended by equity, fixed income and ABS investors and analysts • Investor base survey, including top 25 equity and fixed income investors for feedback on ESG • Meetings and calls with ESG investors and analysts

STAKEHOLDER ENGAGEMENT

Stakeholder	Platforms	2022 Achievements
OEMs & supply chain	<ul style="list-style-type: none"> Procurement and Technical departments are responsible for manufacturer and supplier relationship management Develop understanding of the ESG practices of the supply chain 	<ul style="list-style-type: none"> Committed to purchase 147 latest technology aircraft Conducted a survey of top suppliers on their ESG practices and gave targeted feedback ESG principles are part of vendor scorecards
Board of Directors	<ul style="list-style-type: none"> Comprehensive monthly report from management to the Board Quarterly Board meetings 	<ul style="list-style-type: none"> Held four Board meetings and 15 Board Committee meetings All Directors trained on anti-corruption, ESG and updates to the Corporate Governance Code of the Listing Rules Annual Board and Board Committee performance evaluation conducted by the Nomination Committee
Regulatory authorities	<ul style="list-style-type: none"> Procedures for compliance with relevant rules and regulations, and for staying up to date with regulatory developments 	<ul style="list-style-type: none"> No material breach of the Listing Rules and other corporate regulatory requirements applicable to the Group Dedicated team managing all corporate regulatory updates applicable to the Group
Banks	<ul style="list-style-type: none"> Strong lending group of close to 50 banks 	<ul style="list-style-type: none"> More than 300 meetings and calls with bankers ESG issues actively discussed with bankers and investors including green/sustainability-linked financing options

STAKEHOLDER ENGAGEMENT

Stakeholder	Platforms	2022 Achievements
Credit rating agencies	<ul style="list-style-type: none"> Investment grade credit ratings 	<ul style="list-style-type: none"> 18 meetings and calls with the rating agencies Industry leading credit ratings reaffirmed; A- with Stable outlook by both Fitch Ratings and S&P Global Ratings Ongoing dialogue about ESG criteria and qualitative factors for credit ratings reports
Media	<ul style="list-style-type: none"> Day-to-day media communication 	<ul style="list-style-type: none"> More than 110 contacts with the media
Community	<ul style="list-style-type: none"> Positive influence on our communities 	<ul style="list-style-type: none"> Supported Airlink, Food From The Heart and Orbis, among other global and local non-governmental organisations



MATERIALITY ASSESSMENT

In 2022, BOC Aviation conducted surveys of our major stakeholders to identify material ESG issues, as set out below. The results will be instrumental in developing future ESG strategies for the Company.

MATERIALITY MATRIX



■ Environmental
 ■ Social
 ■ Governance

MATERIALITY ASSESSMENT

Material issues	Stakeholders	Our approach
Governance	Shareholders, government and regulators	<ul style="list-style-type: none"> The Board has established and has oversight of audit, remuneration, nomination, risk and strategy and budget committees Corporate Governance Manual is maintained and updated regularly to keep the directors and employees abreast of the key provisions and development of the Listing Rules and other applicable relevant corporate governance regulations Committed to a gender diversified board with at least two female directors and 25% females in the management team
Compliance	Employees, government and regulators	<ul style="list-style-type: none"> Clear policies, procedures and guidelines on compliance, international trade sanctions, anti-bribery, fraud risk, corruption, anti-money laundering, anti-trust, whistleblowing which are available for access on intranet Annual training for all employees on all compliance related matters including anti-money laundering, anti-corruption, anti-bribery completed by all employees
Ethics	Regulators, auditors and employees	<ul style="list-style-type: none"> Code of professional conduct sets important guidelines for all employees to understand and accept the rules regarding transparent, ethical and professional behaviour Annual undertakings by all employees declaring any conflict of interest with the Company's business Annual training on policies and procedures

MATERIALITY ASSESSMENT

Material issues	Stakeholders	Our approach
Shareholder interests	Shareholders	<ul style="list-style-type: none"> • Single share class with equal voting rights • Investor Relations department to address Shareholders' questions and concerns • Annual general meetings of the Shareholders
Asset quality	Shareholders, banks and rating agencies	<ul style="list-style-type: none"> • Young fleet mainly comprising new technology aircraft, and a orderbook of 100% latest technology aircraft • Conservative depreciation policies • Active secondary market trading of aircraft to manage asset risk • Careful consideration of how evolving ESG factors affect residual value risks of our fleet
Information security and data protection	Employees, customers, OEMs and government	<ul style="list-style-type: none"> • Proactively identify data risk areas and mitigate data risks through periodic review of Company's operations • Standardised rules of business processes, systems and infrastructure that are subject to regular audits • Independent Security Operations Centre provides round-the-clock monitoring, alerting and responding to cyber security issues • Established a Cybersecurity Incident Response Plan and Incident Handling Team • Duty of care to protect personal data adhering to the Singapore Data Protection Act, General Data Protection Regulation in the European Union and China Personal Information Protection Law

MATERIALITY ASSESSMENT

Material issues	Stakeholders	Our approach
Supplier relationships and engagement	OEMs and suppliers	<ul style="list-style-type: none"> • Highly experienced Procurement and Technical teams • Annual survey of top suppliers on their ESG practices to develop understanding of their ESG practices • ESG is included in the scorecard for assessing vendors
Employee engagement and development	Employees	<ul style="list-style-type: none"> • Regular communications to update employees on the Company's latest developments and address employee questions • Attract and retain employees through competitive remuneration packages, including our equity incentive plans • Employee training programmes for Professional development, including further education programmes, on-site development, and on-line learning portals • Formal coaching and mentoring • Regular feedback on goals and performance

MATERIALITY ASSESSMENT

Material issues	Stakeholders	Our approach
360° risk management	Regulators, governments, customers, OEMs and suppliers, Shareholders, banks and rating agencies	<ul style="list-style-type: none"> • A 360° risk focus on assets and liabilities • Three lines of defence in all areas, being management, the risk department and internal audit • Risk Committee works under direct supervision of the Board • Robust credit rating system monitoring risk exposure to all customers, suppliers and service providers • Regular detailed credit and risk assessment of all customers • KYC is conducted on all potential counterparties to identify potential risks
Funding and liquidity	Shareholders, banks, customers, OEMs and suppliers, rating agencies	<ul style="list-style-type: none"> • Strong group of close to 50 lenders • Diverse sources of funding • More than US\$5 billion of liquidity to invest in latest technology aircraft for leasing to airlines
Customer relationships and engagement	Customers	<ul style="list-style-type: none"> • Highly experienced airline leasing and sales team focused on customer relationships • Communication of our values and ethics through customer interaction

MATERIALITY ASSESSMENT

Material issues	Stakeholders	Our approach
Carbon neutral for direct emissions	Employees and Shareholders	<ul style="list-style-type: none"> • We maintain a low carbon footprint, which we actively work to reduce • Committed to being 100% carbon neutral for the Company's direct carbon emissions going forward
Climate change risk management	Customers, OEMs and suppliers, Shareholders and rating agencies	<ul style="list-style-type: none"> • Work with OEMs and our customers to deliver latest technology, fuel-efficient aircraft that reduce CO₂ and other greenhouse gas emissions • Reduce exposure to older technology aircraft. 71% of our owned fleet are latest technology aircraft, we aim to increase this to 75% by end 2025 • 100% of our orderbook comprises latest technology aircraft
Direct greenhouse gas (GHG) emissions	Employees, Shareholders, bankers and rating agencies	<ul style="list-style-type: none"> • We exceeded our target to reduce direct GHG emissions by 5% per employee on average from 2019 levels by end-2022 • New environmental target to reduce direct GHG emissions by 20% per employee on average by end-2025, from 2019 baseline • Office premise located in a BCA Green Mark Platinum* building

* The BCA Green Mark Platinum is awarded to exemplary green projects that effectively demonstrate at least 30% energy savings based on energy efficiency measures and incorporate environmentally sustainable building practices and innovative green features.

MATERIALITY ASSESSMENT

Material issues	Stakeholders	Our approach
Community engagement	Employees and government	<ul style="list-style-type: none"> • Support the communities in which we operate • Participate in various trade, business and industry associations to contribute to the growth and governance of the aviation leasing industry • Sponsorship of seven scholarships for Arab Air Carriers' Organisation member airlines • No political donations • Contribute to the growth, affordability and accessibility of air travel by enabling our airline customers to connect communities globally
Equal opportunity employer	Employees and government	<ul style="list-style-type: none"> • Committed to providing equal employment opportunities to all individuals without regard to race, colour, religion, gender, national origin, age, disability, marital status, or sexual orientation
Human rights and labour practices	Employees and OEMs and suppliers	<ul style="list-style-type: none"> • Committed to 17 UN goals, in particular goal 8 relating to decent work and economic growth • Surveyed our top 40 suppliers regarding their ESG practices, including forced and/or child labour. All suppliers surveyed achieved a satisfactory score
Safe and healthy workplace	Employees	<ul style="list-style-type: none"> • New environmentally friendly and safe office in Singapore in 2022 • Comprehensive policies and procedures establishing employee health and safety parameters and clearly communicated to employees • Identified employees trained in first aid • Comprehensive employee health insurance

MATERIALITY ASSESSMENT

Material issues	Stakeholders	Our approach
Workforce diversity	Employees and government	<ul style="list-style-type: none"> • 192 employees of 20 nationalities across five offices globally • Diverse workforce with an equal balance of male and female employees • Committed to 45% female representation in the workforce • Global talent pool with opportunities to leverage a cross-cultural and multi-jurisdictional working environment
Recycling & Waste Management	Employees	<ul style="list-style-type: none"> • Recycling bins in multiple locations in the Singapore office to encourage recycling • Engagement with employees on recycling
Water resources management	Employees	<ul style="list-style-type: none"> • New office infrastructure aimed to conserve water • Conscious mindset to avoid and prevent waste in water resources



CARING FOR
OUR
EMPLOYEES



CARING FOR OUR EMPLOYEES



BUILDING AN INCLUSIVE CULTURE

BOC Aviation is an equal opportunity employer and works on the principle of meritocracy and does not practice discrimination. The Company is committed to providing equal employment opportunities to all individuals without regard to race, colour, religion, gender, national origin, age, disability, marital status or sexual orientation.

While we are a company headquartered in Singapore, we recruit from a diverse global talent pool based on various job requirements. Our employee benefits and remuneration are carefully structured to take into considerations the needs of employees from different backgrounds.

INTEGRATED TALENT STRATEGY

Our integrated talent strategy builds a strong talent pipeline to strengthen our business. We rely on five key pillars for our integrated talent strategy:

<p>Recruiting candidates through competency-based assessments and with the right culture fit</p>	<p>Development of individual career roadmaps that reflect a range of talent needs and experiences</p>	<p>Identifying talent by recognising performance and potential</p>	<p>Retaining talent through continuous engagement and market competitive pay structures</p>	<p>Succession planning through defining of mission-critical roles within the Company and talent mapping to these roles</p>
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DELIVERING A WORLD CLASS CAREER

- ✓ Workforce diversity
- ✓ Cross-cultural working environment
- ✓ Competitive salaries
- ✓ Remuneration package
- ✓ Employee benefits
- ✓ Insurance coverage
- ✓ Career development and training
- ✓ Integrated talent strategy
- ✓ Graduate Management Associate Programme
- ✓ Coaching Programme
- ✓ CEO Circle

CARING FOR OUR EMPLOYEES

GRADUATE MANAGEMENT ASSOCIATE PROGRAMME

BOC Aviation introduced a two-year Graduate Management Associate (GMA) Programme in 2018. The programme aims to bring in constant pool of young talent that we can develop into professionals in the aircraft leasing industry.

Our GMAs are rotated across two to three departments in the company during their initial years. Following which, they will be posted to a permanent position. The GMAs are paired with an experienced colleague who will coach and oversee their performance, as they go through on-the-job training. The mentoring is intended to provide a consistent source of support that would see the GMAs through their two-year programme.



Since the programme was launched in 2018, we have recruited 17 GMAs. In 2022, we recruited five GMAs



The BOC Aviation GMA class of 2022



AVNEESH MOGHE

“As someone fascinated by the aviation industry, I found the opportunity to start my career at BOC Aviation one I had to take. Despite being a fresh college graduate in my first job, I was given opportunities and responsibilities that were interesting and helped me learn a great deal about the industry. I felt that I contributed directly to the company in a positive way. It feels exciting to work with and learn from talented colleagues who have a genuine interest in not only what they do, but are also helping me shape my own personal growth in BOC Aviation.”

CARING FOR OUR EMPLOYEES



ZEMIN TAN

“The aircraft leasing industry is intriguing yet foreign to a young professional like me. I am glad to be able to develop professionally here through acquiring market knowledge and insights from my colleagues, who are industry experts! I look forward to accelerating my learning curve and career through various rotations and mentorship from senior colleagues.”

“BOC Aviation empowers GMAs to take charge of their own learning journey and career path. I have had the opportunity to participate in a broad range of aircraft leasing activities, such as aircraft sales and financial planning and analysis. These activities require cross-functional knowledge within the company that keeps me engaged and curious. I look forward to learning more about the aircraft leasing and aviation industry!”



DOMINIC WONG



DARREN LEE

“As someone new to the aviation industry, I find myself continuously learning and challenged by a wide range of things. The company encourages cross-functional collaboration and provides me with the opportunity to work closely and learn from other departments. It gave me the chance to work alongside seasoned professionals and industry veterans who are able to mentor and guide me. I’m glad to be part of this BOC Aviation family, playing my part in its growth.”

“I was previously doing a rotation at Legal and Transaction Management department and participated in a range of transactions including aircraft deliveries, leases, financings and sales. Since day one, I have received ample support from senior colleagues who continuously provide mentorship to ensure progress at the right pace. I look forward to stretching beyond my capabilities and potential as I progress.”



ETHAN TAN

CARING FOR OUR EMPLOYEES

The GMAs from our previous recruitment drives have moved across different job functions within the company. The two-year GMA programme has prepared for them to take on various challenges in their new departments. GMAs also have a hand in their own development, and are able to share their career aspirations and department preferences with the human resource department.



JASMINE WOH
BUSINESS MANAGER,
CEO OFFICE

- Joined BOC Aviation: November 2020
- Rotated to: Strategy & Market Research, Enterprise Resource Planning, Aircraft Sales
- Received training on aviation law, lease accounting and third-party aircraft management



SAM BARRY
VICE PRESIDENT, AIRLINE
LEASING & SALES (AMERICAS)

- Joined BOC Aviation: August 2019
- Rotated to: Legal & Transaction Management, CCO Office, Airline Leasing & Sales (Europe & Africa), Airline Leasing & Sales (Americas)
- Received training in the areas of strategic selling, better understanding of aircraft products and market intelligence



YIPING XU
ASSISTANT VICE PRESIDENT,
AIRLINE LEASING & SALES
(EUROPE & AFRICA)

- Joined BOC Aviation: October 2018
- Rotated to: Pricing and Portfolio Management, Procurement, Legal & Transaction Management, CCO Office and Airline Leasing & Sales (Europe & Africa)
- Training programmes include market intelligence, negotiation skills and other aircraft-related training

CARING FOR OUR EMPLOYEES

LEADERSHIP

BOC Aviation’s globally diverse next generation leaders are provided with mentorship with senior management who have between 24 and 36 years of experience which cuts across primarily banking, leasing and law.



The majority of new heads of department appointed in 2022 are females



ANGELA NG
CHIEF PEOPLE OFFICER

"I joined BOC Aviation in December and saw how the company united to close many key projects, including a major new aircraft order, in a span of a few weeks. The people are truly the most valuable asset. This strengthened my belief that we are a dynamic and resilient company, a dedicated team constantly looking to progress both the organisation’s standing in the industry and their own development. My role as the Chief People Officer is to enable our people to scale greater heights, and to attract a talent pool who can complement this high-performance team."

"I joined the Aircraft Sales team at BOC Aviation, covering aircraft investors, in 2005. With my previous banking experience, I took on the role of Head of Treasury in April 2022, responsible for global funding. The switch from a transactional role to a managerial one requires different skill sets and experience and it has given me the opportunity to build on my leadership skills. The experience has been enriching so far and I look forward to further collaboration with the management team to bring BOC Aviation to new heights."



CHAN MUI SIN
HEAD OF TREASURY



MATT BAUMGARTH
HEAD OF FINANCIAL
PLANNING & ANALYSIS

"BOC Aviation recruited me from a North American airline in 2014 to lead the first ever aircraft lease securitisation for an Asia-based company. I’ve had the opportunity to grow the firms’ global presence while establishing new overseas offices in London and New York. Now based in the Singapore headquarters, I have witnessed the resurgence of Asian aviation first hand and am excited about the prospects for the team to capitalise on continued growth in the industry."

CARING FOR OUR EMPLOYEES

SUCCESSION PLANNING

We take an active role in managing our talent pipeline with the goal to groom individuals to take on bigger roles as they advance in their careers.

Apart from heads of department, deputy heads of department are appointed to ensure continuity in job efficiencies and also as part of BOC Aviation’s robust succession planning. The heads of department and their deputies regularly work with human resources on training need analysis to meet the needs of their respective employees. This ensures there is effective performance of duties, and serves to help identify high potential candidates in each department’s succession planning.

Adeline Lim, previously Senior Business Manager for the CEO Office, was identified as the deputy head of Risk Management in 2022. She was also named to the Airline Economics 40 under 40 Class of 2022, as a next generation leader who has first-hand, real world experience. Adeline is also a member of the Women in Aviation International, Singapore Charter.



“The turning point in my career has to be the transition from being an engineer in the defence sector to aircraft leasing. After joining BOC Aviation, I’ve had opportunities to interact with manufacturers, banks, airlines, and aircraft investors which have been eye opening. My posting to the CEO Office allowed me to take on a range of responsibilities from strategic planning, financial analysis and performance tracking to drive business outcomes. The experience has allowed me to hone my financial and risk management skills while collaborating with colleagues from all functions in the organisation.”

ADELINE LIM

SENIOR VICE PRESIDENT & DEPUTY HEAD, RISK MANAGEMENT

TRAINING AND DEVELOPMENT

Training and development of our employees is a key priority as we navigate the fast-moving aviation landscape. This is also in line with our integrated talent strategy, in which we create career roadmaps for every single one of our employees.

BOC Aviation delivered more than 4,200 training hours in 2022, which was 43% higher than 2021. This equated to 2.8 days of training per employee in 2022. Substantial training hours were committed to developing employees who are not in management roles.

**MORE THAN
4,200**
training hours
in 2022

2.8
days of training
per employee



**Employees receive a
broad base of training
on a wide range of
aviation and leasing
topics**

CARING FOR OUR EMPLOYEES

In 2022, each employee received an average of 22 hours or 2.8 equivalent days of training.

Summary	2022	2021
Total training hours	4,227	2,946
Average training hours per employee	22.0	15.8
Average training days (8 hours = 1 day)	2.8	2.0

	2022			2021		
	Hours	Days	% of total training hours	Hours	Days	% of total training hours
<i>AVERAGE TRAINING HOURS BY GENDER</i>						
Female	22.7	2.8	52	16.7	2.1	56
Male	21.3	2.7	48	14.8	1.9	44
<i>AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY</i>						
Management	18.8	2.4	12	16.0	2.0	14
Other employees	22.5	2.8	88	15.8	2.0	86
<i>AVERAGE TRAINING HOURS BY EMPLOYMENT TYPE</i>						
Permanent	22.1	2.8	99	16.0	2.0	99
Temporary	14.0	1.8	1	7.0	0.9	1

CARING FOR OUR EMPLOYEES

COACHING CULTURE

"With total assets greater than \$22 billion and less than 200 people, everyone has a key role to play. The Coaching Connect initiative is an important part of career development at BOC Aviation. This personalised approach creates the right environment for the team to achieve professional growth and contribute to our long-term success."

– Steven Townend, Deputy Managing Director and CFO

We continue to maintain a robust coaching program, in which 45 employees are trained as Leader-Coaches. They include senior management, heads of department, deputy heads of department and team leads. As at the end of December 2022, there were 91 employees in this initiative.

A Coaching Connect initiative was launched in September 2022 with the aim of encouraging employees to take ownership of their professional growth and development. As part of the Coaching Connect initiative, all employees would have the opportunity to select their preferred coaches and be paired with a trained coach for a year-long engagement.

In addition, all heads of department and their deputies are encouraged to have performance coaching sessions with their direct reports on at least a quarterly basis. These performance coaching conversations serve to monitor the progress of the employee's individual development roadmap.



YEAR-LONG
Coaching Connect launched
in September 2022

Performance coaching on a
**QUARTERLY
BASIS**

"My coach has been very helpful in understanding my objectives and provided insights to the value that I can bring to BOC Aviation. As I progress in my career and take on different roles in the Company, it is useful to seek feedback on how I can strengthen my current skillsets, as well as what new skills I can potentially acquire in the next few years. It has been a very personable session and I found it immensely helpful for my development."



KUM SUWEI
BUSINESS PROCESS MANAGER,
CFO OFFICE



ELLIOT TAN
GMA

"I was fortunate to have been paired with our CEO for Coaching Connect. Through my interactions with him during CEO Circle, I felt there was a need for a deeper engagement to tap on his expertise in the leasing industry, noting his 25 years with BOC Aviation. Fortunately, I was paired with him and through two of these 1-1 coaching sessions, I have been encouraged and inspired to maximise the impact I can make in my current role."

CARING FOR OUR EMPLOYEES

CEO CIRCLE

“The CEO Circle is a fantastic opportunity for all new employees to have quality direct interaction with the CEO, learn from his extensive industry experience and truly understand the factors that are considered in BOC Aviation’s business decision making. It is also a great platform to get to know and work with colleagues cross-department and cross-office and understand the different work areas of the company.”

– Chris Marrable, Senior Legal Counsel, Legal & Transaction Management
(Previous Chairperson of CEO Circle)

The CEO Circle is BOC Aviation’s unique talent development platform which combines training and coaching. It has been part of the Company’s training and succession culture for more than a decade. In 2022, there were 48 employees in the CEO Circle. Employees are specially selected from all of the Company’s five global offices to take on projects under the direct mentorship of the CEO.

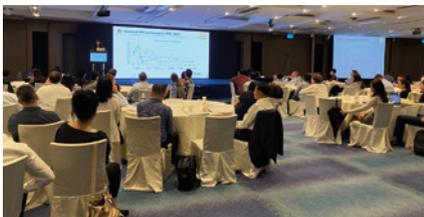
In 2022, the CEO Circle was tasked with research projects on the impact that global changes have on the leasing industry, initiatives to drive the Company's performance and the history of aircraft lessors, among other projects.



EMPLOYEE ENGAGEMENT AND WELL-BEING

We conducted two company-wide employee surveys in 2022. These surveys were used to gauge employee well-being and gather feedback on the working environment.

We also had a company wide flu vaccination drive, and offered a Mindfulness Based Stress Reduction course to selected employees.



BOC Aviation colleagues gathering for the annual Company Offsite

BOC AVIATION’S COMPANY OFFSITE 2022

We had a company offsite which included presentations from senior management, heads of department, employees in the CEO circle and also an innovation challenge.

An eminent guest speaker, Dr Bernard Yeung, Independent Non-executive Director and a Stephen Riady Distinguished Professor in Finance and Strategic Management at the National University of Singapore (NUS) Business School, was also invited to share his views on factors in the macroeconomic environment and how they may shape our growth in the next few years.

CARING FOR OUR EMPLOYEES

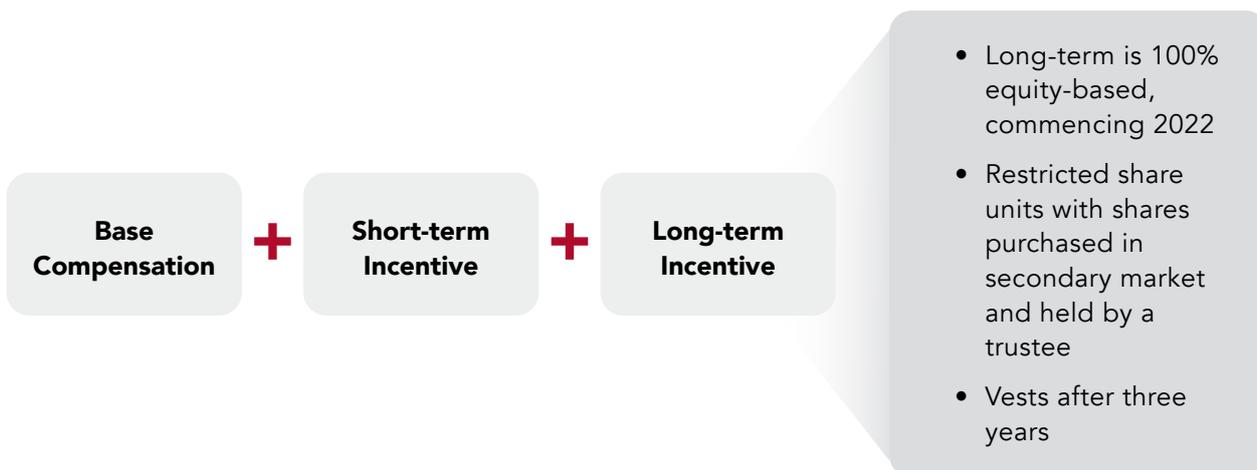
COMPETITIVE REMUNERATION

Targets are set for all employees at the start of the year, and they are assessed periodically as part of performance management. The results of such assessments are used in their salary reviews, bonus awards and promotion appraisals. The Company provides short-term and long-term incentives to employees. The short-term and long-term incentive plan bonus pools are based on the Company's net profit after tax. The short-term incentive plan bonus pool may increase or decrease based on the achievement of certain key performance targets during the year, including:

- Net profit after tax
- Return on equity
- Collection rate
- Operating cash flow
- Core lease rental contribution

The incentive plans include a clawback provision for certain misconduct or accounting irregularities resulting in financial or reputational loss to the Company.

A key point of the Company's long-term success is the alignment of employees with Shareholders.



CARING FOR OUR EMPLOYEES

A SAFE AND HEALTHY WORKPLACE

We have dedicated resources to implement workplace safety measures as well as to monitor and report incidents. We recognise that having a robust health and safety culture is also the key to building sustainable growth for the Company that will benefit all stakeholders.

Comprehensive policies and procedures surrounding employees' health and safety have been established and have been communicated to all our employees. We comply with government regulations and are aligned with industry best practices on health and safety. We also take appropriate actions to foster long-term employee safety and wellness by providing proper and conducive work conditions for our employees including work ergonomics and required training. Besides having emergency evacuation procedures in place for all our offices which are regularly tested, we also have employees who are trained in first aid. We intend to expand the pool of employees who are trained in first aid.

We moved into a new energy efficient BCA Green Mark Platinum certified¹ building in 2022. The building is designed with a mid-level sky terrace, roof garden, and lushly landscaped grounds. These spaces provide respite for employee during the work day. The office, with its floor-to-ceiling windows, provides natural light penetration to create a conducive working environment. To cater to our employees who are mothers, we also added a nursing room in the office.

In 2022, the Group complied with all relevant laws and regulations that have a significant impact on the Company relating to (i) compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; and (ii) providing a safe working environment and protecting employees from occupational hazards.



We are committed to continuously improve the health and safety awareness of all our employees and to create a culture where everyone shares responsibility for the safety and well-being of their fellow workers and the community

NO VIOLATIONS

of employment related law or health and safety laws in 2022

NO ACCIDENTS

relating to employee health and work safety in the course of our business operations in 2022

¹ Details of the BCA Greenmark Platinum Certification can be found on page 99.

CARING FOR OUR EMPLOYEES

LABOUR STANDARDS

We support the provisions of the United Nations Framework and Guiding Principles on Business and Human Rights, and we prohibit the employment of child, forced or compulsory labour. We operate in compliance with all relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

BOC Aviation is committed to United Nation's Sustainable Development Goal (UNSDG) 8, which aims to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of child labour. UNSDG 8 also features the protection of labour rights and to promoting a safe and secure working environment for all employees. There was no incident of forced or child labour in 2022 and if such an incident were to occur, we would terminate the employment of the relevant person.

We have a rigorous hiring process for all employees which are conducted in person to the extent possible. All employees complete and sign the employment application form to verify key personal information including their age. Compliance checks and employment reference checks will be carried out if deemed necessary.

BOC Aviation complies with all applicable employment laws. Employees enter into an employment contract which sets out working hours and rest periods, and the notice period for the termination of employment. The Staff Handbook, which is updated annually and available on the intranet for all employees, sets out in detail the Company's policies and procedures for termination of employment, retirement, working hours and annual and other forms of leave from work.

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

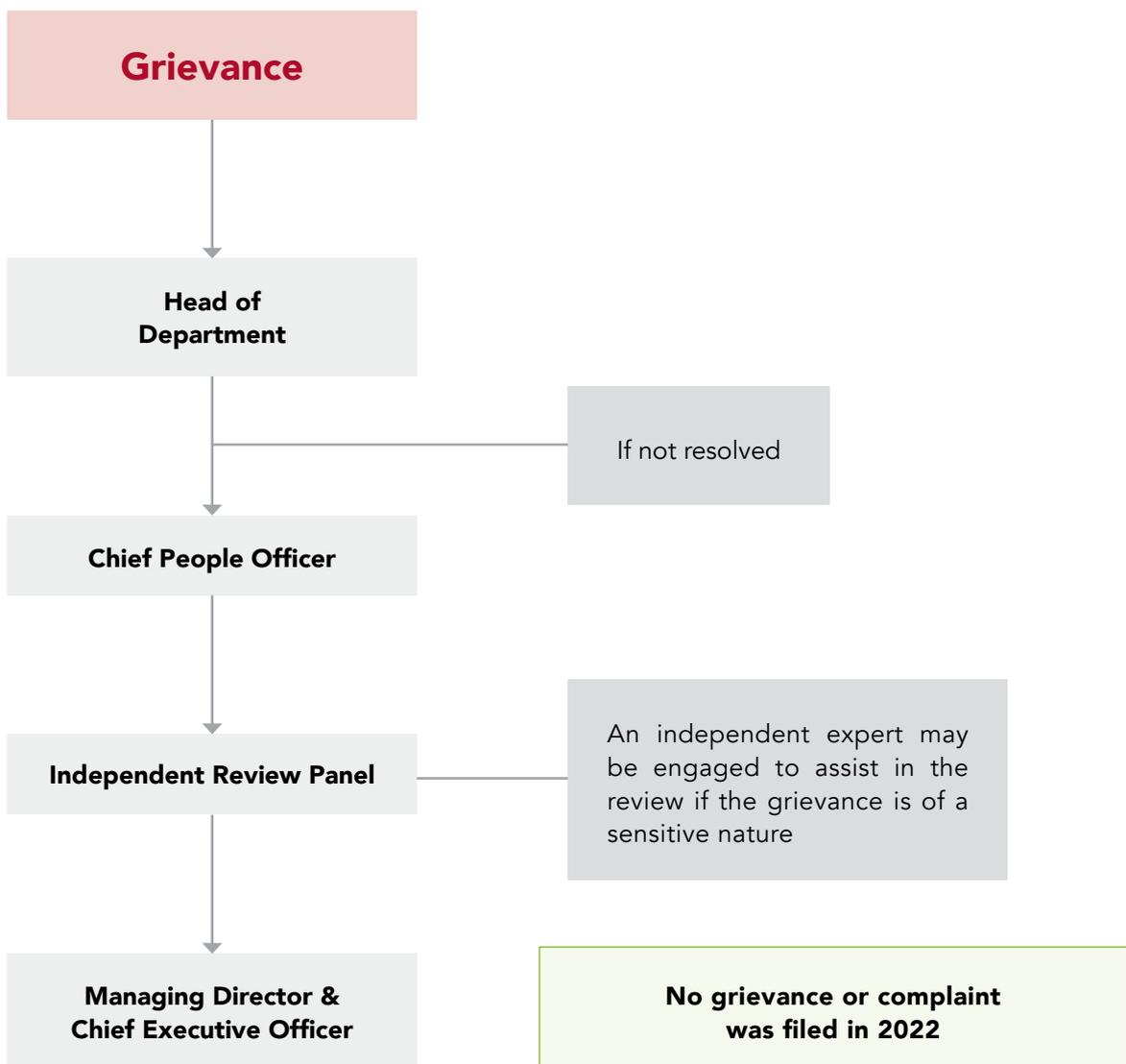


- Compliance with applicable local labour standards
- No major supplier is identified as having significant risks of child labour, young workers exposed to hazardous work or forced labour
- All our major suppliers confirmed they are in compliance with labour standards
- We have implemented controls to ensure there is no forced and child labour in our Company

CARING FOR OUR EMPLOYEES

GRIEVANCE MANAGEMENT

All employees have the right to work in a professional and harmonious environment. We endeavour to settle any grievance or complaint from any employee as expeditiously and in as fair a manner as possible.



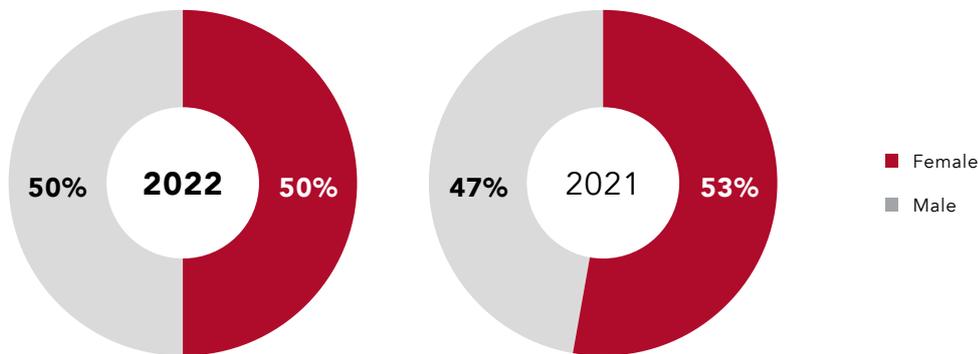
CARING FOR OUR EMPLOYEES

WORKFORCE DIVERSITY

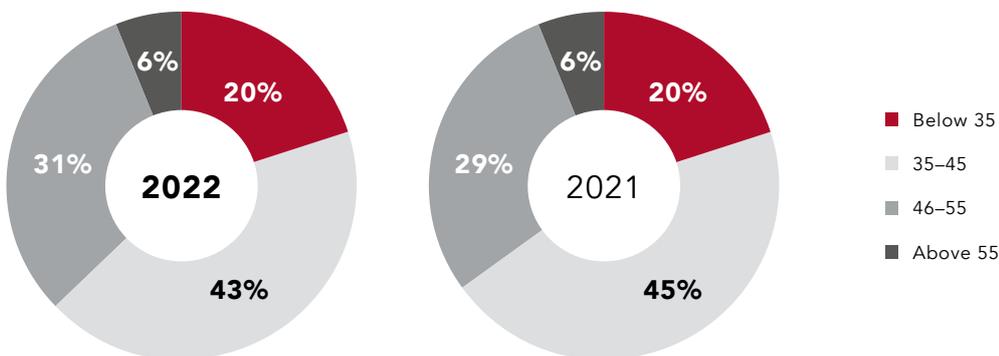
We are proud to have a diverse workforce with an equal balance of male and female employees. Women accounted for 30% of the management team, including senior management and heads of department, and 50% of the total workforce at 31 December 2022.



TOTAL WORKFORCE BY GENDER



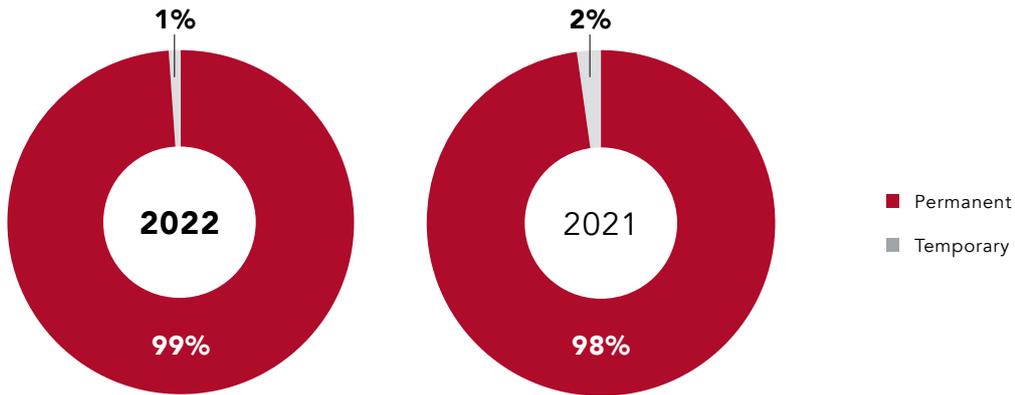
TOTAL WORKFORCE BY AGE GROUP



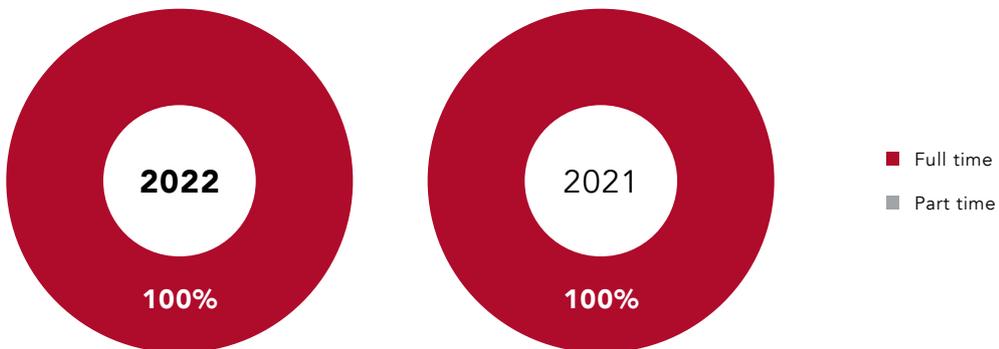
All information as at 31 December of the respective year.

CARING FOR OUR EMPLOYEES

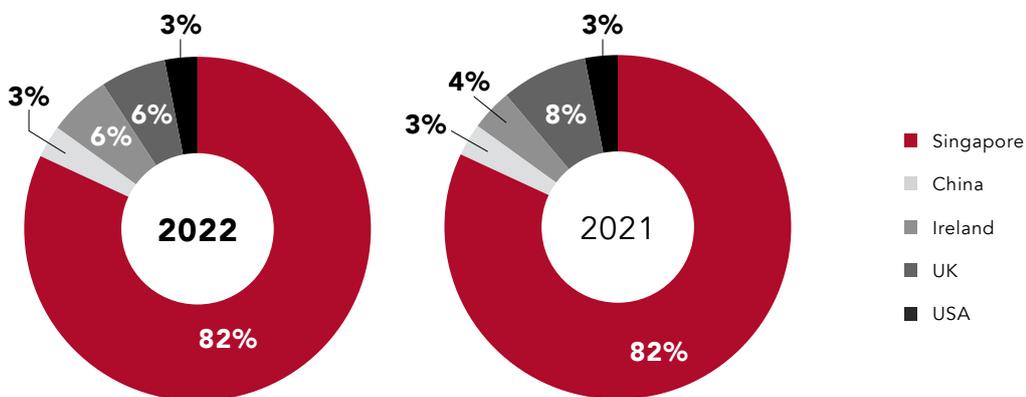
TOTAL WORKFORCE BY EMPLOYMENT TYPE
(PERMANENT/TEMPORARY)



TOTAL WORKFORCE BY EMPLOYMENT TYPE
(FULL TIME / PART TIME)



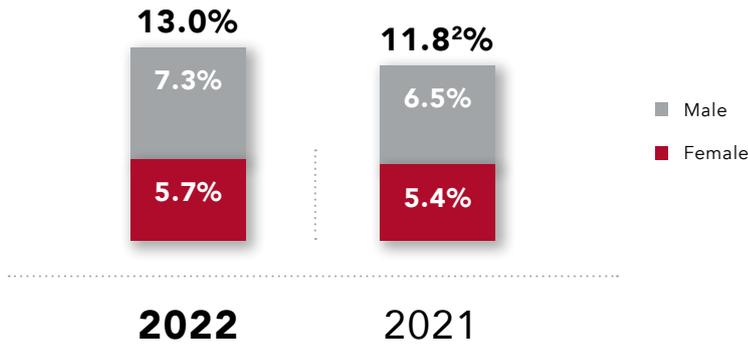
TOTAL WORKFORCE BY GEOGRAPHY



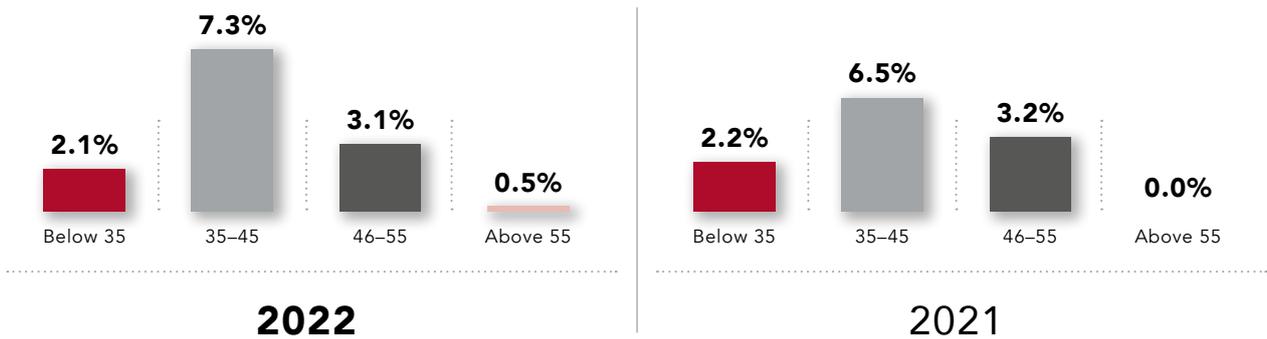
All information as at 31 December of the respective year.

CARING FOR OUR EMPLOYEES

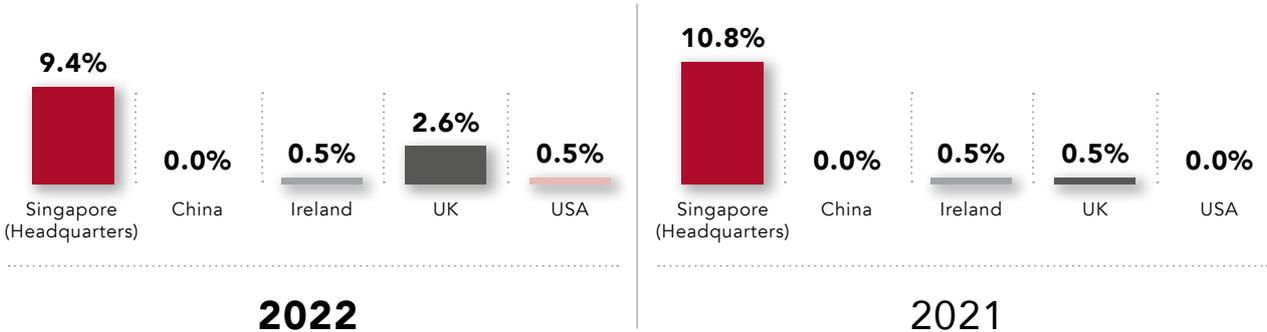
AVERAGE TURNOVER RATE¹ (%), BY GENDER



AVERAGE TURNOVER RATE¹ (%), BY AGE GROUP



AVERAGE TURNOVER RATE¹ (%), BY REGION³



All information as at 31 December of the respective year.

- ¹ Calculated as the number of employees who left the Company during the relevant year divided by the total number of employees as at year end.
- ² Due to rounding, numbers presented may not add up precisely to the totals.
- ³ Calculated as a percentage of global turnover.

CARING FOR
OUR
COMMUNITY



CARING FOR OUR COMMUNITY

INVESTMENT IN THE COMMUNITY



In 2022, we contributed US\$27,000 to Airlink, a global rapid-response humanitarian relief organisation, and Orbis, an international non-profit organisation that trains, mentors and inspires eye care professionals so that they can save and restore vision in their communities.

The donation to Airlink went towards relief efforts in Tonga, following eruptions from the Hunga Tonga Hunga Ha’apao Volcano which resulted in a tsunami that affected nearly 85,000 people across Tonga. There was also another donation to provide humanitarian support for Afghanistan, following a 5.9 magnitude earthquake.

In 2023, we contributed US\$10,000 to earthquake relief efforts in Türkiye. Please visit the homepage of Airlink at www.airlinkflight.org for more information.



BOC Aviation’s donation to Orbis for its 2022 Race4Sight event was an example of our commitment towards the community. Inspired by the virtual Orbis Flying Eye Hospital, Race4Sight is a virtual event to celebrate Orbis’ 40 years of saving sight worldwide. As a corporate sponsor, 100 of our employees completed a 40-day running and cycling challenge, and clocked the equivalent of 51,593 kilometres, to raise awareness for blindness prevention. We emerged top of the corporate leader board in Singapore.



BOC Aviation colleagues with Deputy Managing Director and CFO Steven Townend at the Orbis prize presentation ceremony

CARING FOR OUR COMMUNITY

MAKING AN IMPACT IN THE COMMUNITIES WE OPERATE IN

In Singapore, colleagues from BOC Aviation participated in three food packing sessions at Food From The Heart (**FFTH**), an independent non-profit organisation in Singapore devoted to alleviating hunger through its food distribution programmes. This is the fourth consecutive year BOC Aviation has participated in FFTH activities. In 2022, BOC Aviation packed more than 300 food packs to be delivered to various beneficiaries in Singapore.



BOC Aviation's employees in Singapore taking part in food packing sessions at FFTH

More than 38 colleagues participated in clean-up programmes at various parts of Singapore, including on the iconic Singapore River and at a beach in Singapore.

Our colleagues in the New York, London, Dublin and Tianjin offices also participated in various clean-up project during the course of the year.

The New York team partnered with Hunters Point Parks Conservancy by cleaning, gardening and weeding in Hunter's Point South Park.

The London team conducted their riverside clean-up along River Thames, the Dublin team at the Grand Canal and the Tianjin team at the Binhai Plaza.



From top to bottom: Colleagues from London, New York, Dublin and Tianjin offices doing their part for the environment

CARING FOR OUR COMMUNITY

As we moved into a new office in 2022, we donated office chairs in good condition to Canossian School which caters to students who are diagnosed with hearing loss, and St. Andrews Mission School for autistic students. An internal donation drive was also organised in partnership with Global Village for Hope. Items such as pre-loved clothes, books and stationery were collected and shipped to children in Myanmar.

A visit to the Singapore Zoo was organised jointly with partners ING Bank for 16 children between the ages 5 and 12 years old from low-income families identified by Fei Yue Community Services, a registered charity in Singapore.



Colleagues from the Singapore office worked with ING Bank to organise a visit to the zoo for children from underprivileged backgrounds



Colleagues from London and Dublin offices spreading Christmas cheer.



OVER
1,300
employee
volunteer hours

15
corporate social
responsibility activities

During December, our Dublin and London offices provided Christmas cheer to beneficiaries through contributing to the Ronald McDonald House Charities Ireland and Samaritan's Purse UK. The Dublin team packed Christmas care packs filled with necessities such as toothpaste and diapers to be delivered to less privileged families in the community. More than 30 kilograms of products were packed and delivered. The London office spent a Friday morning packing Christmas shoe boxes to be distributed across Eastern Europe to spread Christmas cheer to the less fortunate as part of the Samaritan's Purse's annual Operation Christmas Child mission.



CARING FOR OUR COMMUNITY

COMMITMENT TO THE AVIATION INDUSTRY



Anuradha Singh, Head of Legal & Transaction Management, at the Women In Aviation International Singapore event, which was also attended by Chan Mui Sin, Head of Treasury

In 2022, we supported and sponsored the Women in Aviation (**WAI**) International Singapore networking event. WAI is a non-profit organisation dedicated to the encouragement and advancement of women in aviation career fields and interests. By working with WAI, we created opportunities for mentorship and peer support, as well as networking among the industry, to further develop the female talent pool based in Singapore.

We continue to support the Arab Air Carriers' Organization (**AACO**) through seven scholarships every year for AACO-member airlines, as a show of our support for airlines in this region. The scholarships can be used by participants to enrol for courses at regional training centres for skills and knowledge required for them to specialise in their desired field. Airline personnel within the Middle Eastern region can opt for additional training options via this platform. This scholarship demonstrates our continued commitment to develop talent and human capital in the thriving region. For more information, visit aaco.org/home

"Thank you to BOC Aviation for giving me this scholarship. With it, I managed to attend an aviation internal auditor course and it added to my current knowledge."



– Isis Kamareddine,
recipient of the
AACO scholarship

"I would like to express my appreciation to BOC Aviation as the scholarship allowed me to attend an aircraft accidents and investigations course. It gave me insights I would have otherwise been unable to have access to."



– Eng. Ehab Fathy EL-Gendy,
recipient of the
AACO scholarship



Mr. Liu Jin
Chairman and
Non-executive Director



Mdm. Zhang Xiaolu
Vice Chairman and
Executive Director



Mr. Robert James Martin
Managing Director, Chief Executive
Officer and Executive Director

CORPORATE GOVERNANCE

AT BOC AVIATION



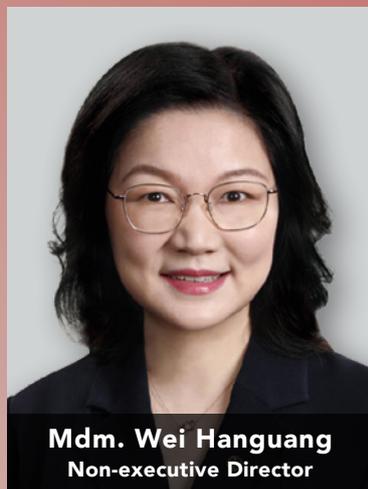
Mdm. Chen Jing
Non-executive Director



Mr. Dong Zonglin
Non-executive Director



Mr. Wang Xiao
Non-executive Director



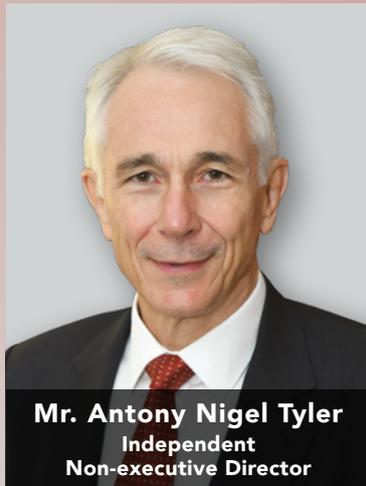
Mdm. Wei Hanguang
Non-executive Director



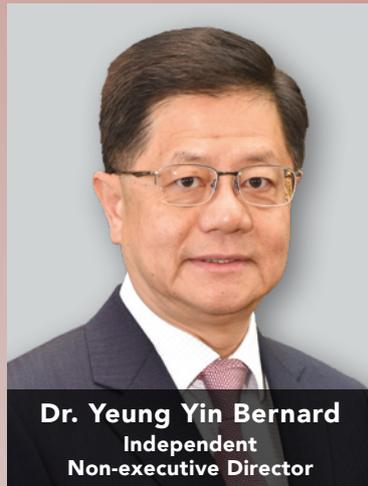
Mr. Dai Deming
Independent
Non-executive Director



Mr. Fu Shula
Independent
Non-executive Director



Mr. Antony Nigel Tyler
Independent
Non-executive Director



Dr. Yeung Yin Bernard
Independent
Non-executive Director

CORPORATE GOVERNANCE AT BOC AVIATION

The Board of Directors sets our overall strategy and oversees management of our corporate governance framework, which includes risk management and internal controls.

Management is responsible for the day-to-day operations of the Company and reports to the Board. The Management Committee has clear delegated authority from the Board, and the Company has a well-established internal governance framework for managing its day-to-day business.

BOC Aviation is firmly committed to a culture of transparency and compliance. One of our core values is our reputation for integrity and professionalism. Our policies and procedures prohibit illegal and unethical behaviour including corruption, bribery, fraud and money laundering.

BOARD DIVERSITY AND EXPERIENCE

BOC Aviation is committed to achieving diversity across our organisation. We appreciate that having a multitude of experiences and perspectives benefits the Company and allows us to understand our stakeholders better.

At the Board level, the Company has adopted a Board diversity policy. The Board considers a number of factors when deciding on appointments to the Board and the continuation of those appointments, including gender, age, ethnicity, and professional experience. This is intertwined with our Board nomination policy which sets out the criteria and process in the nomination and appointment of Directors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company's business. The Company is committed to achieving gender diversity on the Board and in its workforce. The Company is committed to maintaining at least two female Directors on the Board, and at least 45% women in the workforce.

As at 24 April 2023 (being the approval date of this annual report), we had 11 Directors on the Board of BOC Aviation, comprising two Executive Directors, five Non-executive Directors and four Independent Non-executive Directors.

Please refer to "Corporate Governance Report" on pages 39 to 62 for more information about our Board of Directors and our diversity and nomination policies.



Our Directors come from diverse backgrounds such as banking and finance, aviation and business. We are also proud to have three female Board Directors, which exceeds our target, and Directors representing three nationalities

CORPORATE GOVERNANCE AT BOC AVIATION

EVALUATING THE BOARD'S PERFORMANCE

The Nomination Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) of the Board, the time and contribution required from Directors and whether independent views and input are available to the Board, and that there is a strong element of independence in the Board.

As part of the annual evaluation process, each Director provides written feedback to the Nomination Committee, which will include comments and suggestions from the Directors on areas such as Board composition, independence, process and accountability, following which the Nomination Committee will consider further action as necessary. In addition, each Board Committee conducts its own annual evaluation.

The Nomination Committee also conducts an assessment of the independence of each Independent Non-executive Director annually and obtains written confirmation of independence from each Independent Non-executive Director.

Please refer to "Corporate Governance Report" on pages 39 to 62 for more information about our Board of Directors and our diversity and nomination policies.

PROTECTING SHAREHOLDER INTERESTS

Protecting the interests of our Shareholders is very important to BOC Aviation. Shareholders are welcome to provide their feedback to the Investor Relations team directly and participate in our general meetings.

The Company's share capital comprises only ordinary shares and all ordinary shares carry one vote per share without restriction. The Company's Constitution, together with the applicable laws of Singapore, provide certain protections to minority Shareholders.

There are established procedures for Shareholders to (i) put forward proposals at a general meeting, (ii) propose a person for election as a director and (iii) convene an extraordinary general meeting, such procedures being published on the Company's website, in line with the requirements of the Constitution as well as the Singapore Companies Act 1967. All Shareholders are invited to attend the Company's general meetings, where they have the opportunity to vote and raise questions either in advance of, or at, such meetings.

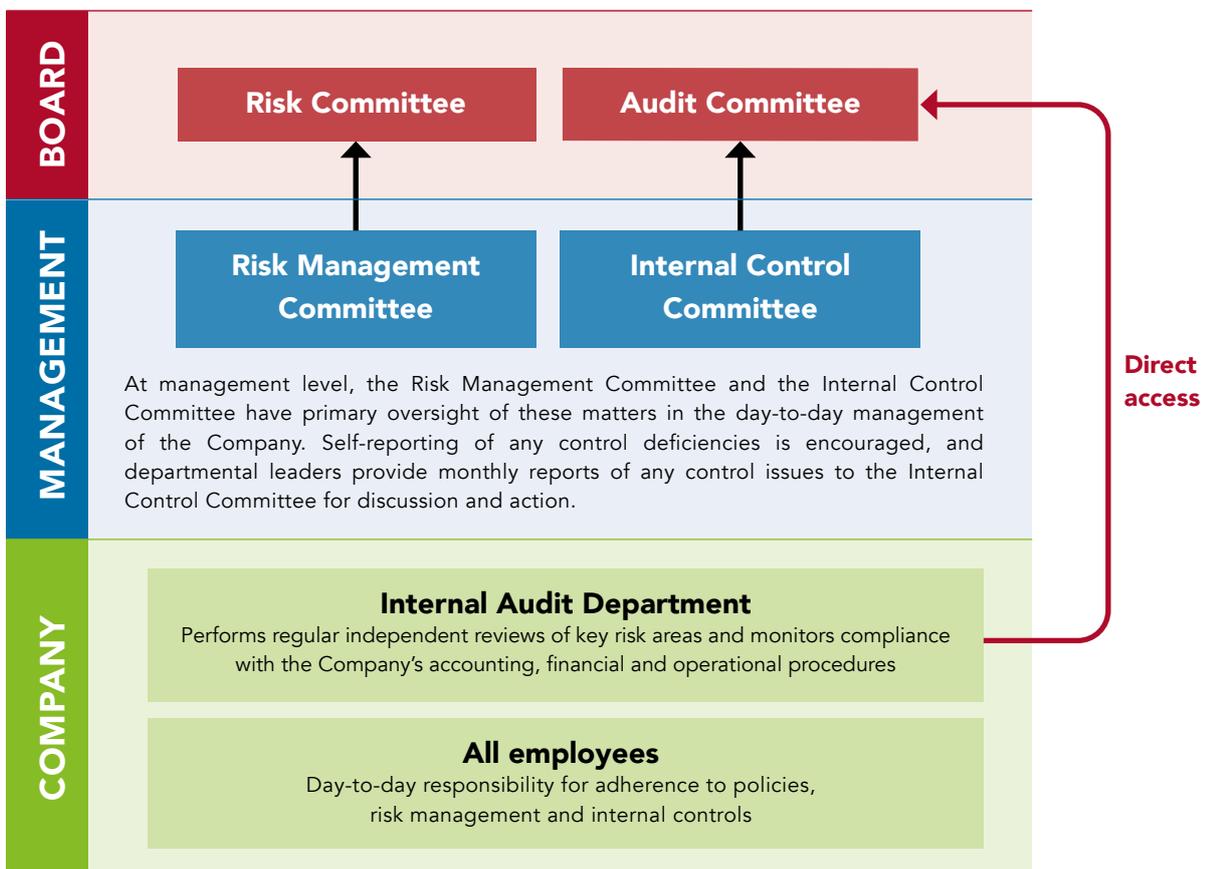
CORPORATE GOVERNANCE AT BOC AVIATION

RISK MANAGEMENT AND INTERNAL CONTROL

BOC Aviation strives to always act ethically and with integrity. This culture begins with the Board and Senior Management and is consistently communicated to all employees, customers, suppliers and other business partners

The Board is responsible for establishing, maintaining and reviewing the effectiveness of its risk management and internal control systems. The Risk Committee assesses new and emerging risk factors in the Company's business and provides guidance on measures to be taken to mitigate current and potential future risks. The Audit Committee oversees the effectiveness of risk management and internal control systems of the Company.

The Board and management each has responsibility to identify and analyse risks underlying the achievement of business objectives and to determine how such risks should be monitored, evaluated, managed and mitigated.



CORPORATE GOVERNANCE AT BOC AVIATION

MANAGING RISK THROUGH A 360° LENS

Employees execute a 360° approach to risk management, with a clear focus on both the asset and liability sides of our balance sheet and our cash flow

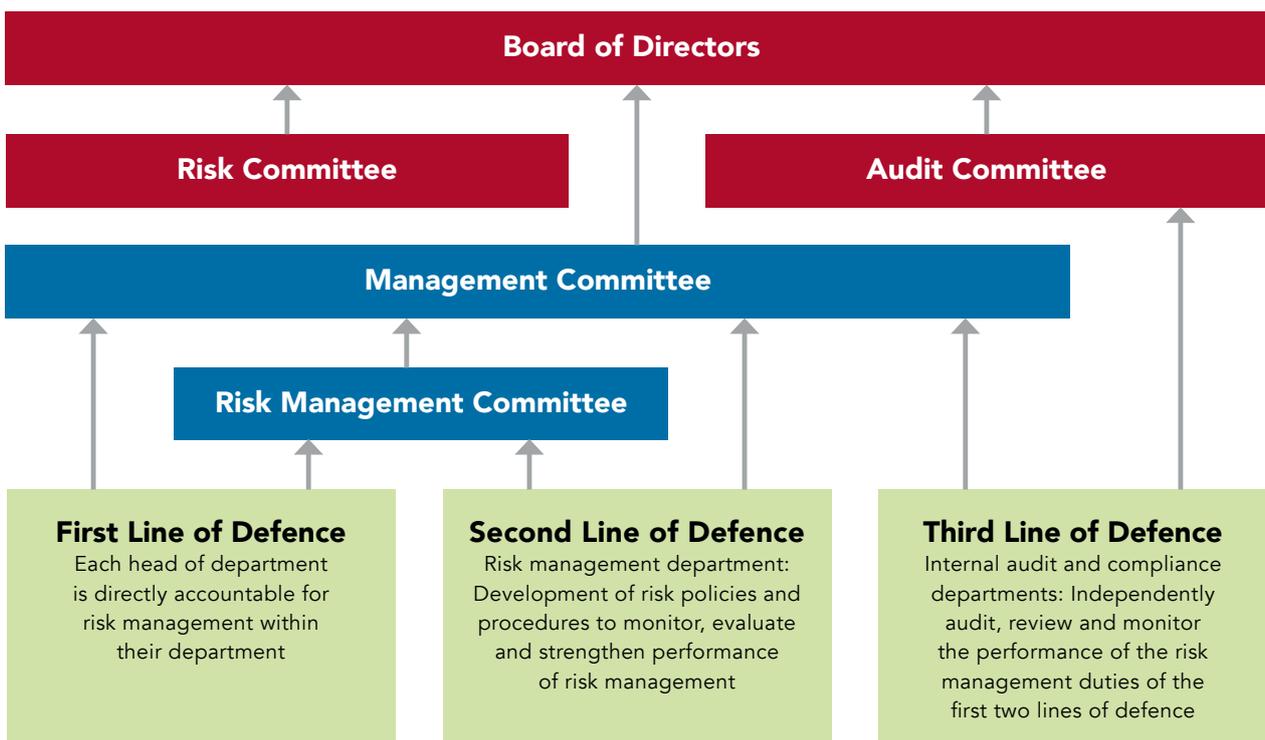


CORPORATE GOVERNANCE AT BOC AVIATION

MANAGING RISK WITH MULTIPLE LINES OF DEFENCE

Exposure to risk is identified on a 360° basis. It is then evaluated, monitored and managed in all key areas of our business and new risks are updated using heat mapping. The management team has established separate lines of defence to mitigate risks the Company may be exposed to in its business operations. The Company uses key risk indicators to assess the effectiveness of the Company's risk management, and to regularly report to the Board. The Board Risk and Audit Committees regularly review existing and emerging risks in the Company, which are then discussed at the Board. Both the Board Risk and Audit Committees are chaired by independent, non-executive directors. Key risk indicators are incorporated in the Company's targets to drive good performance.

All lines of defence have their own policies and procedures. There are 43 policies and procedures in total. All policies and procedures are reviewed and signed off by senior management annually.



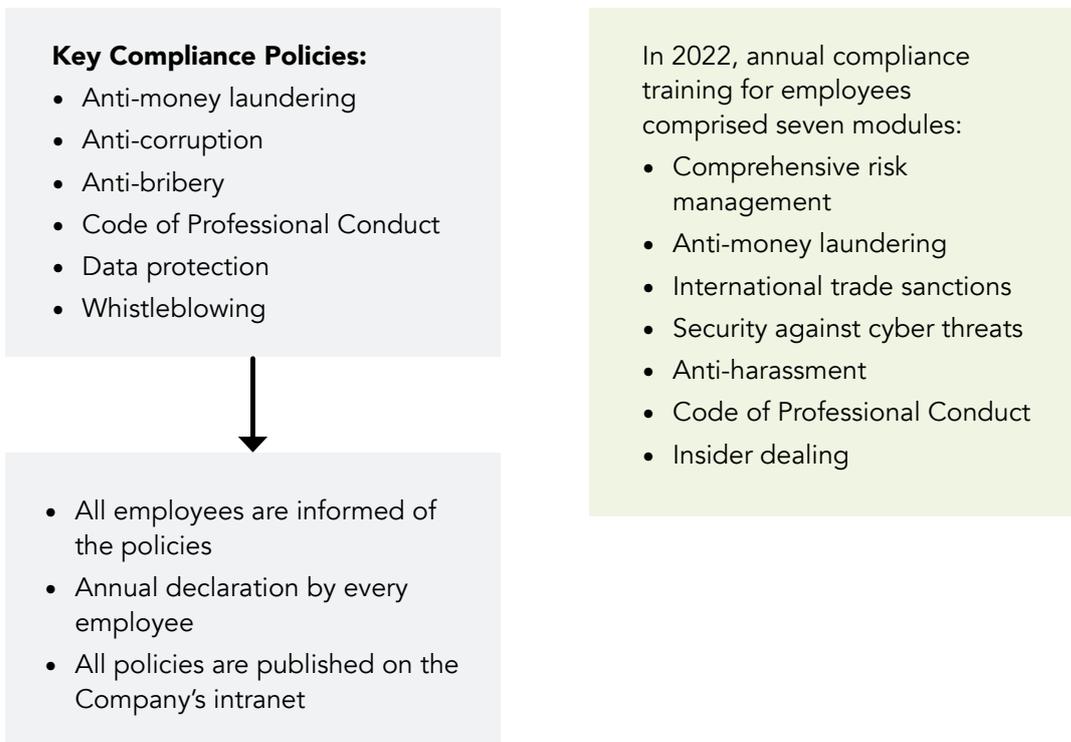
<p>6</p> <p>employees in the internal audit and compliance departments</p>		<p>10</p> <p>employees in the risk management department</p>
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CORPORATE GOVERNANCE AT BOC AVIATION

COMPLIANCE

The Company is firmly committed to a culture of transparency and compliance and conducts its business affairs with honesty and integrity. Our policies and procedures prohibit illegal and unethical behaviour including corruption, bribery, fraud and money laundering.

We also have a code of conduct that specifies the expectations of the Company and sets important guidelines to ensure that all employees understand.



100%
Employees completed compliance training in 2022

NIL
Compliance violations in 2022

CORPORATE GOVERNANCE AT BOC AVIATION

ANTI-CORRUPTION

We require all members of the Board, employees and consultants to observe high standards of ethics in the conduct of their duties and responsibilities and to comply with all applicable laws and regulations. We have in place a Code of Professional Conduct, an anti-bribery policy and other policies and procedures to guide members of the Board, employees and consultants to act professionally, fairly and with integrity in all business dealings and relationships across the Group. Directors receive anti-corruption training from our external legal counsel annually to ensure they regularly refresh their knowledge and understanding of anti-corruption matters.

We publish an anti-corruption statement on our website that provides guidance on the high standards of ethics in the conduct of all duties and responsibilities and to comply with all applicable laws and regulations.



In 2022, all Directors and employees completed anti-corruption training

ANTI-BRIBERY

We have an anti-bribery policy which provides guidance to all members of the Board, employees and consultants of the Company in conducting our business legally and ethically. No Director or employee of the Group may offer or promise gifts, gratuities or anything of value to a third party with the intent to influence or reward that person in connection with any business or transaction. We have a policy limiting the acceptance of gifts by our directors and employees. Giving or receiving cash or other payments is also prohibited.



There was no breach of the anti-bribery policy and no legal case regarding corrupt practices brought against the Company, any Director or any employee for the year ended 31 December 2022

ANTI-MONEY LAUNDERING

We have an anti-money laundering (AML) policy prohibiting the prevention of money laundering and any activity that facilitates money laundering or the funding of terrorist, criminal or other illegal activities.

We are committed to AML compliance in accordance with applicable laws and require our employees to adhere to these standards in preventing any occurrence of money laundering activities in the course of its business.

CORPORATE GOVERNANCE AT BOC AVIATION

Our risk managers conduct “know your customer” (KYC) assessments of potential counterparties to identify potential risks related to money-laundering, fraud, corruption, terrorist financing and breach of international sanctions. Additionally, periodic screening of existing customers is conducted as part of our annual review process. Implementation of our KYC policy is an essential part of effective risk management practice that contributes to improving the risk profile of our portfolio, as well as protecting our integrity by ensuring that we transact with reputable counterparties maintaining high ethical standards.



In 2022, all employees completed training on AML risks and compliance

We operate in compliance with all relevant laws and regulations that have a significant impact on the Company relating to bribery, extortion, fraud and money laundering. BOC Aviation will take measures to prevent the Company and its employees from being exposed to money laundering, to identify areas in which money laundering may occur and to comply with legal and regulatory requirements, especially in the process of reporting actual or suspected money laundering cases. It is the responsibility of every employee to be vigilant and act promptly in all suspected cases.

WHISTLEBLOWING

BOC Aviation has adopted a whistleblowing policy to encourage and enable whistleblowers acting in good faith to raise concerns about activity for investigation and appropriate action by BOC Aviation. Members of the Board and employees are required to report any violation of BOC Aviation policies or suspected criminal or other improper or illegal activity.



A whistleblower website and hotline, which are run by a third-party provider and are independent and anonymous, have been created for anyone who prefers to make a report confidentially

Employees can approach the Chief People Officer and/or the Corporate Compliance Officer should they become aware of another employee’s behaviour or action that compromises the Company’s professionalism.

The service is managed by a third-party provider independent of BOC Aviation and has clear procedures in place to process any whistleblower reports and maintain accurate records. The system is tested on a semi-annual basis. The hotline and web portal are available on our website and communicated to all employees.

The whistleblowing policy clearly contains a “no reprisal” provision to the effect that no person who, in good faith, reports a concern shall be subject to reprisal.

Our whistleblowing policy, detailed in the Fraud Risk Management policy and under the overall purview of the Board with responsibilities delegated to the Risk Committee, is to encourage and enable the reporting of any improper, illegal or criminal activities by our employees. All reports made by whistleblowers are kept under strict confidentiality, to the extent permitted by law, and any whistleblower making a report in good faith is protected from reprisal.

CORPORATE GOVERNANCE AT BOC AVIATION

TRADE SANCTIONS

The scope of our international operations may require us in certain situations to comply with applicable trade and economic sanctions and other restrictions imposed by China, the European Union, Singapore, the United Kingdom, the United States and other governments or organisations.

We have policies and procedures that are designed to monitor and ensure compliance with international sanctions and other applicable laws and regulations.

We continue to adhere to our undertakings to the Stock Exchange that (i) we will not use funds raised through the Stock Exchange, (a) to finance or facilitate, directly or indirectly, any projects or businesses in sanctioned countries or with persons located in other countries who are subject to sanctions or (b) to pay any damages for terminating or transferring contracts relating to sanctioned countries or persons subject to sanctions (if any), to the extent that the Company is party to such contracts in the future (whether by reason of a change in sanctions law or otherwise), (ii) we will not enter into any transaction that, at the time of entry into such transaction, is prohibited by applicable sanctions law; and (iii) if we believe that the transactions we have entered into will put us and our investors and Shareholders at the risk of violating sanctions, we will disclose on the Stock Exchange's website, on our website, and in our annual and interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in sanctioned countries and our business intention relating to such sanctioned countries.

There was no breach of the policies and procedures and no violation of sanctions related laws or regulations for the year ended 31 December 2022

DATA PROTECTION AND PRIVACY

We comply with the Personal Data Protection Act in Singapore, General Data Protection Regulation in the European Union, China Personal Information Protection Law in China and any other relevant personal data protection legislation in jurisdictions where our employees and our operations are based. Due to the nature of our business, our data protection and privacy practices are applicable to our stakeholders that are mainly corporates.

A Data Protection Officer is appointed to ensure data privacy and safeguards are in place and are executed.



There were no material fines, penalties or complaints associated with the breach of any personal data privacy laws or regulations for the year ended 31 December 2022

CORPORATE GOVERNANCE AT BOC AVIATION

INFORMATION SECURITY

Due to increasing cyber security risks globally, information security continues to be a high priority for BOC Aviation.

We promote appropriate information security controls through enforcing, testing, checking and improvement, and conducting risk assessments across our business to reduce risks, prevent data loss and ensure mitigation measures are being executed. We also raise employee awareness and preparedness with training programmes and simulations.

In 2022, there were no cyber data breaches

SECURITY AND DATA PROTECTION

BOC Aviation has three lines of defence in the area of security and data protection.



CORPORATE GOVERNANCE AT BOC AVIATION

CYBER SECURITY

Our cybersecurity posture consists of three components: 1) human firewall, 2) detect and prevent, 3) respond and recover.

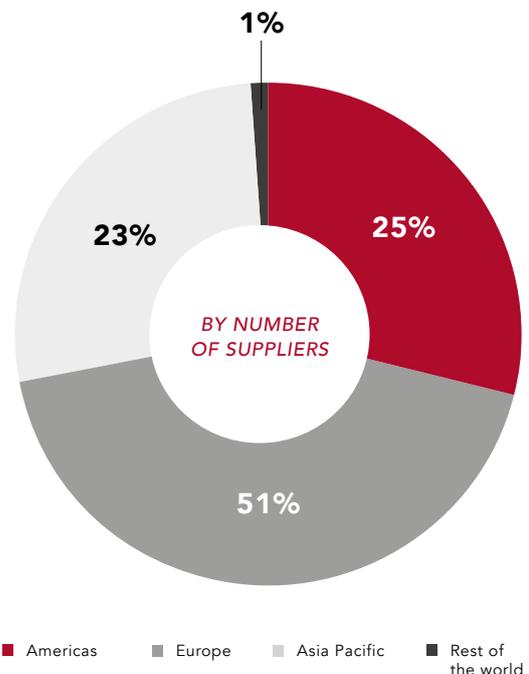
- **Human Firewall** – Building a culture of heightened cyber security awareness is crucial in forming a “human firewall” around our information assets. This programme consists of a series of training and guided learning activities, including simulated phishing and spear phishing exercises to raise awareness of the most common and potent attack vector.
- **Detect and Prevent** – First line of systematic defense mechanisms against internal and external threat actors. We have invested substantially in upgrading and improving detection and prevention systems. This includes using the latest technology in Machine Learning to augment the cyber defense capabilities and to build a complete picture based on indicators of attack.
- **Respond and recover** – Ensuring we can resume business-as-usual as soon as possible after a cyber security breach. Working on the principle of “assumed breach”, the response and recovery procedures and systems are verified and tested, and lessons learned are shared with the respective teams for improvements.

SUPPLY CHAIN MANAGEMENT

As a global aircraft operating leasing company, BOC Aviation has a global network of suppliers to support its business and to diversify and manage any potential geographical, environmental and social risks the industry may face.

The Company relies on mainly original equipment manufacturers and aerospace support services providers, the majority which we have a long-term contract with. The Company has an extensive global network of third-party suppliers on an as-required basis including maintenance, repair and overhaul services providers, parts suppliers and specialist service suppliers such as engineering design and ferry flight operation providers.

The geographic location of our key suppliers of goods and services and those with which we have significant multi-year agreements for the year ended 31 December 2022 is as shown.



CORPORATE GOVERNANCE AT BOC AVIATION

During the year, BOC Aviation surveyed our top 40 suppliers, an increase from 20 in 2021, regarding their ESG practices. The survey covered key areas such as:

- Board oversight of ESG issues in their companies
- Monitoring and management of environmental issues from production and general business operations as well as in their own supply chain
- Workplace safety and health
- Anti-discrimination and promoting equal opportunity and diversity
- Corporate governance policies
- Forced and/or child labour
- Support of charity organisations

All suppliers surveyed achieved a satisfactory score.

This annual exercise is being used to assess selection of suppliers of aircraft, IT equipment and technical suppliers and services, of which we currently have more than 140. We plan to evaluate more suppliers on this basis going forward.

PRODUCT RESPONSIBILITY

We do not manufacture any products. Instead, we offer aircraft leasing, financing, third-party aircraft management and sales services.

As such, the Stock Exchange's guidance on health and safety, advertising and labelling, quality assurance process and recall procedures does not apply to us.

Where applicable, we observe and comply with relevant laws and regulatory requirements relating to privacy matters relating to services provided. We have data protection policies in place to safeguard our customers' data and privacy and our Data Protection Officer ensures that all data privacy safeguards are in place and executed.

The Group has not received any fines or penalties associated with the breach of any services related laws or regulations for the year ended 31 December 2022



The Group has not received any service-related complaint for the year ended 31 December 2022

We have the relevant trademark license agreement to use our trademark in connection with all business activities of the Company

BOC AVIATION AND
THE
ENVIRONMENT



BOC AVIATION AND THE ENVIRONMENT

OUR APPROACH TO CLIMATE CHANGE

Due to the nature of our business, as an aircraft owner, our activities do not have significant direct impact on the environment and natural resources. We have listed below the potential issues that may arise from climate change and our approach in handling the issues.

POTENTIAL ISSUES

1. Increasing demand for latest technology aircraft as outlook for the aviation sector improves
2. The residual values of our older aircraft may be affected by changes in environmental regulations
3. Changes in travellers' preference for airlines that operate aircraft with lower emissions
4. Availability of financing for airlines to invest in the latest technology aircraft to lower emissions
5. Increasing disclosure requirements for climate change risks
6. Stakeholders' perception of BOC Aviation may be influenced by our approach towards climate change

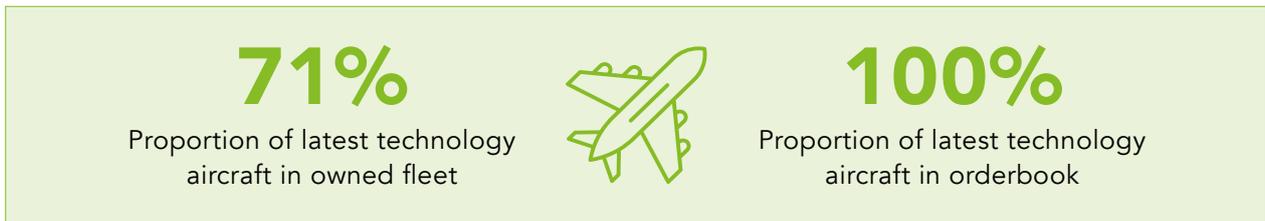
OUR APPROACH

- Acquire the latest technology and fuel-efficient aircraft and place them on long-term leases with customers
- Actively expand customer base to market these latest technology aircraft
- Provide capital to finance latest technology, fuel-efficient aircraft
- Actively sell older generation aircraft to improve fleet quality and lower emissions
- Commit to use energy more efficiently
- Continue to maintain a high level of liquidity to support our airline customers to transit to latest technology aircraft
- Engage with our Board on climate change risks
- Proactively communicate our ESG strategies and performance to stakeholders
- Actively liaise with leading industry partners to adopt best ESG practices

BOC AVIATION AND THE ENVIRONMENT

TRANSFORMING OUR FLEET

BOC Aviation is committed to supporting the airline industry to reduce global carbon emissions by building a more efficient fleet. The Group does not own or use any corporate aircraft and our employees travel only on commercial flights.



20% average fuel savings for Airbus A320NEO, Airbus A350, Boeing 737 MAX and Boeing 787 family aircraft compared to prior technology

CARBON NEUTRAL FOR DIRECT EMISSIONS

In 2022, we offset our emissions by purchasing carbon credits from an accredited project, WWF Ningshan County High Efficient Cook Stove Project in China and the Kasigau Corridor REDD+ Project in Kenya. This is our commitment and selected pathway to do our part for the environment, to create a sustainment future for generations to come.

We selected carbon credits from projects based on their relevance to the causes we support, the geography, as well as the impact they have on the environment and their local communities.

WWF NINGSHAN COUNTY HIGH EFFICIENT COOK STOVE PROJECT IN CHINA

- Certified by Gold Standard
- Involves the reconstruction or improvement of old cook stoves with the high efficient cookstove in the villages neighboring the giant panda habitat Huangguanshan Nature Reserve
- Aims to protect local forest resources and giant panda habitat as well as to improve the indoor living and hygiene environment of local households



BOC AVIATION AND THE ENVIRONMENT



Photograph by Filip Agoo on behalf of Everland Marketing

KASIGAU CORRIDOR REDD+ PROJECT IN KENYA

- The Kasigau Corridor REDD+ Project is the first project in the world to be issued REDD+ carbon offsets under the international supervision of the Verified Carbon Standard (VCS) and CCB (Climate, Community & Biodiversity) programmes
- The project area is home to a diversity of over 50 species of large mammals, more than 20 species of bats, over 300 species of birds, and important populations of International Union for Conservation of Nature Red List species such as Grevy's Zebra, Cheetah, Lion, African Wild Dog, as well as over 2,000 African elephants
- 500,000 acres of threatened Kenyan forest and more than 300 wildlife species are protected
- The project has created more than 300 jobs, the majority of which are filled directly by the community, with 30% of the workforce being female
- The local community take on jobs such as rangers, community outreach officers, green house farmers, shop technicians and builder
- The project reduces community dependence on livestock and land through promoting cultivation of drought resistant crops and improved storage facilities and management of crop among other initiatives



BOC Aviation was 100% carbon neutral for direct emissions in 2022 through carbon offset purchases

BOC AVIATION AND THE ENVIRONMENT

REDUCING OUR DIRECT CARBON IMPACT AND RESOURCE CONSUMPTION IN 2022

We have a low carbon footprint across our five offices globally. Due to the nature of our business and industry, the only Environmental Key Performance (KPIs) Indicators proposed by the Stock Exchange that apply to us are energy efficiency, paper consumption and direct CO₂ emissions¹.

In April 2022, we moved into a new office building in Singapore. The building was awarded a BCA Green Mark Platinum standard, as a project that effectively demonstrates energy and water savings, have environmentally sustainable building practices and innovative green features. We operate in compliance with relevant laws and regulations that have a significant impact on us relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, where applicable.

Below are the relevant environmental targets established since 2020, that we have achieved in 2022.

- To reduce CO₂ emissions per average headcount (tonnes) by 5% from 2019's level
- To reduce paper consumption per average headcount (tonnes) by 10% from 2019's level
- To reduce electricity consumption per average headcount (kWh) by 5% from 2019's level

Category	Unit	2022 (Group)	2021 (Group)	2019 (Singapore)	Change (YoY)	Change (From 2019)
ELECTRICITY						
Total electricity consumed in office premises	kWh	345,689	641,556	611,990	-46%	-44%
Total electricity consumed per average headcount	kWh	1,829	3,487	4,340 ²	-48%	-58%
PAPER						
Office paper	tonnes	1.3	1.8	3.0	-27%	-56%
Paper consumed per average headcount	tonnes	0.007	0.010	0.021 ²	-29%	-67%
Paper recycled	120L bins	118	38	69	211%	71%
HEADCOUNT						
Average headcount	Number of employees	189	184	141 (Singapore) 173 (Group)	5	16 (Group)

All information as at 31 December of the respective year.

¹ Discharges into water and land as well as generation of hazardous and non-hazardous waste are not relevant to us, due to the nature of our business. We operate from rented offices where water consumption is not tracked as part of our rental agreements.

² Average Headcount in Singapore, and not Group, was used in the denominator as total resources consumed in 2019 were recorded for the Singapore office only.

BOC AVIATION AND THE ENVIRONMENT

In 2022, our electricity consumption was 345,689 kWh, down 46% from 2021 mainly due to the Singapore office moving into an energy efficient building. We migrated out from a data centre in London and took up cloud hosting. Paper consumption continued to improve from 2021 and fell another 27% to 1.3 tonnes as we continue to digitalise our work processes and reduce the need to print physical documents. With the office move in Singapore in 2022, we were able to recycle old documents and it has resulted in a 211% increase in paper recycling, as compared to 2021.

Resources efficiency metrics continued to improve when measured against headcount. Electricity and paper consumption per average headcount in 2022 were down 58% and 67%, respectively, compared with 2019, which is the base year of our Environmental KPIs targets. We encourage our employees to use e-distribution and presentation wherever possible and any draft versions of internal documents are printed in black and white only.

Category	Unit	2022	2021	Baseline 2019	Change (YoY, %)	Change (From 2019, %)
CO₂ EMISSIONS FROM:						
Office premises (scope 2)	tonnes	83	198	192 (Singapore office only)	-58%	-57%
IT data centres	tonnes	54	60	56	-9%	-4%
Air travel	tonnes	1,051	204	1,626	416%	-35%
Total CO₂ emissions	tonnes	1,188	461¹	1,874	158%	-37%
Total CO₂ emissions per average headcount	tonnes	6.29	2.51	10.87	151%	-42%

All information as at 31 December of the respective year.

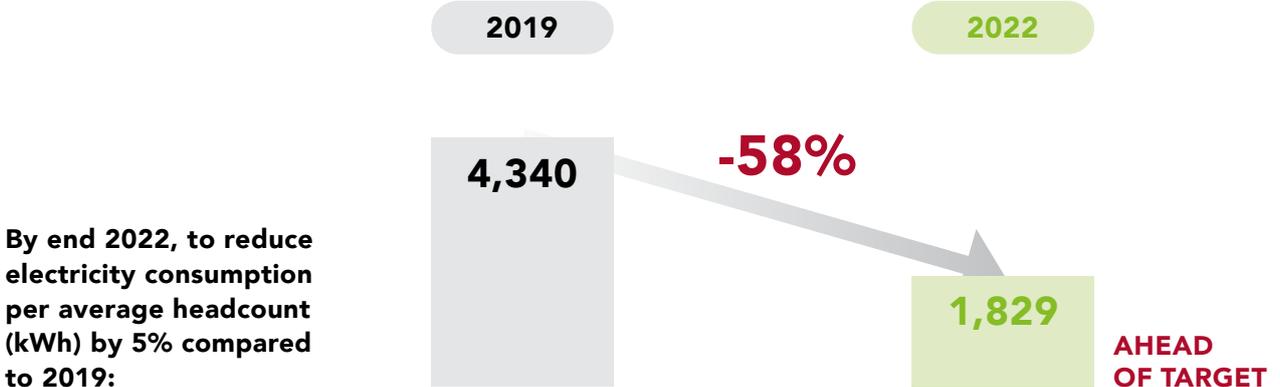
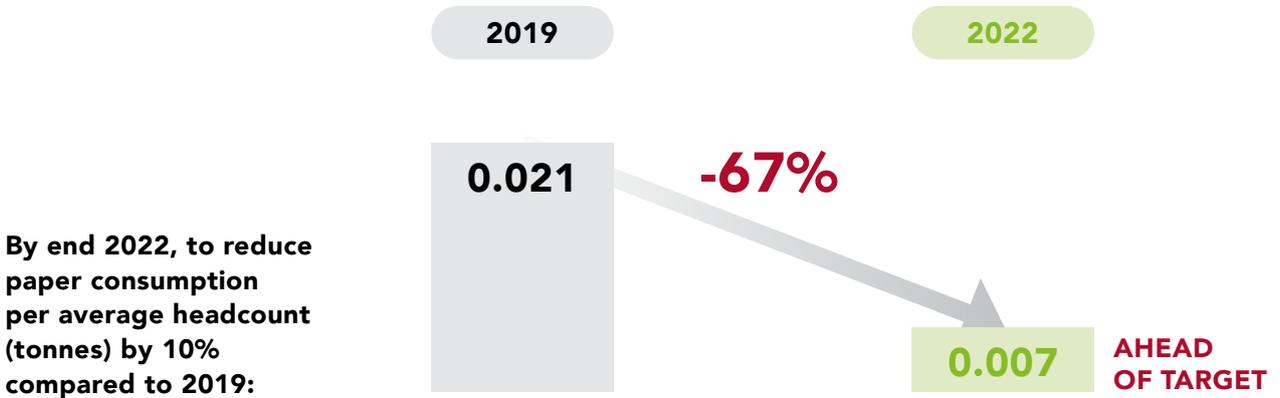
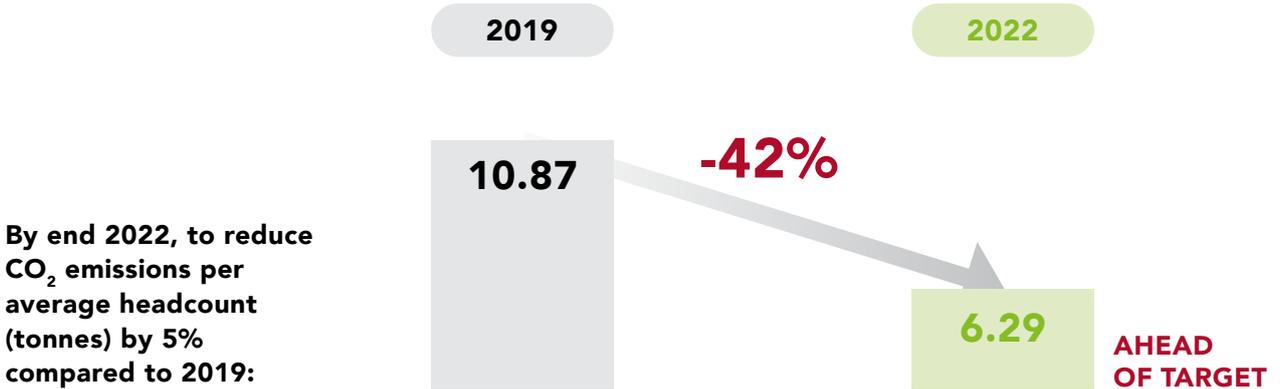
We do not own any office buildings or company vehicles, and do not operate the aircraft that we own. As a result, the Company's view is that we do not have scope 1 emissions. Our carbon emissions are only from office premises, IT data centres and employees' air travel.

Total carbon emissions in 2022 were higher than 2021 at 1,188 tonnes or 6.29 tonnes per average headcount. As the world recovers from Covid-19, employees have returned to the offices and business travel resumed in 2022. We continue to explore opportunities to engage our customers globally through digital means, such as video calls. Our commitment to reduce carbon emissions as a responsible corporate citizen continues to be seen in our new targets, which were introduced in this year's ESG report. We are pleased to report that the Company was 100% carbon neutral in 2022 for our direct emissions through offset purchases.

¹ Due to rounding, numbers presented may not add up precisely to the totals provided.

BOC AVIATION AND THE ENVIRONMENT

HKEX ESG KPIs PROGRESS REPORT



ESG PERFORMANCE OVERVIEW

	2022	2021
ENVIRONMENT		
Total electricity consumption (kWh)	345,689	641,556
Electricity consumption (kWh) per average headcount	1,829	3,487
Total paper consumption (tonnes)	1.3	1.8
Paper consumption per average headcount (tonnes)	0.007	0.010
Total CO ₂ emissions (tonnes)	1,188	461
CO ₂ emissions per average headcount (tonnes)	6.29	2.51
PEOPLE		
Average training per employee (days)	2.8	2.0
Average training per employee (hours)	22	16
Group's employee turnover rate (%)	13.0	11.8
Number of employees represented by a union or collective bargaining agreement	0	0
DIVERSITY & EQUAL OPPORTUNITY		
Proportion of females in the workforce (%)	50	53
Proportion of females in the management team (%)	30	28
Number of nationalities	20	19
COMPLIANCE		
Number of violations of applicable laws	0	0
Number of workplace accidents	0	0
Number of workplace fatalities ¹	0	0
Lost days due to work injury	0	0
SOCIAL/COMMUNITY		
Organisations supported:		
Airlink	√	√
An Taisce Clean Coasts Ireland		√
Fei Yue Community Services	√	
Food From The Heart	√	√
GreenNudge	√	
Hope House		√
Orbis	√	√
The Arab Air Carriers Organisation (AACO)	√	√
The Bronx is Blooming		√
Ronald McDonald House (Ireland)	√	
Waterways Watch Society Singapore	√	

¹ There was also no workplace fatality in 2020.

ABOUT THIS REPORT

This ESG Report for the year ended 31 December 2022 reports to shareholders and other stakeholders the steps we are taking to achieve a more sustainable business model, contribute to a more sustainable environment and continue to build our strong governance culture. We prepare this ESG Report annually as required under the Listing Rules.

REPORTING GUIDELINES

This ESG Report is prepared in accordance with the guidelines in The Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules. All numbers reported are as at 31 December 2022, unless otherwise indicated.

SCOPE AND REPORTING BOUNDARIES

This ESG Report features our ESG efforts across the Group's offices in Singapore (Head Office), Tianjin, London, Dublin and New York for the year ended 31 December 2022. Unless indicated otherwise below that estimates are used, the data presented in this report represent the actual data for 2022.

REPORTING PRINCIPLES

Where relevant, we obtain the actual power consumption for the year from office building managements and/or utilities bills (refer to "Scope and Reporting Boundaries" above) and apply the latest carbon conversion factor to convert power consumed into estimated carbon dioxide (CO₂) emissions.

The carbon emissions from air travel are obtained from our appointed travel agent(s) directly.

We are not reporting the carbon emissions of our aircraft as we do not have control over the airlines' use of the aircraft. We are also not reporting water consumption as we operated from leased offices where water consumption is not required to be reported to us under the rental agreements.

Estimates and assumptions used in the calculation of power consumption, as well as the conversion factors as at 31 December 2022 used in this ESG report is set out as below:

Country	Estimates and assumptions used in the calculation of power consumption	Latest conversion factor ¹ as at 31 December 2022	Source (conversion factor)
Singapore	Actual power consumption	0.4057	Energy Market Authority
China	Estimated based on headcount	0.5572	Climate Transparency Report 2022
Ireland	Estimated based on actual power consumption for one month in each quarter	0.3478	Sustainable Energy Authority of Ireland
UK	Actual power billings in 1H + estimated for 2H	0.1934	gov.uk
USA	Estimated based on occupancy space	0.3580	Climate Transparency Report 2022

¹ This is a coefficient that is used to convert power consumption into greenhouse gas emissions.

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

Disclosure/Key performance indicators	Relevant section/page number/remarks where applicable
GOVERNANCE STRUCTURE	
<p>A statement from the board containing the following elements:</p> <p>(i) a disclosure of the board's oversight of ESG issues;</p> <p>(ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and</p> <p>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.</p>	<ul style="list-style-type: none"> • Leadership message p.82 • ESG statement from the Board p.83 • Stakeholder engagement p.91–p.93 • Materiality assessment p.94–p.101 • ESG statement from the Board p.83 • Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142
REPORTING PRINCIPLES	
<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	<ul style="list-style-type: none"> • Stakeholder engagement p.91–p.93 • Materiality assessment p.94–p.101 • About this report p.145 • About this report p.145

¹ Source: Hong Kong Stock Exchange

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

	Disclosure/Key performance indicators	Relevant section/page number/remarks where applicable
A. ENVIRONMENTAL		
Aspect A1: Emissions	<p>General Disclosure:</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	<ul style="list-style-type: none"> • Our approach to climate change p.138 • Transforming our fleet p.139 • Carbon neutral for direct emissions in 2022 p.139–p.140
	KPI A1.1 The types of emissions and respective emission data	<ul style="list-style-type: none"> • Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142 • HKEx ESG KPIs progress report p.143 • ESG performance overview p.144
	KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) Greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142 • HKEx ESG KPIs progress report p.143 • ESG performance overview p.144
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • Not applicable to our business as we do not manufacture any product • Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142

¹ Source: Hong Kong Stock Exchange

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

	Disclosure/Key performance indicators	Relevant section/ page number/remarks where applicable
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142
	KPI A1.5 Description of emission target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142 HKEx ESG KPIs progress report p.143
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	<ul style="list-style-type: none"> Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142
	KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142 HKEx ESG KPIs progress report p.143 ESG performance overview p.144
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142

¹ Source: Hong Kong Stock Exchange

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

	Disclosure/Key performance indicators	Relevant section/page number/remarks where applicable
	KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142 ESG performance overview p.144
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Not applicable as we operate from rented office space where most resource consumption is low and not tracked as part of our rental agreements Reducing our direct carbon impact and resource consumption in 2022 p.141–p.142
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimising the issuer's significant impacts on the environment and natural resources.</p>	<ul style="list-style-type: none"> Commitment to the United Nations Sustainable Development Goals p.88 Renewing our commitment to sustainability p.89–p.90
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<ul style="list-style-type: none"> Our approach to climate change p.138 Transforming our fleet p.139 Carbon neutral for direct emissions in 2022 p.139–p.140
Aspect A4: Climate Change	<p>General Disclosure</p> <p>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</p>	<ul style="list-style-type: none"> Materiality assessment p.94–p.101 Our approach to climate change p.138
	KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	<ul style="list-style-type: none"> Our approach to climate change p.138

¹ Source: Hong Kong Stock Exchange

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

	Disclosure/Key performance indicators	Relevant section/page number/remarks where applicable
B. SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
Aspect B1: Employment	<p>General Disclosure:</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	<ul style="list-style-type: none"> • Corporate culture p. 84–p.85 • Building an inclusive culture p. 103 • Integrated talent strategy p.103 • Graduate Management Programme p104–p.106 • Leadership p.107 • Succession planning p. 108 • Training and development p.108–p.109 • Coaching culture/CEO Circle p.110–p.111 • Employee engagement and well-being p.111 • Competitive remuneration p. 112 • A safe and healthy workplace p.113 • Labour standards p.114 • Grievance management p.115
	KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	<ul style="list-style-type: none"> • Workforce diversity p.116–p.118
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	<ul style="list-style-type: none"> • Workforce diversity p.116–p.118
Aspect B2: Health and Safety	<p>General Disclosure:</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<ul style="list-style-type: none"> • A safe and healthy workplace p.113 • Labour standards p.114
	KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	<ul style="list-style-type: none"> • ESG performance overview p.144
	KPI B2.2 Lost days due to work injury.	<ul style="list-style-type: none"> • ESG performance overview p.144
	KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	<ul style="list-style-type: none"> • A safe and healthy workplace p.113

¹ Source: Hong Kong Stock Exchange

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

	Disclosure/Key performance indicators	Relevant section/ page number/remarks where applicable
Aspect B3: Development and Training	General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	<ul style="list-style-type: none"> • Training and development p.108–p.109 • Coaching culture p. 110 • CEO Circle p.111
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<ul style="list-style-type: none"> • Training and development p.108–p.109
	KPI B3.2 The average training hours completed per employee by gender and employee category	<ul style="list-style-type: none"> • Training and development p.108–p.109
Aspect B4: Labour Standards	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<ul style="list-style-type: none"> • Labour standards p.114
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none"> • Labour standards p.114
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none"> • Labour standards p.114
OPERATING PRACTICES		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	<ul style="list-style-type: none"> • Supply chain management p.135–p.136
	KPI B5.1 Number of suppliers by geographical region	<ul style="list-style-type: none"> • Supply chain management p.135–p.136
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	<ul style="list-style-type: none"> • Supply chain management p.135–p.136

¹ Source: Hong Kong Stock Exchange

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

	Disclosure/Key performance indicators	Relevant section/ page number/remarks where applicable
	KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supply chain management p.135–p.136
	KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supply chain management p.135–p.136
Aspect B6: Product Responsibility	<p>General Disclosure: Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Data protection and privacy p.133 Product responsibility p.136
	KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Product responsibility p.136
	KPI B6.2 Number of products and service related complaints received and how they are dealt with.	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Product responsibility p.136
	KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Product responsibility p.136
	KPI B6.4 Description of quality assurance process and recall procedures.	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Product responsibility p.136
	KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	<ul style="list-style-type: none"> Not applicable to our business as we do not manufacture any product Data protection and privacy p.133 Product responsibility p.136

¹ Source: Hong Kong Stock Exchange

COMPLIANCE WITH THE HKEX ESG REPORTING GUIDE (APPENDIX 27 OF THE HKEX LISTING RULES)¹

	Disclosure/Key performance indicators	Relevant section/page number/remarks where applicable
Aspect B7: Anti-corruption	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<ul style="list-style-type: none"> • Compliance p.130 • Anti-corruption p.131 • Anti-bribery p.131 • Anti-money laundering p.131–p.132
	KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	<ul style="list-style-type: none"> • Compliance p.130 • Anti-corruption p.131 • Anti-bribery p.131
	KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	<ul style="list-style-type: none"> • Whistleblowing p.132
	KPI B7.3 Description of anti-corruption training provided to directors and staff.	<ul style="list-style-type: none"> • Compliance p.130 • Anti-corruption p.131
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	<ul style="list-style-type: none"> • 2022 ESG highlights p.87 • Investment in the community p.120 • Making an impact in the communities we operate in p.121–p.122 • Commitment to the aviation industry p.123
	KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	<ul style="list-style-type: none"> • 2022 ESG highlights p.87 • Investment in the community p.120 • Making an impact in the communities we operate in p.121–p.122 • ESG performance overview p.144 • Commitment to the aviation industry p.123
	KPI B8.2 Resources contributed (e.g. money or time) to the focus area	<ul style="list-style-type: none"> • 2022 ESG highlights p.87 • Investment in the community p.120 • Making an impact in the communities we operate in p.121–p.122 • Commitment to the aviation industry p.123

¹ Source: Hong Kong Stock Exchange

CORPORATE INFORMATION

As at 24 April 2023

BOARD OF DIRECTORS

Chairman

LIU Jin*

Vice Chairman

ZHANG Xiaolu

Directors

Robert James MARTIN

CHEN Jing*

DONG Zonglin*

WANG Xiao*

WEI Hanguang*

DAI Deming#

FU Shula#

Antony Nigel TYLER#

YEUNG Yin Bernard#

* Non-executive Directors

Independent Non-executive Directors

SENIOR MANAGEMENT

Managing Director and Chief Executive Officer

Robert James MARTIN

Deputy Managing Director

ZHANG Xiaolu

Deputy Managing Director and

Chief Financial Officer

Steven TOWNEND

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

TERMS

MEANINGS

“AGM”	The annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statements for the financial year ended 31 December 2022. The meeting will be held on 30 May 2023
“Airbus”	Airbus S.A.S., a societe par actions simplifiee duly created and existing under French law
“Annual Report”	The annual report of the Company for the financial year ended 31 December 2022 which contains, among others, the audited financial statements for the financial year ended 31 December 2022 and the Directors’ Statement
“Board”	The board of Directors of the Company
“Board Committees”	The five sub-committees of the Board comprising the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy and Budget Committee and the Risk Committee
“BOC” or “Bank of China”	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-shares and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules
“BOC Group”	BOC and its subsidiaries (excluding the Group)
“BOCGI”	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, a wholly-owned subsidiary of BOC, a controlling shareholder of the Company and a connected person of the Company under the Listing Rules
“BOCHK”	Bank of China (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 16 October 1964, a wholly-owned subsidiary of the BOCHK Holdings and an associate of a connected person of the Company under the Listing Rules

DEFINITIONS

“BOCHK Holdings”	BOC Hong Kong (Holdings) Limited (中銀香港(控股)有限公司), a company incorporated in Hong Kong with limited liability on 12 September 2001, the shares of which are listed on the Stock Exchange, a subsidiary of BOC and a connected person of the Company under the Listing Rules
“BOCHK Holdings Group”	BOCHK Holdings and its subsidiaries
“Boeing”	The Boeing Company, a corporation organised and existing under the General Corporation Law of the State of Delaware, U.S.A., and its affiliates
“Constitution”	The constitution of the Company approved on 12 May 2016 which became effective on the Listing Date
“Company” or “BOC Aviation”	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related business
“Corporate Governance Code”	Appendix 14 Corporate Governance Code to the Listing Rules
“Dealing Policy”	The Directors’/Chief Executive Officer’s Dealing Policy adopted by the Board on 12 May 2016
“Director(s)”	The director(s) of the Company
“Group”	The Company together with its subsidiaries
“HKD”, “HK\$” or “HK Dollar”	The lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“IPO”	The initial public offering of the Company the details of which can be found in the prospectus of the Company dated 19 May 2016
“Listing Date”	1 June 2016, being the date on which the Shares of the Company are first listed for trading on the Stock Exchange

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“NBV”	Net book value
“NGO”	A non-governmental organisation independent of any government and is usually non-profit
“NPAT”	Net profit after tax
“Operating cash flow net of interest”	Net cash flow from operating activities less finance expenses paid
“RSU Plan”	Collectively, the BOC Aviation Limited Restricted Share Unit Long Term Incentive Plans adopted by the Company on 18 December 2017 covering awards for the period from 2017 to 2021 (inclusive) and on 28 February 2023 covering awards for the period from 2022 to 2025 (inclusive)
“Senior Management”	Managing Director and Chief Executive Officer, Vice Chairman and Deputy Managing Director, Deputy Managing Director and Chief Financial Officer, Deputy Managing Director and Chief Operating Officer, Chief Commercial Officer (Asia Pacific and the Middle East) and Chief Commercial Officer (Europe, Americas and Africa)
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder”	A holder of Shares
“Shares”	Ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”, “US\$” or “US Dollar”	The lawful currency of the United States of America
“USD LIBOR”	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US Dollar

**BOC AVIATION LIMITED AND
ITS SUBSIDIARY COMPANIES**
(Incorporated in Singapore. Registration No. 199307789K)

FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

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

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

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

3. Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

4. Restricted Share Unit Long Term Incentive Plan

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

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

5. Directors' interests in shares and debentures

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

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

6. Audit Committee

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

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

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

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

7. Auditor

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

On behalf of the Board of Directors:

Zhang Xiaolu
Director

Robert James Martin
Director

Singapore
9 March 2023

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

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

Report on the audit of the financial statements

Our Opinion

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

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

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

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

Key Audit Matters

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

Carrying value of property, plant and equipment – aircraft

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

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

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

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

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

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

Other Information

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

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

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

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

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

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

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2022

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

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers LLP
Public Accountants and
Chartered Accountants
Singapore

9 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2022

	Note	Group	
		2022	2021
		US\$'000	US\$'000
Revenues and other income			
Lease rental income	43(a)	1,784,461	1,865,151
Interest income from finance leases		40,697	42,006
Other interest and fee income	4	96,123	135,046
		1,921,281	2,042,203
<i>Other sources of income:</i>			
Net gain on sale of aircraft	5	63,867	43,772
Income arising from termination of leases*		222,876	73,855
Other income	6	99,028	23,405
		2,307,052	2,183,235
Costs and expenses			
Depreciation of property, plant and equipment	13	786,084	765,561
Finance expenses	7	483,661	465,287
Amortisation of deferred debt issue costs	8	26,615	24,991
Staff costs	9	49,122	68,703
Marketing and travelling expenses		5,058	911
Impairment of aircraft	13	855,991	145,800
Impairment/(Write-back of) losses on financial assets	15	1,235	(7,921)
Other operating expenses	11	69,790	81,235
		(2,277,556)	(1,544,567)
Profit before income tax		29,496	638,668
Income tax expense	12	(9,436)	(77,350)
Profit for the year attributable to owners of the Company		20,060	561,318
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US\$)	42	0.03	0.81
Diluted earnings per share (US\$)	42	0.03	0.81

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
**CONSOLIDATED STATEMENT OF
 COMPREHENSIVE INCOME**

For the financial year ended 31 December 2022

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 31 December 2022

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONTINUED)**

As at 31 December 2022

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

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
**CONSOLIDATED STATEMENT OF
CASH FLOWS (CONTINUED)**

For the financial year ended 31 December 2022

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.2 Changes in accounting policies

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

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

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

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

2.3 Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.4 *Functional and foreign currency*

(a) *Functional and presentation currency*

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

(b) *Foreign currency transactions*

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

2.5 *Property, plant and equipment*

(a) *Aircraft*

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

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

(b) *Aircraft pre-delivery payments*

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

(c) *Other plant and equipment*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.5 Property, plant and equipment (cont'd)

(d) Right-of-use assets

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

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

(e) Depreciation

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

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

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

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

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

(f) Disposal

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

2.6 Assets held for sale

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.7 Impairment of non-financial assets

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

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

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

2.8 Subsidiary companies

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.9 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

(i) Derivatives

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

(ii) Financial assets measured at amortised cost

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.9 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

(ii) Other financial liabilities

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

Derecognition

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

(c) Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.10 Impairment of financial assets

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

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

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

(a) Simplified approach

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

(b) General approach

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

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

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

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

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

- when the lessee does not pay the amounts due under its lease and/or deferral agreements to the Group in excess of any security deposit or the value of any collateral related to the lease; or
- in the case where the financial asset is not secured, when the financial asset is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.10 Impairment of financial assets (cont'd)

Write-off

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

2.11 Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

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

(a) Fair value hedges

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

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

(b) Cash flow hedges

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

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

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

- it makes a change required by the reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

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

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

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

2.12 *Cash and cash equivalents*

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

2.13 *Provisions*

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

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

2.14 *Security deposits*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.15 *Maintenance reserves*

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

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

2.16 *Borrowing costs*

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

2.17 *Debt issue costs*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.18 Trade and other payables

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

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

2.19 Employee benefits

(a) Short-term employee benefits

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

(b) Short-term incentive plan

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

(c) Long-term incentive plan

For financial years 2017 to 2021

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

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

For financial years 2022 to 2025

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.19 Employee benefits (cont'd)

(d) Employers' defined contributions

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

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

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

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

2.20 Leases

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.20 Leases (cont'd)

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

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

(i) Right-of-use assets

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

(ii) Lease liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.21 Revenue and other income recognition

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

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

(a) Lease rental income

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

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

(b) Fee income from aircraft pre-delivery payments

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

(c) Remarketing and lease management fees

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

(d) Dividend income

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

(e) Interest income

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

(f) Other income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.22 Taxes

(a) Current income tax

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

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

(b) Deferred income tax

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

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

- (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.22 Taxes (cont'd)

(b) Deferred income tax (cont'd)

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

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

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

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

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

2.23 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

2.24 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

(a) Maintenance of aircraft by lessees

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

(b) Classification of leases

(i) Operating lease – As lessor

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

(ii) Finance lease – As lessor

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

(c) *Deferred income taxes*

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

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

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

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

Details have been disclosed in Note 12 and Note 27.

(d) *Assets held for sale*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

3.2 Key sources of estimation uncertainty

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

(a) Depreciation of aircraft and estimation of residual values

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

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

(b) Carrying value of aircraft

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

3. Significant accounting judgements and estimates (cont'd)**3.2 Key sources of estimation uncertainty (cont'd)***(c) Impairment of financial assets*

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

(d) Income taxes and deferred income taxes

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

Details have been disclosed in Note 12 and Note 27.

4. Other interest and fee income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

5. Net gain on sale of aircraft

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

6. Other income

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

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

7. Finance expenses

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

8. Amortisation of deferred debt issue costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

9. Staff costs

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

Share-based compensation (equity-settled)

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

Movements of RSUs:

2022			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 year	Lapsed during the year	Vested during the year	At 31 December 2022
2020	47.08	6.06	1,665,326	–	(41,378)	(1,623,948)	–
2021	74.10	9.55	793,825	–	(34,825)	–	759,000
2022	62.36	7.97	–	1,103,807	(38,301)	–	1,065,506
			2,459,151	1,103,807	(114,504)	(1,623,948)	1,824,506

2021			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 year	Lapsed during the year	Vested during the year	At 31 December 2021
2019	65.64	8.36	1,153,695	–	(49,152)	(1,104,543)	–
2020	47.08	6.06	1,755,376	–	(67,727)	(22,323)	1,665,326
2021	74.10	9.55	–	820,600	(26,775)	–	793,825
			2,909,071	820,600	(143,654)	(1,126,866)	2,459,151

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

10. Emoluments of directors, five highest paid individuals and senior management**(a) Emoluments paid to directors of the Company during the year**

	Fees US\$'000	Salaries, allowances and other benefits US\$'000	Discretionary bonus US\$'000	Employers' defined contributions US\$'000	Total US\$'000
2022					
<i>Chairman, Non-executive director¹</i>					
Chen Huaiyu ²	–	–	–	–	–
<i>Executive directors</i>					
Zhang Xiaolu (Vice-Chairman)	–	585	645	–	1,230
Robert James Martin	–	1,107	3,071	3	4,181
<i>Independent non-executive directors</i>					
Antony Nigel Tyler	154	45	–	–	199
Dai Deming	66	19	–	–	85
Fu Shula	66	19	–	–	85
Yeung Yin Bernard	50	–	–	–	50
<i>Non-executive directors¹</i>					
Dong Zonglin ³	–	–	–	–	–
Wang Xiao ⁴	–	–	–	–	–
Wei Hanguang ⁵	–	–	–	–	–
Chen Jing ³	–	–	–	–	–
	336	1,775	3,716	3	5,830

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

10. Emoluments of directors, five highest paid individuals and senior management (cont'd)**(a) Emoluments paid to directors of the Company during the year (cont'd)**

	Fees US\$'000	Salaries, allowances and other benefits US\$'000	Discretionary bonus US\$'000	Employers' defined contributions US\$'000	Total US\$'000
2021					
<i>Chairman, Non-executive director¹</i>					
Chen Huaiyu ²	–	–	–	–	–
<i>Executive directors</i>					
Zhang Xiaolu (Vice-Chairman)	–	590	363	–	953
Robert James Martin	–	1,104	3,402	3	4,509
<i>Independent non-executive directors</i>					
Antony Nigel Tyler	140	40	–	–	180
Dai Deming	60	17	–	–	77
Fu Shula	60	17	–	–	77
Yeung Yin Bernard	45	–	–	–	45
<i>Non-executive directors¹</i>					
Liu Chenggang ⁶	–	–	–	–	–
Wang Xiao ⁴	–	–	–	–	–
Wei Hanguang ⁵	–	–	–	–	–
Zhu Lin ⁶	–	–	–	–	–
	305	1,768	3,765	3	5,841

¹In 2021 and 2022, the non-executive Chairman and non-executive directors were not entitled to any emoluments under their respective engagement letters

²Appointed on 23 April 2021 and resigned on 3 February 2023

³Appointed on 18 April 2022

⁴Appointed on 17 June 2021

⁵Appointed on 4 June 2021

⁶Resigned on 18 April 2022

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

10. Emoluments of directors, five highest paid individuals and senior management (cont'd)**(c) Senior management's emoluments**

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

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

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

11. Other operating expenses

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

12. Income tax expense

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

13. Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

13. Property, plant and equipment (cont'd)**(a) Impairment of assets**

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

Movement of accumulated impairment loss provision:

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

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

Russia exposure

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

13. Property, plant and equipment (cont'd)**(b) Right-of-use assets**

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

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

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

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

(d) Assets pledged as security

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

(e) Capitalisation of borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

14. Derivative financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

14. Derivative financial instruments (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

14. Derivative financial instruments (cont'd)

- ¹ The Group uses these cross-currency interest rate swaps to hedge against the exposure to exchange rates and interest rates arising from the Group's non-US Dollar loans and borrowings which are liabilities designated as hedged items in fair value hedges. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest and pays US Dollar principal and floating interest pegged to US Dollar LIBOR. These hedges are classified as fair value hedges and the fair value changes of these cross-currency interest rate swaps are recognised in profit or loss.
- ² The Group uses these cross-currency interest rate swaps to hedge against the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. Under these cross-currency interest rate swaps, the Group receives non-US Dollar principal and fixed interest, and pays US Dollar principal and fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these cross-currency interest rate swaps are recognised in hedging reserve.
- ³ The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from the related loans and borrowings which are pegged to US Dollar LIBOR. Under these interest rate swaps, the Group receives floating interest pegged to US Dollar LIBOR and pays fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognised in hedging reserve.

15. Trade receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

15. Trade receivables (cont'd)

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

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

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

Impairment of financial assets – trade receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

15. Trade receivables (cont'd)*Impairment of financial assets – trade receivables (cont'd)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

15. Trade receivables (cont'd)*Impairment of financial assets – trade receivables (cont'd)*

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

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

* Trade receivables of the Group with a contractual amount of US\$0.2 million (2021: US\$2.4 million) written off during the year are still subject to enforcement activities.

16. Other receivables

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Current:				
Deposits	704	1,509	597	1,144
Interest receivables	1,700	1,399	717	880
Sundry receivables	2,143	5,704	258	132
Receivables from manufacturers	109,629	92,350	–	–
Accrued receivables	18,589	3,179	11,223	4,953
Amounts due from subsidiary companies	–	–	8,707	19,438
	132,765	104,141	21,502	26,547
Non-current:				
Receivables from airlines	18,000	18,000	–	–
Accrued receivables	42,762	33,448	7,682	7,998
Interest receivables	1,536	1,727	149	200
Amounts due from subsidiary companies	–	–	–	33,758
	62,298	53,175	7,831	41,956

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

16. Other receivables (cont'd)

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

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

The amounts due from subsidiary companies are non-trade related, unsecured and interest free.

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

17. Short-term deposits

	Note	Group		Company	
		2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Unencumbered	31	306,707	248,224	38,577	62,239

Short-term deposits consist of investments in money market funds and fixed deposits (maturing between one day and three months) which are placed depending on cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates for money market funds and fixed deposits were 1.9% (2021: 0.04%) and 2.3% (2021: 0.1%) per annum, respectively.

As at 31 December 2022, the Group and the Company have no short-term deposits (2021: US\$50 million) placed with the intermediate holding company.

As at 31 December 2022, the Group's short-term deposits included an amount of US\$52 million (2021: US\$87 million) placed with a related party.

18. Cash and bank balances

	Note	Group		Company	
		2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Encumbered		4,953	1,211	2,310	632
Unencumbered	31	85,206	236,661	38,459	64,783
		90,159	237,872	40,769	65,415

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations (Note 22) and contingency provisions under such obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

18. Cash and bank balances (cont'd)

The Group's and Company's cash and bank balances included an amount of US\$40.3 million (2021: US\$125.6 million) and US\$36.5 million (2021: US\$55.1 million), respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2022, the Group's cash and bank balances included an amount of US\$18.4 million (2021: US\$16.9 million) placed with the intermediate holding company.

Cash and bank balances were denominated in US Dollar except for the following:

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Australian Dollar	84	90	–	–
Chinese Yuan	7,219	8,378	–	–
Euro	618	2,417	240	1,049
Hong Kong Dollar	722	736	722	736
Japanese Yen	925	5,169	–	–
Sterling Pound	1,324	534	–	–
Singapore Dollar	149	883	149	883
	11,041	18,207	1,111	2,668

19. Assets held for sale

As at 31 December 2022 and 31 December 2021, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale were as follows:

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Property, plant and equipment – aircraft				
At beginning of year	–	–	–	–
Additions	52,806	316,203	–	–
Disposals	(52,806)	(316,203)	–	–
At end of year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

20. Trade and other payables

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Trade payables	27	2,436	27	135
Sundry payables	5,417	20,023	1,309	6,562
Accrued finance expenses	95,951	95,150	79,816	87,443
Accrued maintenance reserve payables	444	10,278	444	8,730
Accrued technical expenses	11,383	33,550	6,965	26,477
Staff costs related accruals	28,396	32,597	23,143	26,237
Other accruals and liabilities	4,780	6,056	1,495	2,130
Amounts due to subsidiary companies	–	–	37,208	1,458
	146,398	200,090	150,407	159,172

The trade payables and sundry payables of the Group and the Company are substantially denominated in US Dollar (2021: US Dollar), non-interest bearing, current in nature and are normally contracted between 30 and 45 days credit terms.

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

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Current	20	1,758	20	127
1 – 30 days	7	85	7	8
31 – 60 days	–	593	–	–
	27	2,436	27	135

21. Deferred income

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

Deferred income (non-current) relates to advance receipts for lease income for which services have not yet been rendered and the difference between the nominal value of the security deposits (Note 25) and their amortised value using the effective interest method. The deferred income is recognised in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Current:				
Medium term notes	1,890,000	1,048,301	1,890,000	1,048,301
Loans	534,432	808,577	124,882	58,228
Medium term notes discount (net of premium)	(482)	(630)	(482)	(630)
Fair value and revaluation adjustments	–	(1,158)	–	(1,158)
Deferred debt issue costs	(3,770)	(5,336)	(1,319)	(956)
	2,420,180	1,849,754	2,013,081	1,103,785
Non-current:				
Medium term notes	8,109,020	9,999,020	7,109,020	8,999,020
Loans	4,663,546	4,950,756	2,170,000	1,947,268
Medium term notes discount (net of premium)	(16,456)	(22,872)	(15,664)	(21,495)
Fair value and revaluation adjustments	(12,973)	(112)	(12,973)	(112)
Deferred debt issue costs	(41,652)	(61,165)	(28,519)	(39,443)
	12,701,485	14,865,627	9,221,864	10,885,238
Total loans and borrowings	15,121,665	16,715,381	11,234,945	11,989,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings (cont'd)

The deferred debt issue costs relating to obtaining loans and borrowings are analysed as follows:

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Cost:				
At beginning of year	151,402	166,949	71,175	64,145
Additions	4,852	21,174	1,167	12,953
Fully amortised costs written off	(41,219)	(36,687)	(8,658)	(5,897)
Adjustments	684	(34)	339	(26)
At end of year	115,719	151,402	64,023	71,175
Accumulated amortisation:				
At beginning of year	84,901	96,597	30,776	25,189
Charge for the year	26,615	24,991	12,067	11,484
Fully amortised costs written off	(41,219)	(36,687)	(8,658)	(5,897)
At end of year	70,297	84,901	34,185	30,776
Net book value:				
At end of year	45,422	66,501	29,838	40,399
Deferred debt issue costs, net	45,422	66,501	29,838	40,399
Less: Current portion	(3,770)	(5,336)	(1,319)	(956)
Non-current portion	41,652	61,165	28,519	39,443

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the loans and borrowings at the end of each year for the Group and the Company.

	Group				
	One year or less	One to two years	Two to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2022					
Medium term notes	1,888,414	2,286,997	4,251,552	1,523,808	9,950,771
Loans	531,766	1,025,565	3,574,376	39,187	5,170,894
Total loans and borrowings	2,420,180	3,312,562	7,825,928	1,562,995	15,121,665
2021					
Medium term notes	1,045,991	2,186,053	5,432,033	2,332,814	10,996,891
Loans	803,763	658,400	4,217,461	38,866	5,718,490
Total loans and borrowings	1,849,754	2,844,453	9,649,494	2,371,680	16,715,381
	Company				
	One year or less	One to two years	Two to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2022					
Medium term notes	1,888,413	1,289,710	4,251,552	1,523,809	8,953,484
Loans	124,668	193,476	1,963,317	–	2,281,461
Total loans and borrowings	2,013,081	1,483,186	6,214,869	1,523,809	11,234,945
2021					
Medium term notes	1,045,991	2,186,053	4,436,558	2,332,814	10,001,416
Loans	57,794	230,386	1,699,427	–	1,987,607
Total loans and borrowings	1,103,785	2,416,439	6,135,985	2,332,814	11,989,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings (cont'd)

As at 31 December 2022, secured loans amounted to US\$223.0 million (2021: US\$609.3 million) and US\$54.9 million (2021: US\$225.5 million) for the Group and the Company, respectively. These amounts are secured by the related aircraft (Note 13), certain cash and bank balances and designated bank accounts (Note 18) and/or a pledge of the shares in certain subsidiary companies (Note 34) that hold title to aircraft.

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

(a) Medium term notes

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

			Group 2022		
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
			Maturity (Year)		
Fixed Coupon Rate					
Currency	(p.a.)				
Australian Dollar	3.15%	2029	140,590	–	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	–
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	1.625% to 4.375%	2023 to 2030	8,600,000	–	–
			9,059,020	49,710	409,310
Floating Rate					
Currency	(p.a.)				
	3-month LIBOR +				
	Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	–	840,000
			9,999,020	49,710	1,249,310

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

			Company 2022		
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
			Maturity (Year)		
Fixed Coupon Rate					
Currency	(p.a.)				
Australian Dollar	3.15%	2029	140,590	–	140,590
Chinese Yuan	5.5%	2024	49,710	49,710	–
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	1.75% to 4.375%	2023 to 2030	7,600,000	–	–
			8,059,020	49,710	409,310
Floating Rate					
Currency	(p.a.)				
	3-month LIBOR + Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	940,000	–	840,000
			8,999,020	49,710	1,249,310
Group 2021					
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
			Maturity (Year)		
Fixed Coupon Rate					
Currency	(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
Floating Rate					
Currency	(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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings (cont'd)**(a) Medium term notes (cont'd)**

			Company 2021		
			Outstanding amounts	Amounts swapped to US\$ and floating rates	Amounts swapped to US\$ and fixed rates
			US\$'000	US\$'000	US\$'000
Currency	Fixed Coupon Rate (p.a.)	Maturity (Year)	US\$'000	US\$'000	US\$'000
Australian Dollar	3.15%	2029	140,590	–	140,590
Chinese Yuan	4.7% to 5.5%	2022 to 2024	98,011	98,011	–
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	1.75% to 4.375%	2022 to 2030	8,600,000	–	–
			9,107,321	98,011	409,310
			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
			10,047,321	98,011	1,249,310

As at 31 December 2022, an amount of US\$49.7 million (2021: US\$98.0 million) in medium term notes of the Group and the Company has been swapped to floating rate liabilities and US Dollars (for non-US Dollar denominated notes) via cross-currency interest rate swap contracts. The carrying amount of the medium term note was US\$43.4 million (2021: US\$94.1 million). The note is a liability designated as a hedged item in fair value hedges and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 1.6% to 3.1% (2021: 1.6% to 2.6%) per annum during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings (cont'd)**(a) Medium term notes (cont'd)**

Effects of fair value hedges on the notes in 2022 and 2021 were as follows:

	Group and Company 2022			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value adjustments	Carrying amounts of liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	49,710	(20)	(6,246)	43,444
	Group and Company 2021			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value adjustments	Carrying amounts of liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	98,011	(47)	(3,836)	94,128

As at 31 December 2022, an amount of US\$409.3 million (2021: US\$409.3 million) in medium term notes of the Group and the Company which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollars and at fixed rates via cross-currency interest rate swap contracts to hedge the exposure to variability in cash flows arising from the foreign currency fixed rate loans and borrowings. The net fair value gain of US\$6.4 million (2021: loss of US\$6.9 million) on these cross-currency interest rate swaps was recognised in hedging reserve.

As at 31 December 2022, an amount of US\$840 million (2021: US\$840 million) in medium term notes of the Group and the Company has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value gain of US\$50.5 million (2021: US\$39.9 million) on these financial instruments was recognised in hedging reserve.

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

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR or Secured Overnight Financing Rate ("SOFR"). Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 2.8% (2021: 1.1%) per annum. The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans are between 2023 and 2028 (2021: 2022 and 2028).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. Loans and borrowings (cont'd)**(c) Loans (cont'd)**

As at 31 December 2022, the loans due to the intermediate holding company for the Group and the Company amounted to US\$695 million (2021: US\$785 million) and US\$695 million (2021: US\$695 million), respectively and the loans due to other related parties for the Group and the Company amounted to US\$1,887.6 million (2021: US\$1,623.2 million) and US\$300.3 million (2021: US\$300.3 million), respectively.

As at 31 December 2022, loans outstanding amounting to US\$370 million (2021: US\$1,865 million) have been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The net fair value gain of US\$42.9 million (2021: US\$53.2 million) was accounted for in hedging reserve.

As at 31 December 2022, the Group and the Company had unutilised unsecured committed revolving credit facilities of US\$4,705 million (2021: US\$4,575 million) and US\$4,465 million (2021: US\$4,480 million), respectively. These facilities included US\$3,500 million (2021: US\$3,410 million) available under a committed revolving credit facility provided by the intermediate holding company that matures in 2026 (2021: 2026). The unutilised committed revolving credit facilities provided by other related parties to the Group totalled US\$82.4 million (2021: US\$46.8 million) that mature in 2024 (2021: 2024) and to the Company amounted to US\$35.7 million (2021: US\$35.7 million) that matures in 2024 (2021: 2024).

As at 31 December 2022, unutilised unsecured committed term loan facilities available to the Group totalled US\$225 million (2021: US\$985 million) and available to the Company amounted to US\$125 million (2021: US\$485 million). For the Group, these facilities include an amount of US\$100 million (2021: US\$500 million) which was provided by other related parties.

23. Lease liabilities

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
At beginning of year	2,757	9,448	953	6,834
Additions	16,464	-	14,600	-
Accretion of interest	337	229	256	164
Payments	(2,902)	(2,371)	(2,296)	(1,626)
Remeasurement	-	(4,308)	-	(4,308)
Revaluation adjustments	(2)	(241)	291	(111)
At end of year	16,654	2,757	13,804	953
Current	2,516	1,490	1,818	953
Non-current	14,138	1,267	11,986	-
	16,654	2,757	13,804	953

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

23. Lease liabilities (cont'd)

The following amounts were recognised in profit or loss:

	Group	
	2022	2021
	US\$'000	US\$'000
Depreciation expense of right-of-use assets	2,548	2,113
Interest expense on lease liabilities	337	229
Expense relating to leases of low-value assets	13	-
	2,898	2,342

Interest rates on the leases ranged from 2.0% to 3.4% (2021: 2.0% to 3.4%) per annum for the Group and 2.0% to 2.9% (2021: 2.0% to 2.9%) per annum for the Company.

24. Reconciliation of movement of financial liabilities to net cash flows from financing activities

	Group	
	2022	2021
	US\$'000	US\$'000
<u>Extract from Consolidated Statement of Cash Flows</u>		
Cash flows from financing activities:		
Proceeds from loans and borrowings	1,685,000	2,170,000
Repayment of loans and borrowings	(3,108,391)	(1,948,953)
Decrease in borrowings from revolving credit facilities, net	(185,000)	(225,000)
Repayment of lease liabilities	(2,902)	(2,371)
Finance expenses paid	(492,019)	(477,681)
Debt issue costs paid	(5,536)	(28,856)
Total financial liabilities	(2,108,848)	(512,861)
Cash flows used in other financing activities	(185,712)	(158,819)
Net cash flows used in financing activities in consolidated statement of cash flows	(2,294,560)	(671,680)

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
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For the financial year ended 31 December 2022

24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

Group	Note	2021 US\$'000	Cash flows US\$'000	Fair value and revaluation adjustments US\$'000	Non-cash changes				2022 US\$'000
					Future lease payments US\$'000	Amortisation /accrue US\$'000	Re- classification US\$'000		
Loans and borrowings									
Medium term notes									
- current		1,047,143	(1,048,301)	1,158	-	-	1,890,000	1,890,000	
- non-current		9,998,908	-	(12,861)	-	-	(1,890,000)	8,096,047	
Medium term notes discount (net of premium)									
- current		(630)	-	-	-	630	(482)	(482)	
- non-current		(22,872)	-	-	-	5,934	482	(16,456)	
Loans									
- current		808,577	(808,315)	(262)	-	-	534,432	534,432	
- non-current		4,950,756	248,225	(1,003)	-	-	(534,432)	4,663,546	
Deferred debt issue costs									
- current		(5,336)	-	-	-	5,336	(3,770)	(3,770)	
- non-current		(61,165)	(5,536)	-	-	21,279	3,770	(41,652)	
	22	16,715,381	(1,613,927)	(12,968)	-	33,179	-	15,121,665	
Lease liabilities									
- current		1,490	(2,902)	-	3,185	337	406	2,516	
- non-current		1,267	-	(2)	13,279	-	(406)	14,138	
	23	2,757	(2,902)	(2)	16,464	337	-	16,654	
Trade and other payables									
Accrued finance expenses									
	20	95,150	(492,019)	-	-	492,820	-	95,951	
		95,150	(492,019)	-	-	492,820	-	95,951	
Total		16,813,288	(2,108,848)	(12,970)	16,464	526,336	-	15,234,270	

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

24. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

Group	Note	2020 US\$'000	Cash flows US\$'000	Fair value and revaluation adjustments US\$'000	Non-cash changes					2021 US\$'000
					Future lease payments US\$'000	Amortisation /accrue US\$'000	Re- classification US\$'000			
Loans and borrowings										
Medium term notes										
- current		1,159,054	(1,185,873)	25,661	-	-	1,048,301	-	1,047,143	
- non-current		9,555,504	1,500,000	(8,295)	-	-	(1,048,301)	-	9,998,908	
Medium term notes discount (net of premium)										
- current		(400)	-	-	-	400	(630)	-	(630)	
- non-current		(22,882)	(7,234)	-	-	6,614	630	-	(22,872)	
Loans										
- current		595,371	(595,371)	-	-	-	808,577	-	808,577	
- non-current		5,482,042	277,291	-	-	-	(808,577)	-	4,950,756	
Deferred debt issue costs										
- current		(8,337)	-	-	-	8,337	(5,336)	-	(5,336)	
- non-current		(62,015)	(21,140)	-	-	16,654	5,336	-	(61,165)	
	22	16,698,337	(32,327)	17,366	-	32,005	-	-	16,715,381	
Lease liabilities										
- current		2,209	(2,371)	-	(4,308)	229	5,731	-	1,490	
- non-current		7,239	(482)	241	-	-	(5,731)	-	1,267	
	23	9,448	(2,853)	241	(4,308)	229	-	-	2,757	
Trade and other payables										
Accrued finance expenses										
	20	99,065	(477,681)	-	-	473,766	-	-	95,150	
		99,065	(477,681)	-	-	473,766	-	-	95,150	
Total		16,806,850	(512,861)	17,607	(4,308)	506,000	-	-	16,813,288	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

25. Security deposits

In addition to the cash security deposits recorded in the statement of financial position, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US\$187.2 million (2021: US\$208.7 million) and US\$67.0 million (2021: US\$75.2 million), respectively.

26. Maintenance reserves

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of year	672,110	698,062	326,509	327,757
Contributions	175,989	153,758	67,387	60,406
Utilisation	(31,812)	(83,991)	(18,814)	(65,617)
Transfer (to)/from accrued maintenance reserve payables	(444)	14,161	(444)	10,668
Transfer to buyers	(16,211)	(21,149)	(3,843)	(6,705)
Transfer to liabilities associated with assets held for sale	–	(88,731)	–	–
Transfer from subsidiary company	–	–	(2,282)	–
Release to profit or loss upon termination of leases	(154,516)	–	(29,025)	–
At end of year	645,116	672,110	339,488	326,509

Letters of credit received by the Group and the Company from certain lessees to cover all or a portion of their maintenance contribution payment obligations amounted to US\$249.8 million (2021: US\$345.0 million) and US\$73.5 million (2021: US\$151.0 million), respectively.

27. Deferred income tax assets and liabilities

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax liabilities, net	557,596	547,208	160,956	141,066
Deferred income tax assets, net	(159)	(153)	–	–
	557,437	547,055	160,956	141,066

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are grouped separately.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

27. Deferred income tax assets and liabilities (cont'd)

The gross deferred income tax assets and liabilities were as follows:

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Gross deferred tax liabilities	1,016,570	996,115	189,679	163,732
Gross deferred tax assets	(459,133)	(449,060)	(28,723)	(22,666)
Net deferred tax liabilities	557,437	547,055	160,956	141,066

The unrecognised deferred tax liabilities are as disclosed in Note 3.1(c).

Movements in the Group's and Company's deferred tax assets and liabilities during the year were as follows:

	Group			Total US\$'000
	Differences in depreciation US\$'000	Unremitted overseas income US\$'000	Others US\$'000	
Deferred tax liabilities arising from:				
At 1 January 2021	861,092	5,818	313	867,223
Charged/(Credited) to profit or loss	129,298	(544)	138	128,892
At 31 December 2021 and 1 January 2022	990,390	5,274	451	996,115
Charged to profit or loss	14,577	1,955	3,923	20,455
At 31 December 2022	1,004,967	7,229	4,374	1,016,570

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

27. Deferred income tax assets and liabilities (cont'd)

	Group			
	Unabsorbed capital allowances and unutilised tax losses	Provisions	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets arising from:				
At 1 January 2021	(373,799)	(7,325)	(21,389)	(402,513)
(Credited)/Charged to profit or loss	(55,951)	471	(336)	(55,816)
Charged to other comprehensive income	–	–	9,269	9,269
At 31 December 2021 and 1 January 2022	(429,750)	(6,854)	(12,456)	(449,060)
(Credited)/Charged to profit or loss	(19,379)	2,771	(2,941)	(19,549)
Charged to other comprehensive income	–	–	9,476	9,476
At 31 December 2022	(449,129)	(4,083)	(5,921)	(459,133)
	Company			
	Differences in depreciation	Unremitted overseas income	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax liabilities arising from:				
At 1 January 2021	145,168	5,818	283	151,269
Charged/(Credited) to profit or loss	12,866	(544)	141	12,463
At 31 December 2021 and 1 January 2022	158,034	5,274	424	163,732
Charged to profit or loss	20,042	1,955	3,950	25,947
At 31 December 2022	178,076	7,229	4,374	189,679

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

27. Deferred income tax assets and liabilities (cont'd)

	Company			
	Unabsorbed capital allowances and unutilised tax losses	Provisions	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets arising from:				
At 1 January 2021	(10,814)	(5,127)	(6,003)	(21,944)
(Credited)/Charged to profit or loss	(3,410)	451	(196)	(3,155)
Charged to other comprehensive income	–	–	2,433	2,433
At 31 December 2021 and 1 January 2022	(14,224)	(4,676)	(3,766)	(22,666)
(Credited)/Charged to profit or loss	(12,092)	2,206	(35)	(9,921)
Charged to other comprehensive income	–	–	3,864	3,864
At 31 December 2022	(26,316)	(2,470)	63	(28,723)

The unabsorbed capital allowances and unutilised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements applying to the Company and its relevant subsidiaries in their respective countries of incorporation. The unabsorbed capital allowances and unutilised tax losses have no expiry date.

28. Other non-current liabilities

Included in other non-current liabilities are the non-current portion of bonuses and related employers' contributions payable and provided for under the staff cash incentive plans. These bonuses are payable from 2024 to 2025 (2021: 2023 to 2025).

29. Share capital

	Group and Company			
	2022		2021	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully paid ordinary shares:				
At beginning and end of year	694,010	1,157,791	694,010	1,157,791

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

30. Hedging reserves

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

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Interest rate and foreign currency risk:				
At beginning of year	(84,596)	(170,789)	(46,982)	(85,102)
Effective portion of changes in fair value of cash flow hedges, net of tax:				
- Interest rate swaps	87,249	23,367	44,303	12,250
- Cross-currency interest rate swaps	(4,168)	(7,534)	(4,168)	(7,534)
	83,081	15,833	40,135	4,716
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:				
- Interest rate swaps	6,148	69,715	9,816	32,759
- Cross-currency interest rate swaps	10,579	645	10,579	645
	16,727	70,360	20,395	33,404
	99,808	86,193	60,530	38,120
At end of year	15,212	(84,596)	13,548	(46,982)

31. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Note	Group	
		2022 US\$'000	2021 US\$'000
Short-term deposits	17	306,707	248,224
Cash and bank balances	18	85,206	236,661
		391,913	484,885

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

32. Lease liabilities to subsidiary companies

	Company	
	2022	2021
	US\$'000	US\$'000
Current:		
Lease liabilities to subsidiary companies	47,293	65,965
Deferred debt issue costs	(1,866)	(2,899)
	45,427	63,066
Non-current:		
Lease liabilities to subsidiary companies	31,842	117,683
Deferred debt issue costs	(1,084)	(5,039)
	30,758	112,644
Total lease liabilities to subsidiary companies, net	76,185	175,710

	Company	
	2022	2021
	US\$'000	US\$'000
At beginning of year	175,710	254,266
Accretion of interest	7,773	5,985
Payments	(107,298)	(84,541)
At end of year	76,185	175,710
Current	45,427	63,066
Non-current	30,758	112,644
	76,185	175,710

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

32. Lease liabilities to subsidiary companies (cont'd)

The lease liabilities to subsidiary companies are secured by a charge over leased assets (Note 13). Interest rates on the leases ranged from 0.3% to 6.1% (2021: 0.3% to 1.5%) per annum.

The deferred debt issue costs relating to lease liabilities to subsidiary companies are analysed as follows:

	Company	
	2022	2021
	US\$'000	US\$'000
Cost:		
At beginning of year	38,756	42,732
Fully amortised cost written off	(15,381)	(3,976)
At end of year	23,375	38,756
Accumulated amortisation:		
At beginning of year	30,818	31,271
Charge for the year	4,988	3,523
Fully amortised cost written off	(15,381)	(3,976)
At end of year	20,425	30,818
Net book value:		
At end of year	2,950	7,938
Deferred debt issue costs, net	2,950	7,938
Less: Current portion	(1,866)	(2,899)
Non-current portion	1,084	5,039

33. Amounts due from subsidiary companies

The amounts due from subsidiary companies of US\$2,293.6 million (2021: US\$2,235.9 million) are interest bearing, non-trade related and unsecured. The interest rate ranged from 2.9% to 6.3% (2021: 0.9% to 3.4%) per annum.

34. Investments in subsidiary companies

	Company	
	2022	2021
	US\$'000	US\$'000
Equity investments at cost:		
At beginning of year	747,140	747,140
Dissolutions	—*	—
At end of year	747,140	747,140

* The decrease in cost of investment is less than US\$1,000.

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34. Investments in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
1	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	US\$75,000,000	100	100
1	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	US\$250,000,000 + €5.08	100	100
1	BOC Aviation Leasing (Tianjin) Limited [#]	People's Republic of China	Investment holding	US\$1,800,000	100	100
1	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	US\$186,400,000	100	100
	BOC Aviation Capital Limited	Cayman Islands	Dissolved	–	–	100
2	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	US\$100	100	100
2	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	US\$100	100	100
2	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	US\$100	100	100
2	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
2	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
2	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100

[#] Company type: Limited liability company (solely invested by a foreign legal person)

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34. Investments in subsidiary companies (cont'd)

Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
Vanda Leasing Seven Limited	Cayman Islands	Dissolved	–	–	100
Vanda Leasing Eight Limited	Cayman Islands	Dissolved	–	–	100
² Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
² Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
² Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100
² Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	US\$10	100	100

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34. Investments in subsidiary companies (cont'd)

Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
Consolidated structured entities*					
2,3 Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US\$250	-	-
2 Gawain Leasing Limited	Cayman Islands	In dissolution process	US\$250	-	-
2 Green Knight Leasing Limited	Cayman Islands	In dissolution process	US\$250	-	-
2,3 Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US\$250	-	-
1,3 ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US\$1	-	-
1,3 Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US\$1	-	-
2,3 Chilli Leasing LLC	United States	Leasing of aircraft	US\$1,000	-	-
2,3 Layiya Leasing LLC	United States	Leasing of aircraft	US\$1,000	-	-
2,3 Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	US\$1,000	-	-

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

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34. Investments in subsidiary companies (cont'd)

Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
Held by ARCU Aircraft Holdings Pte. Ltd.:					
2,3 ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US\$250	-	-
Held by Pacific Triangle Holdings Pte. Ltd.:					
2 Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US\$250	-	-
2 Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US\$250	-	-
Held by BOC Aviation (Ireland) Limited:					
2 BOC Aviation (France) SARL	France	Dormant	€1,000	100	100

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

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34. Investments in subsidiary companies (cont'd)

Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2022	Percentage of equity held 2022 %	Percentage of equity held 2021 %
Held by BOC Aviation Leasing (Tianjin) Limited:					
2	博加阿尔法航空租赁（天津）有限公司 (BOCA Alpha Leasing (TJ) Limited) [^]	Leasing of aircraft	CNY100,000	100	100
2	博加布拉沃航空租赁（天津）有限公司 (BOCA Bravo Leasing (TJ) Limited) [^]	Leasing of aircraft	CNY100,000	100	100
2	博加查理航空租赁（天津）有限公司 (BOCA Charlie Leasing (TJ) Limited) [^]	Leasing of aircraft	CNY100,000	100	100
2	博加德达航空租赁（天津）有限公司 (BOCA Delta Leasing (TJ) Limited) [^]	Leasing of aircraft	CNY100,000	100	100
2	博加易科航空租赁（天津）有限公司 (BOCA Echo Leasing (TJ) Limited) [^]	Leasing of aircraft	CNY100,000	100	100

[^] Company type: Limited liability company (solely invested by a foreign-invested enterprise)

All subsidiary companies and all consolidated structured entities are incorporated as limited liability entities.

¹ Audited by PricewaterhouseCoopers LLP, Singapore or member firms of PricewaterhouseCoopers.

² Not required to be audited by law in its country of incorporation.

³ The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.

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For the financial year ended 31 December 2022

35. Dividends

	Group and Company	
	2022	2021
	US\$'000	US\$'000
<i>Declared and paid during the year:</i>		
Final dividend for 2021: US\$0.1733 (2020: US\$0.1173) per share	120,272	81,407
Interim dividend for 2022: US\$0.0889 (2021: US\$0.1098) per share	61,698	76,202
	181,970	157,609
<i>Proposed as at 31 December:</i>		
Final dividend for 2022: US\$0.1770 (2021: US\$0.1733) per share	122,840	120,272

On 9 March 2023, the directors proposed to recommend to the Annual General Meeting on 30 May 2023 a final dividend of US\$0.1770 per ordinary share for the year ended 31 December 2022 amounting to approximately US\$122.8 million, bringing the total dividend for 2022 to US\$184.5 million (2021: US\$196.5 million) or US\$0.2659 (2021: US\$0.2831) per ordinary share. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

36. Related party transactions

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

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

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

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

	Group	
	2022	2021
	US\$'000	US\$'000
Costs and expenses		
(a) Intermediate holding company:		
Interest expense	19,269	12,029
(b) Other related parties:		
Interest expense	54,175	16,339
Debt issue costs	1,525	3,850
Dividend paid to immediate holding company	127,379	110,327

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

36. Related party transactions (cont'd)

	2022	Group
	US\$'000	2021
		US\$'000
<i>Directors' and key executives' remuneration paid during the year</i>		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	5,827	5,838
CPF and other defined contributions	3	3
	5,830	5,841
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	7,617	8,175
CPF and other defined contributions	154	156
	7,771	8,331

During the year ended 31 December 2022, the share-based compensation expense for directors of the Company and key executives of the Group amounted to US\$1.3 million (2021: US\$1.4 million) and US\$1.5 million (2021: US\$1.4 million), respectively.

As at 31 December 2022, US\$8.9 million (2021: US\$11.5 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

During the year ended 31 December 2022, 450,403 (2021: 315,774) of RSUs granted in 2020 (2021: 2019) to the directors of the Company and key executives of the Group had vested.

As at 31 December 2022, 727,674 (2021: 746,615) of RSUs had been granted to directors of the Company and key executives of the Group but had not vested.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

37. Commitments**(a) Operating lease commitments***Operating lease commitments - As lessor*Aircraft

The Group and the Company lease its aircraft under operating lease agreements that are non-cancellable.

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year for existing aircraft are as follows:

	Group		Company	
	2022 US\$ million	2021 US\$ million	2022 US\$ million	2021 US\$ million
Within one year	1,887	1,747	1,128	1,005
Between one and two years	1,857	1,815	1,119	1,141
Between two and three years	1,716	1,729	1,044	1,094
Between three and four years	1,608	1,577	969	1,016
Between four and five years	1,500	1,469	930	943
After five years	5,759	6,122	3,368	3,877
	14,327	14,459	8,558	9,076

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

	Group		Company	
	2022 US\$ million	2021 US\$ million	2022 US\$ million	2021 US\$ million
Within one year	73	114	27	27
Between one and two years	200	248	80	40
Between two and three years	232	270	98	40
Between three and four years	232	269	98	40
Between four and five years	232	268	98	40
After five years	1,567	1,705	771	289
	2,536	2,874	1,172	476

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

37. Commitments (cont'd)**(b) Finance lease commitments***Finance lease commitments - As lessor*

	Group and Company	
	Minimum lease payments	Minimum lease payments
	2022	2021
	US\$'000	US\$'000
Within one year	262,892	62,496
Between one and two years	234,132	262,892
Between two and three years	204,774	234,132
Between three and four years	–	204,774
Total minimum lease payments	701,798	764,294
Less: Amounts representing finance charges	(58,695)	(99,341)
	643,103	664,953

The scheduled finance lease receivables are as follows:

	2022	2021
	US\$'000	US\$'000
Finance lease receivables	643,103	664,953
Less: Current portion	(229,909)	(21,849)
Non-current portion	413,194	643,104

The effective interest rates on the finance lease receivables ranged from 6.1% to 6.3% per annum for the year ended 31 December 2022 and 2021.

As there has been no significant increase in the risk of default of these finance lease receivables since initial recognition, the Group and the Company assess that there is no material expected credit loss and accordingly no loss allowance is required.

(c) Capital expenditure commitments

As at 31 December 2022, the Group had committed to purchase various aircraft delivering between 2023 and 2029. The amount of future commitments under purchase agreements, including assumed escalation to delivery, was US\$11.1 billion to the end of 2029 (2021: US\$4.7 billion to the end of 2024). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. Contingent liabilities

Guarantees of subsidiary companies' obligations

The Company has provided guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2022, the guarantees for loans to subsidiary companies amounted to approximately US\$3.9 billion (2021: US\$4.8 billion). The guarantees are callable on demand.

39. Classification of financial instruments and their fair values

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

Financial assets measured at amortised cost comprise trade receivables (Note 15), other receivables (Note 16), short-term deposits¹ (Note 17), cash and bank balances (Note 18), amounts due from subsidiary companies (Note 33) and finance lease receivables (Note 37(b)).

As at 31 December 2022, the financial assets measured at amortised cost for the Group and the Company were US\$1,180.1 million (2021: US\$1,479.9 million) and US\$3,105.9 million (2021: US\$3,172.2 million), respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 20), loans and borrowings (Note 22), security deposits (Note 25) and other non-current liabilities² (Note 28).

As at 31 December 2022, the financial liabilities measured at amortised cost for the Group and the Company were US\$15,441.0 million (2021: US\$17,121.6 million) and US\$11,468.8 million (2021: US\$12,236.3 million), respectively.

¹ Excluding investment in money market funds.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

(a) *Financial instruments carried at fair values*

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 14) and investment in money market funds classified as short-term deposits (Note 17).

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

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

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

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

The fair values of the derivative financial instruments and investment in money market funds under the Group are classified under Level 2 of the fair value hierarchy. The fair values of the derivative financial instruments are determined with reference to marked-to-market values based on valuation techniques that use data from observable markets. The fair values of investment in money market funds are determined by reference to marked-to-market values provided by counterparties. There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2022 and 2021.

(b) *Financial instruments whose carrying amounts approximate fair values*

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

Non-current loans and borrowings (excluding non-current medium term notes as disclosed in Note 39(c) below) and receivables from airlines (Note 16) reasonably approximate their fair values for those that are at floating rate and are re-priced to market interest rates on or near the end of each year for the respective financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

39. Classification of financial instruments and their fair values (cont'd)**(c) Financial instruments not measured at fair value, for which fair value is disclosed**

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

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Medium term notes :				
Carrying amounts	8,975,156	10,462,290	7,977,869	10,462,290
Fair values	8,429,804	10,282,721	7,480,334	10,282,721

As at 31 December 2022, the fair value measurements of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US\$159.6 million (2021: US\$159.6 million) with fair value of US\$148.3 million (2021: US\$168.9 million) which was classified under Level 2 of the fair value hierarchy as it was determined based on indicative bid price obtained from a counterparty.

40. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's exposure to financial risks and the objectives, policies and processes for the management of these risks.

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

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings and lease rental income.

The Group obtains financing through loans and capital market notes. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A portion of the Group's financial assets and liabilities are based on floating interest rates pegged to US Dollar LIBOR or SOFR and are contractually repriced at intervals of less than 12 months from the end of each year. Interest rate exposure for the Group arises when the Group collects fixed rate rentals but pays floating interest rates under its borrowings.

The Group adopts a policy of managing its interest rate exposure by maintaining a debt portfolio with both fixed and floating interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(a) Interest rate risk (cont'd)***Interest rate benchmark reform and associated risks*

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

The Group has exposure to US Dollar LIBOR on its financial instruments and off-balance sheet items that will be replaced or reformed as part of these market-wide initiatives. US Dollar LIBOR settings (excluding the one week and two months tenors, to which the Group has no exposure beyond their cessation dates) would lose representativeness or discontinue after 30 June 2023.

The table below sets out the Group's exposure to US Dollar LIBOR as at 31 December 2022. These balances have not yet transitioned to an alternative benchmark rate and some of the balances will naturally expire before USD LIBOR ceases to be published in June 2023.

	US\$'000
Group	
<u>Assets</u>	
Derivative financial instruments	21,604
<u>Liabilities</u>	
Gross debt	5,637,978
Derivative financial instruments	6,246
<u>Off-balance sheet items</u>	
Operating lease commitments – as lessor	397,490
Unutilised committed credit facilities	4,405,000
	US\$'000
Company	
<u>Assets</u>	
Derivative financial instruments	21,604
<u>Liabilities</u>	
Gross debt	3,234,882
Derivative financial instruments	6,246
Amounts due to subsidiary companies	1,902
<u>Off-balance sheet items</u>	
Operating lease commitments – as lessor	292,004
Guarantees of loans to subsidiary companies	2,403,096
Unutilised committed credit facilities	4,115,000

As at 31 December 2022, the notional amount of the Group's and Company's derivative financial instruments exposed to US Dollar LIBOR is US\$1,259.7 million.

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For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(a) Interest rate risk (cont'd)**

The Group's internal Funding Committee monitors and manages the Group's transition to alternative rates. This committee is chaired by the Deputy Managing Director and Chief Financial Officer of the Company. The Funding Committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of the reform and how to manage communication about the reform with counterparties. Management reports interest rate risk and risks arising from the reform to the Risk Committee quarterly. The Group has engaged with counterparties to transition its floating rate liabilities and hedging derivatives to the alternative interest rate benchmarks. Financial liabilities of the Group such as loans and unsecured revolving credit facilities where they were renewed or entered into during the financial year ended 31 December 2022 were based on floating interest rates pegged to SOFR.

Sensitivity analysis for interest rate risk

A sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of the year:

- (i) Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments, which include short-term deposits and floating rate loans.
- (ii) Changes in interest rates affect the fair values of derivative financial instruments.
- (iii) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of the year.

For a more meaningful analysis on the impact of a change in floating interest rates, the sensitivity analysis includes the effect of such a change on the lease rental income in order to determine the potential impact on the Group's net profit after tax.

Under these assumptions, an increase or decrease in US Dollar floating interest rates of 10 basis points (2021: 10 basis points) with all other variables held constant will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

		Group	
	Basis points	Increase/ (Decrease) on profit net of tax US\$'000	Increase/ (Decrease) on hedging reserve net of tax in equity US\$'000
2022			
Increase in interest rate	+10	(3,401)	848
Decrease in interest rate	-10	3,401	(850)
2021			
Increase in interest rate	+10	(2,364)	3,707
Decrease in interest rate	-10	2,364	(3,720)

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For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(b) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

The Group's primary sources of liquidity have principally comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. The Group's business is capital intensive, requiring significant aircraft capital expenditures and borrowings to fund these expenditures in order to grow and to maintain a young aircraft fleet. The cash flows from operations, particularly revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

To ensure that the Group is able to meet its financial obligations, the Group's policy is to have its loan repayments typically spread over substantial periods of up to 10 years, and also to have available committed credit facilities from banks.

As at 31 December 2022, the Group had unutilised unsecured committed revolving credit facilities of US\$4,705 million (2021: US\$4,575 million) and unutilised unsecured committed term loan facilities of US\$225 million (2021: US\$985 million).

As at 31 December 2022, approximately 16% (2021: 11%) of the Group's gross debt was due to mature in less than one year.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the year based on contractual undiscounted repayment obligations.

	Group			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
2022				
Financial liabilities:				
Trade and other payables*	51,687	–	–	51,687
Loans and borrowings	2,424,432	11,192,353	1,580,213	15,196,998
Estimated interest and net swap payments*	583,652	1,103,528	108,419	1,795,599
Lease liabilities	2,954	9,684	5,751	18,389
Security deposits	24,798	40,798	137,934	203,530
Other non-current liabilities	–	18,101	–	18,101
Total undiscounted financial liabilities	3,087,523	12,364,464	1,832,317	17,284,304

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(b) Liquidity risk (cont'd)****Analysis of financial liabilities by remaining contractual maturities (cont'd)**

	Group			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
2021				
Financial liabilities:				
Trade and other payables*	105,359	–	–	105,359
Loans and borrowings	1,856,878	12,560,496	2,389,280	16,806,654
Estimated interest and net swap payments*	445,243	887,595	181,201	1,514,039
Lease liabilities	1,540	1,318	–	2,858
Security deposits	36,808	41,564	156,718	235,090
Other non-current liabilities	–	34,783	–	34,783
Total undiscounted financial liabilities	2,445,828	13,525,756	2,727,199	18,698,783

	Company			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
2022				
Financial liabilities:				
Trade and other payables*	71,060	–	–	71,060
Loans and borrowings	2,014,882	7,738,430	1,540,590	11,293,902
Estimated interest and net swap payments*	335,170	824,507	107,841	1,267,518
Lease liabilities	2,185	8,232	4,859	15,276
Lease liabilities to subsidiary companies	47,293	31,842	–	79,135
Security deposits	–	22,883	78,029	100,912
Other non-current liabilities	–	15,043	–	15,043
Total undiscounted financial liabilities	2,470,590	8,640,937	1,731,319	12,842,846

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(b) Liquidity risk (cont'd)****Analysis of financial liabilities by remaining contractual maturities (cont'd)**

	Company			Total US\$'000
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	
2021				
Financial liabilities:				
Trade and other payables*	71,975	–	–	71,975
Loans and borrowings	1,106,529	8,603,234	2,343,054	12,052,817
Estimated interest and net swap payments*	387,603	805,377	180,269	1,373,249
Lease liabilities	959	–	–	959
Lease liabilities to subsidiary companies	65,965	117,683	–	183,648
Security deposits	2,618	18,031	82,895	103,544
Other non-current liabilities	–	28,129	–	28,129
Total undiscounted financial liabilities	1,635,649	9,572,454	2,606,218	13,814,321

* Accrued interest expenses of the Group and the Company of US\$94.7 million and US\$79.3 million (2021: US\$94.7 million and US\$87.2 million) respectively are excluded in trade and other payables and included in estimated interest and net swap payments.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, finance lease receivables, derivative financial instruments, short-term deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in certain cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continuous revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees at least annually. The Group also evaluates the credit standing of vendors where significant and/or long-term procurement contracts are being contemplated.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group's policy is to undertake deposit and derivative transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of S&P Global Ratings' credit rating of "A-".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(c) Credit risk (cont'd)**

The Group recognises an allowance for expected credit losses of trade receivables and finance lease receivables when the overdue receivables of each lessee are in excess of any security deposit or the value of any collateral related to the lease.

(i) Exposure to credit risk

At the end of the year, the Group's maximum exposure to credit risk was represented by the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values. In addition, the Company also has a credit risk exposure to certain subsidiary companies under guarantees provided by the Company in respect of loans to the subsidiary companies and in respect of certain lease agreements entered into by the subsidiary companies.

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual debtor and regional exposure to its trade receivables and finance lease receivables, net of allowance for impairment losses, on an ongoing basis.

The credit risk concentration profile of the Group's trade receivables by debtor's geographic region based on the jurisdiction of each debtor under the relevant contracts was as follows:

	2022		2021	
	US\$'000	%	US\$'000	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	92,788	56.8	96,061	52.7
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	33,419	20.5	15,443	8.5
Americas	18,166	11.1	18,447	10.1
Europe	18,894	11.6	52,266	28.7
	163,267	100.0	182,217	100.0

The credit risk concentration profile of the Group's finance lease receivables was entirely from an airline customer in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

(c) Credit risk (cont'd)

(iii) Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired were either creditworthy receivables with good payment records with the Group or receivables which were contractually deferred by mutual agreement or were less than the security deposits held by the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that were either past due or impaired

Information regarding financial assets that were either past due or impaired was disclosed in Note 15.

(d) Foreign currency risk

The Group's revenues and principal assets are denominated in United States Dollar, which is the functional currency of the Group. Foreign currency exposure arises from the Group's borrowings that are denominated in a currency other than the functional currency of the Group.

All loans and borrowings which are denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar are swapped to United States Dollar. The Group primarily utilises cross-currency interest rate swap contracts to hedge its financial liabilities denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar.

As a result of the Group's hedging as described above, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(e) Offsetting financial assets and financial liabilities**

The Group and the Company have the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

	Group					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		Net amount US\$'000
	Gross amounts- Financial assets US\$'000	Gross amounts- Financial liabilities US\$'000	Net amounts- presented in balance sheet US\$'000	Financial assets/ (liabilities) US\$'000	Financial collateral received US\$'000	
At 31 December 2022						
Derivative financial assets	23,291	–	23,291	(6,989)	–	16,302
Trade receivables	174,617	–	174,617	–	(90,485)	84,132
	197,908	–	197,908	(6,989)	(90,485)	100,434
Derivative financial liabilities	–	(19,949)	(19,949)	6,989	–	(12,960)
At 31 December 2021						
Derivative financial assets	–	–	–	–	–	–
Trade receivables	202,354	–	202,354	–	(96,035)	106,319
	202,354	–	202,354	–	(96,035)	106,319
Derivative financial liabilities	–	(94,238)	(94,238)	–	–	(94,238)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(e) Offsetting financial assets and financial liabilities (cont'd)**

	Company					
	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		Net amount US\$'000
	Gross amounts- Financial assets US\$'000	Gross amounts- Financial liabilities US\$'000	Net amounts- presented in balance sheet US\$'000	Financial assets/ (liabilities) US\$'000	Financial collateral received US\$'000	
At 31 December 2022						
Derivative financial assets	23,291	–	23,291	(6,989)	–	16,302
Trade receivables	83,404	–	83,404	–	(55,098)	28,306
	106,695	–	106,695	(6,989)	(55,098)	44,608
Derivative financial liabilities	–	(19,949)	(19,949)	6,989	–	(12,960)
At 31 December 2021						
Derivative financial assets	–	–	–	–	–	–
Trade receivables	100,088	–	100,088	–	(41,583)	58,505
	100,088	–	100,088	–	(41,583)	58,505
Derivative financial liabilities	–	(94,238)	(94,238)	–	–	(94,238)

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For the financial year ended 31 December 2022

40. Financial risk management objectives and policies (cont'd)**(e) Offsetting financial assets and financial liabilities (cont'd)**

Agreements with derivative counterparties are based on an International Swap Derivatives Association Master Agreement. Under the terms of these arrangements, only upon the occurrence of certain credit events (such as default), the net position owing to/receivable from a single counterparty in the same currency are aggregated into a single net amount that is payable by one party to the other and all the relevant arrangements terminated.

Trade receivables are generally secured by cash security deposits (Note 25). In an event of default, based on contractual terms the Group can apply the security deposits against the trade receivables from the same lessee. As the Group does not presently have a legally enforceable right to set off, these amounts have not been offset in the balance sheet but have been presented separately in the table above.

41. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders.

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

There were no changes made in the objectives, policies and processes during the year ended 31 December 2022 and 2021.

During the year ended 31 December 2022, the Group issued US\$300 million (2021: US\$1,500 million) of notes under its Global Medium Term Note Program and utilised US\$1,385 million (2021: US\$670 million) in term loans. As at 31 December 2022, the Group had utilised US\$735 million (2021: US\$920 million) under its committed revolving credit facilities. The Group's gross debt to equity as at 31 December 2022 compared with 31 December 2021 decreased as set out in the table below.

	Group	
	2022	2021
	US\$'000	US\$'000
Gross debt	15,196,998	16,806,654
Total equity	5,202,099	5,265,914
Gross debt to equity (times)	2.9	3.2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

42. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 31 December 2022 and 31 December 2021.

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

	Group	
	2022	2021
<i>Earnings</i>		
Earnings used in the computation of basic and diluted earnings per share (profit for the year attributable to owners of the Company) (US\$'000)	20,060	561,318
<i>Number of shares</i>		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	694,010	694,010
Basic earnings per share (US\$)	0.03	0.81
Diluted earnings per share (US\$)	0.03	0.81

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

43. Segmental analysis

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

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

(a) Lease rental income

Lease rental income is derived from leasing of aircraft on operating lease to various airline customers around the world. The distribution of lease rental income by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	2022		2021	
	US\$ million	%	US\$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	421	23.6	370	19.8
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	473	26.5	510	27.4
Americas	311	17.4	287	15.4
Europe	363	20.4	485	26.0
Middle East and Africa	216	12.1	213	11.4
	1,784	100.0	1,865	100.0

The lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 26.5% and United States of America accounted for 13.0% of the total lease rental income for the year ended 31 December 2022 (2021: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 27.4% and United States of America accounted for 12.2%). Other than as disclosed above, there was no other country concentration in excess of 10% of the total lease rental income in either 2022 or 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

43. Segmental analysis (cont'd)**(b) Net book value of aircraft**

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

	2022		2021	
	US\$ million	%	US\$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	4,654	24.4	4,528	23.0
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	4,535	23.7	4,813	24.5
Americas	3,702	19.4	3,254	16.6
Europe	3,894	20.4	4,768	24.3
Middle East and Africa	2,319	12.1	2,280	11.6
	19,104	100.0	19,643	100.0

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

The net book value of aircraft leased to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 23.7% (2021: 24.5%) and United States of America accounted for 14.3% (2021: 13.3%) of the total net book value as at 31 December 2022. Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value in either 2022 or 2021.

During the year ended 31 December 2022, the impairment loss recognised on aircraft leased to airline customers in Europe was US\$792.9 million (2021: US\$30.0 million), Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) was US\$52.2 million (2021: US\$88.9 million), Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan was US\$6.1 million (2021: US\$12.3 million), Americas was US\$4.8 million (2021: nil) and Middle East and Africa was nil (2021: US\$14.6 million). During the year ended 31 December 2022, the reversal of impairment loss of US\$12.3 million (2021: nil) was in respect of an engine of an aircraft previously leased to an airline customer in Europe.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors passed on 9 March 2023.

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