BOC AVIATION

BOC AVIATION LIMITED
中銀航空租賃有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Stock code: 2588

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

Our financial highlights for the six months ended 30 June 2021 are:

- Total revenues and other income increased 7% to US$1,107 million
- Profit before tax and charges for impairment of aircraft and financial assets of US$434 million, up 5% from US$412 million in the first half of 2020
- Operating cash flows net of interest increased 0.4% to US$557 million in the first six months of 2021 compared with 1H 2020
- Net profit after tax declined to US$254 million, compared with US$323 million in the first half of 2020
- Earnings per share of US$0.37
- Interim dividend of US$0.1098 per share, maintaining the same payout ratio as in previous years
- Total assets increased to US$23.9 billion as at 30 June 2021 from US$23.6 billion as at 31 December 2020
- Raised US$2 billion in new financing
- Maintained strong liquidity with US$460 million in cash and cash equivalents in addition to US$5.4 billion in undrawn committed revolving credit facilities as at 30 June 2021

Capitalised terms used but not defined in this announcement are found in pages 31 to 32.

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

* *For identification purposes only.*

	Unaudited 6 months ended 30 June	
	2021	2020
	US$m	*US$m*
Statement of Profit or Loss		
Revenues and other income	**1,107**	1,035
Costs and expenses	**(820)**	(681)
Profit before income tax	**288**	354
Net profit after income tax	**254**	323
Earnings per share (US$)[1]	**0.37**	0.47

	Unaudited	Audited
	30 June	31 December
	2021	2020
	US$m	*US$m*
Statement of Financial Position		
Cash and short-term deposits[2]	**461**	408
Total current assets	**867**	656
Total non-current assets	**23,026**	22,913
Total assets	**23,893**	23,568
Total current liabilities	**1,963**	2,157
Total non-current liabilities	**16,938**	16,634
Total liabilities	**18,901**	18,792
Net assets	**4,992**	4,777
Financial Ratios		
Net assets per share (US$)[3]	**7.19**	6.88
Gross debt to equity (times)[4]	**3.4**	3.5
Net debt to equity (times)[5]	**3.3**	3.4

1 Earnings per share is calculated by dividing net profit after tax by total number of shares outstanding at 30 June 2021 and 30 June 2020. Number of shares outstanding at 30 June 2021 and 30 June 2020 was 694,010,334.

2 Includes encumbered cash and bank balances of US$456,000 and less than US$1,000 at 30 June 2021 and at 31 December 2020, respectively.

3 Net assets per share is calculated by dividing net assets by total number of shares outstanding at 30 June 2021 and 31 December 2020. Number of shares outstanding at 31 December 2020 was 694,010,334.

4 Gross debt to equity is calculated by dividing gross debt by total equity at 30 June 2021 and 31 December 2020.

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

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

Our operational highlights as at 30 June 2021 included:

- A portfolio of 536[1] owned, managed and committed aircraft
- Owned fleet of 377 aircraft, with an average age of 3.7 years and an average remaining lease term of 8.1 years, each weighted by net book value
- An orderbook of 122[1] aircraft scheduled for delivery through to 31 December 2024
- Total deliveries of 34 aircraft, including six acquired by airline customers on delivery, in the first half of 2021
- Signed 26 lease commitments in the first half of 2021, with all aircraft scheduled for delivery from our orderbook before 2023 placed with airline customers
- Customer base of 87 airlines in 38 countries and regions in the owned and managed fleet
- Sold nine aircraft from the owned fleet and three from the managed fleet
- Owned aircraft utilisation at 99.6%, with six twin aisle aircraft (all of which are now subject to new leases) and two single aisle aircraft off lease at 30 June 2021
- Cash collection from airline customers of 95.9% for the first half of 2021 compared with 88.8% in the first half of 2020
- Managed fleet comprised 37 aircraft, with two single aisle aircraft off lease at 30 June 2021

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

Exhibit 1: Aircraft portfolio at 30 June 2021, by number of aircraft

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order[1]	Total
Airbus A320CEO family	108	15	0	123
Airbus A320NEO family	79	0	51	130
Airbus A330CEO family	12	1	0	13
Airbus A330NEO family	4	0	2	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	75	14	0	89
Boeing 737 MAX family	40	0	45	85
Boeing 777-300ER	24	4	3	31
Boeing 777-300	0	1	0	1
Boeing 787 family	21	1	21	43
Freighters	5	1	0	6
Total	377	37	122	536

Certain airline customers notified us of their intention to acquire on delivery a total of 14 of our aircraft on order, five of which are expected to be delivered in the second half of 2021.

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

Exhibit 2: Revenues and other income breakdown, US$m

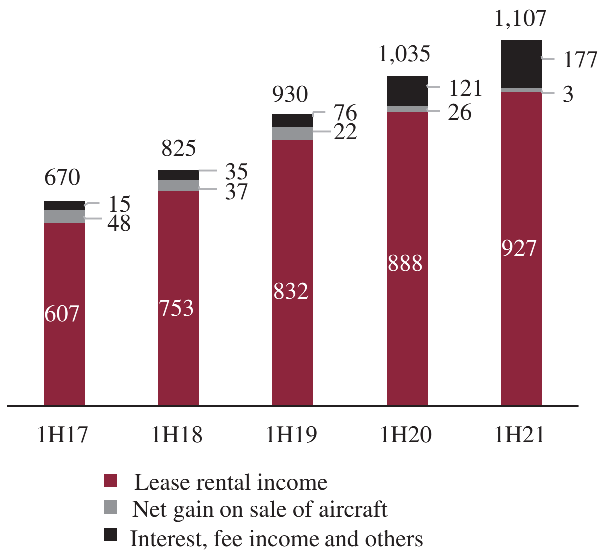


Exhibit 3: Profit before tax and impairment charges[1], US$m

Exhibit 4: Net profit after tax, US$m

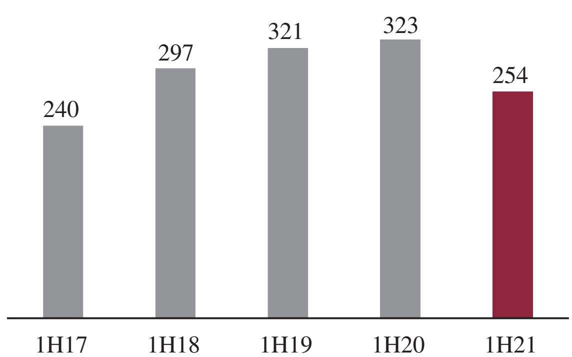
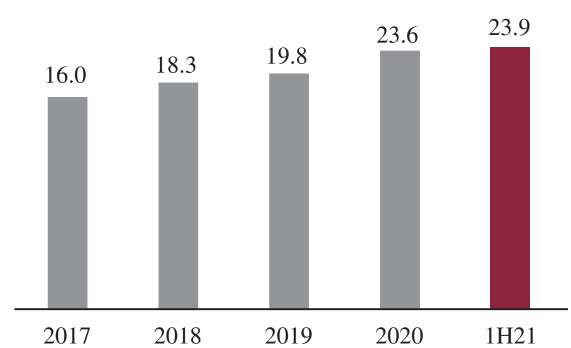


Exhibit 5: Total assets[2], US$b



1 Impairment charges comprise impairment of aircraft and financial assets.

2 All data as at the end of the relevant period.

Exhibit 6: Total equity[1], US$b

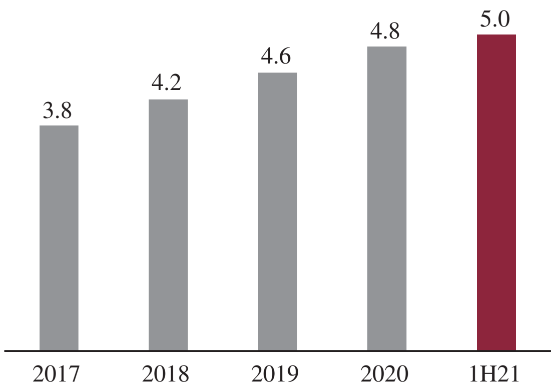


Exhibit 7: Net book value[2] of aircraft by region[3]

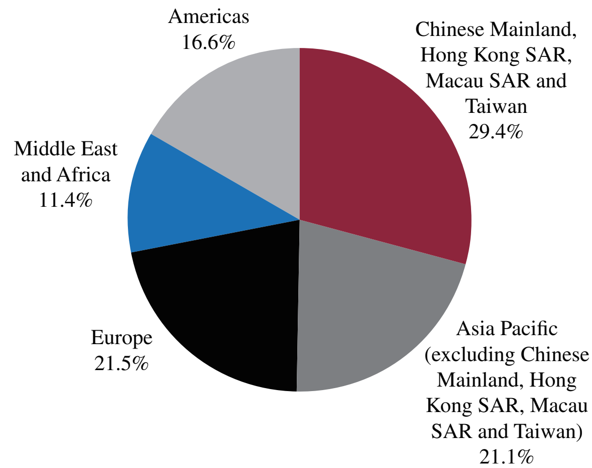


Exhibit 8: Lease expiries as % of portfolio[4]

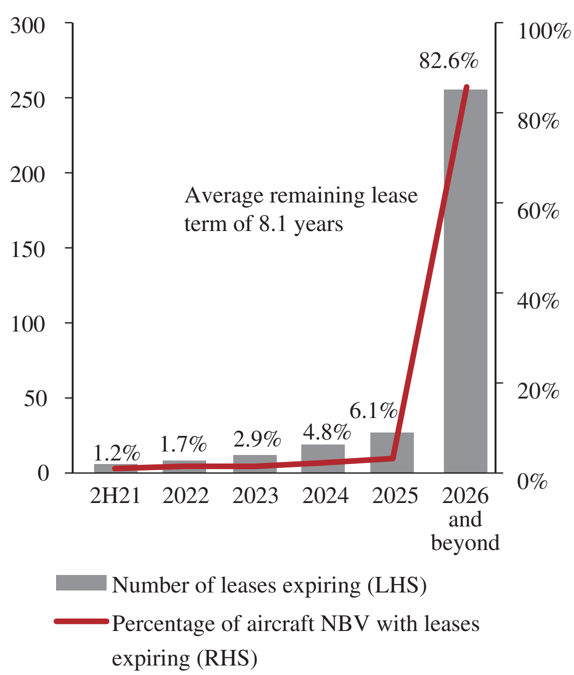
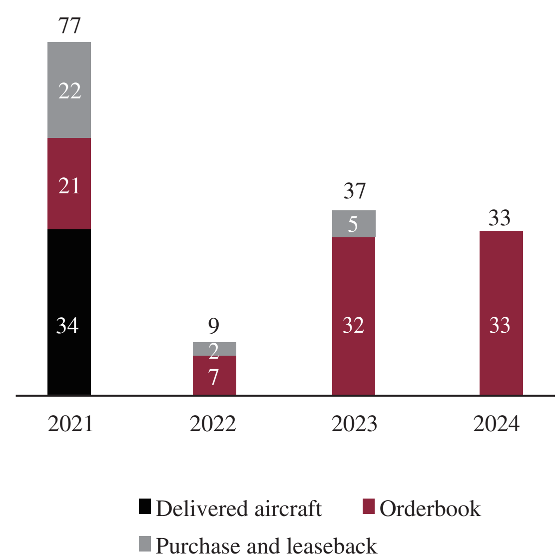


Exhibit 9: Aircraft deliveries by number of aircraft[5]



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

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

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

4 Owned aircraft with lease expiring in each calendar year, weighted by net book value, excluding any aircraft for which the Company has sale or lease commitments as well as aircraft off lease.

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

HALF YEAR BUSINESS REVIEW

We reported net profit after tax ("NPAT") of US$254 million for the first half of 2021. This was a decline in both NPAT and earnings per share compared with the same period last year as the effects of weaker travel associated with Covid-19 continued to affect the cash flows of our lessees and the value of our aircraft was consequently marked down by external aircraft appraisers. Profitability has improved since the second half of 2020, however, as the earnings and cash flow outlook brighten for most of our airline customers, particularly in China, Europe and USA.

The Board of Directors approved a distribution of US$0.1098 per share by way of interim dividend, which represents 30% of our NPAT in the first half of 2021, which is the same proportion of NPAT that we distributed as an interim dividend in prior years. The Company's dividend policy continues to be to distribute up to 35% of full-year net profit after tax, although dividends remain subject to the discretion of the Board of Directors.

We celebrated our fifth year as a listed company and recorded more than US$5 billion in cumulative earnings since inception. In the first half of 2021, our profit before tax and before charges for impairment of aircraft and financial assets rose 5% to US$434 million compared with the first half of 2020 and reflected our ongoing investment in new aircraft. Our owned fleet grew to 377 aircraft as at 30 June 2021, up from 358 at the end of 2020 in spite of the ongoing delivery delays affecting a number of new aircraft programmes.

We retained our focus on cash flow, generating US$557 million of operating cash flows net of interest[1] during the six months ended June 2021, slightly ahead of the first half of 2020. Collections rose to 96% from 89% in the first half of 2020 and we ended the period with US$5.8 billion in available liquidity.

Aircraft leasing sits at the intersection of the aircraft demand, aircraft supply and financial liquidity cycles. While the Covid-19 situation remains challenging, we are confident that 2020 was the bottom of the demand cycle. Airlines in countries with significant domestic markets, particularly in China, USA, Russia and Australasia, are seeing improvement in domestic travel demand. Air cargo rose 8% in the first half of 2021, its strongest first half performance since 2017[2], and the increase in cargo revenues provided essential cash flow support to many of our customers during the pandemic. The recovery of domestic travel provides a roadmap that other markets may follow as their inoculation rates rise, Covid-19 cases drop and economies re-open, which will drive demand for air travel. The pace of international travel recovery, however, continues to be determined by the speed of lifting government cross border restrictions.

[1] Operating cash flows net of interest is defined as net cash flows from operating activities less finance expenses paid.

[2] Air Cargo Posts Strongest First Half-Year Growth Since 2017 (IATA, 28 July 2021).

Aircraft manufacturers Airbus and Boeing significantly reduced the supply of new aircraft in 2020, which remained at low levels in the first half of 2021. During this period, there were delays in the deliveries of the Airbus A320NEO family and Boeing 787 family aircraft due to industrial and Covid-19 related issues. On the other hand, the progressive return to service of the Boeing MAX family of aircraft from December 2020 is a positive development for the aviation sector and for our Company. Close to 30 airlines now fly the MAX and 175 countries and regions have reopened their airspace to it. We purchased 16 new MAX aircraft in the first half of 2021, increasing the number in our fleet to 40. In the used aircraft market, there was pressure on lease rates, in particular for widebody passenger aircraft, as a result of reduced demand for aircraft due to government restriction on cross border travel and increased supply of aircraft coming off lease. This consequently affected the appraised values of widebody passenger aircraft. We expect the used narrowbody aircraft market to recover first, in line with improving prospects for domestic travel.

The availability of liquidity to the aviation sector remains overall positive, especially for investment grade aircraft lessors and airlines in China, Europe and USA with access to the capital markets. Government aid in the form of loans, grants and payroll support, which exceeded US$225 billion globally since the onset of Covid-19 to March 2021[1], further increased liquidity available to the sector. Bank financing to airlines and lessors, however, recovered more slowly in the first half of 2021.

Aircraft lessors play an important role in supporting the aviation sector on its path to recovery and accounted for 50% of new aircraft deliveries in the first half of 2021. Competition remains high in the aircraft leasing sector where investment grade lessors continue to enjoy competitively priced liquidity. More than 60% of all aircraft delivered to lessors in the 12 months to 30 June 2021 were financed by aircraft lessors owned by Asian financial institutions. The merger of the two largest players in the aircraft leasing sector, Aercap and GECAS, is expected to be completed by the end of 2021, subject to regulatory approvals. We expect to see pressure in the market for sales of aircraft with leases attached when the merger has closed as the combined entity looks to re-optimise its fleet.

Reflecting market conditions, our total revenues and other income increased by 7% in the first half of 2021 to US$1,107 million from US$1,035 million in the first half of last year, while our core lease rental contribution[2] declined 6% to US$344 million in the first half of 2021.

Our interest and fee income continued to rise in the first half of 2021, up by 27% to US$95 million, as we generated more revenue from pre-delivery payment transactions and the full half-year impact of six aircraft on finance leases.

1 The Economist (10 July 2021), IATA.

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

During the first half of 2021 we purchased 28 aircraft and sold nine owned aircraft. We maintained the quality of our owned fleet, with its very young fleet age of 3.7 years as at 30 June 2021 and long weighted average remaining lease term of 8.1 years. At 30 June 2021, we had committed capital expenditure of US$5.8 billion. We recorded utilisation of 99.6% for our owned portfolio during the first half of the year, ending the period with two single aisle aircraft and six twin aisle aircraft off lease. Signed leases are now in place for all six twin aisle aircraft.

We were again active in financing markets during the first half of 2021, raising US$1.5 billion in notes and US$500 million in new term loans. Our credit ratings were unchanged at A- from both Fitch Ratings and S&P Global Ratings, with the latter lifting our outlook to stable.

We were pleased to welcome our new chairman, Mr. Chen Huaiyu, in April 2021. He succeeds Mr. Sun Yu, who stepped down last December. We also welcomed the appointment of two other non-executive directors, Mr. Wang Xiao and Mdm. Wei Hanguang, who replaced Mr. Li Mang and Mr. Wang Zhiheng, respectively, whom we thank for all their efforts.

All of our 28 deliveries in the first half of 2021 were latest technology aircraft and we committed to purchase eight additional Airbus A320NEO family aircraft that are 20% more fuel efficient than their predecessors, supporting our commitment to reducing global carbon emissions by building a more efficient fleet. In line with our sustained commitment to ESG best practises, we continued to be active supporting both the communities in which we are based and charitable causes that act across borders. While in-person volunteering opportunities have been adversely affected by fluctuating social distancing regulations, representatives from our Singapore office spent an afternoon with Food From the Heart packing food parcels for the less fortunate and our London team devoted their energies to collecting litter from the banks of the River Thames. We also donated US$25,000 to Airlink's efforts to counter the Covid-19 pandemic in India and contributed another S$6,200 to the Orbis Flying Eye Hospital. On the governance side, today three of our 11 directors are female, making our board one of the most gender diverse in the industry.

BUSINESS OVERVIEW

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

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

From our inception to 30 June 2021, we have:

- Recorded more than US$5 billion of cumulative NPAT
- Purchased and committed to purchase 890 aircraft with an aggregate purchase price of close to US$51 billion
- Executed more than 1,080 leases with more than 160 airlines in 57 countries and regions
- Raised more than US$36 billion in debt financing since 1 January 2007
- Sold more than 380 owned and managed aircraft
- Transitioned 99 aircraft at lease end and repossessed and redeployed 57 aircraft from customers based in 17 countries and regions

As at 30 June 2021 our fleet comprised 414 owned and managed aircraft on lease to 87 customers in 38 countries and regions. We also had commitments to acquire 122 aircraft through to 2024. Our orderbook principally comprises single aisle aircraft, such as the A320NEO and 737 MAX new technology models. As at 30 June 2021, single aisle aircraft made up 58% of our owned portfolio, weighted by net book value, with popular twin aisle aircraft and freighters representing the balance.

We benefit from a low average cost of debt, which was 2.9% during the first half of 2021, compared with 3.2% during the first half of 2020, supported by our strong investment grade corporate and issuer credit ratings, which were A- from both Fitch Ratings and S&P Global Ratings, and by our access to diverse debt funding sources. Unsecured bonds and unsecured and secured third-party commercial bank debt are our primary sources of debt funding. We enjoy strong and committed support from Bank of China, a top four global bank by total assets. Bank of China has provided us with a US$3.5 billion committed unsecured revolving credit facility which matures in December 2026, of which US$3.3 billion was unutilised as at 30 June 2021. Our cash and undrawn credit facilities gave us total available liquidity of US$5.8 billion as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

Our net profit after tax of US$254 million for the period ended 30 June 2021 decreased by 21.5% compared with US$323 million for the same period last year mainly due to the impact of the Covid-19 pandemic on our airline customers and buyers of our aircraft. Despite this, total revenues and other income rose by 7.0% to US$1,107 million. Total costs and expenses rose by 20.3%, largely due to impairment of aircraft and an increase in depreciation of property, plant and equipment due to the larger portfolio.

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

	Unaudited 6 months ended 30 June			
	2021	2020	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Lease rental income	**926,554**	887,993	38,561	4.3
Interest and fee income	**95,442**	75,374	20,068	26.6
Other sources of income:				
Net gain on sale of aircraft	**3,216**	25,741	(22,525)	(87.5)
Fair value gain on investment in equity instruments	**–**	7,192	(7,192)	(100.0)
Other income	**82,149**	38,733	43,416	112.1
Total revenues and other income	**1,107,361**	1,035,033	72,328	7.0
Depreciation of property, plant and equipment	**378,539**	328,698	49,841	15.2
Impairment of aircraft	**83,700**	11,600	72,100	621.6
Finance expenses	**235,920**	219,844	16,076	7.3
Staff costs	**27,554**	45,241	(17,687)	(39.1)
Impairment losses on financial assets	**62,788**	46,677	16,111	34.5
Other operating costs and expenses	**31,237**	29,257	1,980	6.8
Total costs and expenses	**(819,738)**	(681,317)	138,421	20.3
Profit before income tax	**287,623**	353,716	(66,093)	(18.7)
Income tax expense	**(33,697)**	(30,384)	3,313	10.9
Profit for the period	**253,926**	323,332	(69,406)	(21.5)

Revenues and other income

Our total revenues and other income increased by 7.0% to US$1,107 million in the first half of 2021 ("1H 2021") from US$1,035 million in the first half of 2020 ("1H 2020"), primarily due to an increase in lease rental income and other income as described below.

Lease rental income

Our lease rental income increased by 4.3% to US$927 million in 1H 2021 compared with US$888 million in 1H 2020. The main driver of the increase in lease rental income was the growth of our fleet to 371 aircraft on operating lease compared with 328 aircraft as at 30 June 2020. During 1H 2021, we added 28 aircraft on operating leases and sold nine aircraft. The lease rental yield[1] for aircraft subject to operating leases was 9.6% for 1H 2021 compared with 10.4% for 1H 2020.

Interest and fee income

Our interest and fee income rose to US$95 million in 1H 2021 from US$75 million in 1H 2020. This growth was primarily due to an increase in fees from pre-delivery payment transactions and interest income on finance leases for six aircraft, which was recognised for the full half-year period compared with three months in 1H 2020. The lease rental yield[2] for aircraft on leases classified as finance leases in accordance with IFRS 16 *(Leases)* was 6.2% for 1H 2021 in line with 6.2% for 1H 2020.

Net gain on sale of aircraft

Net gain on sale of aircraft decreased by 87.5% to US$3 million in 1H 2021 compared with US$26 million in 1H 2020 due to lower profit per aircraft from the sale of nine aircraft in 1H 2021 compared with five aircraft in 1H 2020.

Fair value gain on investment in equity instruments

Fair value gain on investment in equity instruments in 1H 2021 was nil compared with US$7 million in 1H 2020. The fair value gain on investment in equity instruments in 1H 2020 was in respect of quoted equity shares that were issued to the Company in May 2020 in connection with the financial restructuring of an airline under which certain present and future receivables under aircraft leases were converted into equity. The investment was re-measured at fair value based on the closing price of the quoted shares as at 30 June 2020 resulting in an unrealised gain which was recognized in profit or loss in 1H 2020. The shares were subsequently sold in the second half of 2020.

Other income

Other income increased by 112.1% to US$82 million in 1H 2021 compared with US$39 million in 1H 2020 mainly due to income arising from recoveries upon the termination of leases with an airline customer.

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

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

Costs and expenses

The increase in costs and expenses of 20.3% to US$820 million in 1H 2021 from US$681 million in 1H 2020 was primarily due to an increase in impairment of aircraft and depreciation of property, plant and equipment which are described below.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by 15.2% to US$379 million in 1H 2021, compared with US$329 million in 1H 2020, mainly due to an increase in aircraft assets, with aircraft net book value rising from US$17.3 billion as at 30 June 2020 to US$18.9 billion as at 31 December 2020, and a further increase to US$19.6 billion as at 30 June 2021.

Impairment of aircraft

Impairment of aircraft was US$84 million in 1H 2021 for 28 aircraft compared with US$12 million in 1H 2020 for five aircraft, where the appraised value of each affected aircraft was assessed to be lower than its net book value.

Finance expenses

Finance expenses rose by 7.3% to US$236 million in 1H 2021 from US$220 million in 1H 2020. This was due to a 14.7% increase in our average total indebtedness in 1H 2021 compared with 1H 2020 which was partially offset by lower cost of debt of 2.9% per annum in 1H 2021 compared with 3.2% per annum in 1H 2020.

Staff costs

Staff costs decreased by 39.1% to US$28 million in 1H 2021 from US$45 million in 1H 2020, mainly due to lower provisions for variable cash bonuses in 1H 2021 compared with 1H 2020, based on the Company's performance.

Impairment losses on financial assets

Impairment losses on financial assets of US$63 million in 1H 2021 increased by 34.5% from US$47 million in 1H 2020 stemming from increased receivables from lessees exceeding the security deposits held by us under those leases as a result of financial difficulties faced by some lessees arising from the Covid-19 pandemic.

Other operating costs and expenses

Other operating costs and expenses mainly comprise amortisation of deferred debt issue costs, repossession and transition costs, taxes (other than income tax expense), and general and administration costs. The increase in these costs of 6.8% to US$31 million in 1H 2021 from US$29 million in 1H 2020 was mainly due to increased provision for costs in relation to the transition and repossession of aircraft.

Profit before income tax and pre-tax profit margin

Profit before income tax decreased by 18.7% to US$288 million in 1H 2021 from US$354 million in 1H 2020. Our pre-tax profit margin decreased to 26.0% in 1H 2021 from 34.2% in 1H 2020.

Income tax expense

Income tax expense increased by 10.9% to US$34 million in 1H 2021 from US$30 million in 1H 2020 despite a decrease in profit before income tax, as the tax reduction arising therefrom was offset by the increase in deferred tax liabilities mainly from (i) the UK's enactment on 10 June 2021 of a corporate tax rate increase to 25% from 19% effective from 1 April 2023, and (ii) an increase in the aircraft portfolio of BOC Aviation (USA) Corporation, the Company's wholly-owned subsidiary in the USA, for which the lease income was subject to higher tax rates than in the Group's other aircraft-owning jurisdictions. Accordingly, our effective tax rate was 11.7% for 1H 2021, an increase from 8.6% for 1H 2020.

Profit for the period

As a result of the foregoing, our profit after tax decreased by 21.5% to US$254 million in 1H 2021 from US$323 million in 1H 2020.

Since the publication of our audited financial statements for the year ended 31 December 2020 on 11 March 2021, there have been no material changes to our business.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 1.4% to US$23.9 billion as at 30 June 2021 from US$23.6 billion as at 31 December 2020. Our total equity increased by 4.5% to US$5.0 billion as at 30 June 2021 compared with US$4.8 billion as at 31 December 2020.

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

	Unaudited 30 June 2021	Audited 31 December 2020	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Property, plant and equipment and assets held for sale	**22,390,880**	22,160,793	230,087	1.0
Finance lease receivables	**675,381**	685,491	(10,110)	(1.5)
Trade receivables	**100,307**	154,773	(54,466)	(35.2)
Cash and short-term deposits	**460,727**	407,557	53,170	13.0
Derivative financial instruments	**3,948**	11,069	(7,121)	(64.3)
Other assets	**261,588**	148,658	112,930	76.0
Total assets	**23,892,831**	23,568,341	324,490	1.4
Loans and borrowings	**16,998,067**	16,698,337	299,730	1.8
Maintenance reserves	**624,693**	698,062	(73,369)	(10.5)
Security deposits and non-current deferred income	**257,703**	343,943	(86,240)	(25.1)
Derivative financial instruments	**142,349**	218,135	(75,786)	(34.7)
Trade and other payables	**157,635**	186,966	(29,331)	(15.7)
Deferred income tax liabilities	**502,361**	464,947	37,414	8.0
Other liabilities	**217,731**	181,151	36,580	20.2
Total liabilities	**18,900,539**	18,791,541	108,998	0.6
Net assets	**4,992,292**	4,776,800	215,492	4.5
Share capital	**1,157,791**	1,157,791	–	–
Retained earnings	**3,950,929**	3,778,620	172,309	4.6
Statutory reserves	**834**	624	210	33.7
Share-based compensation reserves	**14,417**	10,554	3,863	36.6
Hedging reserves	**(131,679)**	(170,789)	39,110	22.9
Total equity	**4,992,292**	4,776,800	215,492	4.5

Property, plant and equipment and assets held of sale

We had property, plant and equipment and assets held for sale of US$22.4 billion as at 30 June 2021, which increased by 1.0% from US$22.2 billion as at 31 December 2020 due to net addition of 19 aircraft on operating leases in 1H 2021.

Aircraft constituted the largest component, amounting to US$19.6 billion and US$18.9 billion as at 30 June 2021 and 31 December 2020, respectively, representing 87.5% and 85.1% of our total property, plant and equipment and assets held for sale as at the same dates. Aircraft pre-delivery payments constituted 12.4% and 14.9% of our total property, plant and equipment and assets held for sale as at 30 June 2021 and 31 December 2020, respectively. As at 30 June 2021, assets held for sale amounted to US$0.1 billion while there were no assets held for sale as at 31 December 2020.

Finance lease receivables

Finance lease receivables of US$675 million as at 30 June 2021 and US$685 million as at 31 December 2020 were in respect of six aircraft subject to leases that were classified as finance leases in accordance with IFRS 16 *(Leases)*.

Trade receivables

Trade receivables, net of allowance for impairment losses on financial assets, decreased to US$100 million as at 30 June 2021 from US$155 million as at 31 December 2020 mainly due to an increase in allowance for impairment on financial assets to US$115 million as at 30 June 2021 from US$68 million as at 31 December 2020 as a result of more overdue receivables in excess of security deposits. The gross trade receivables as at 30 June 2021 were US$216 million comprising US$114 million which was contractually deferred by mutual agreement and not overdue, and which is generally interest bearing, and US$102 million which was past due.

Cash and short-term deposits

Our cash and short-term deposits, which were mainly denominated in US Dollar, increased to US$461 million as at 30 June 2021 from US$408 million as at 31 December 2020. The increase in cash and short-term deposits was mainly due to the total net cash inflows from operating activities and proceeds from sale of property, plant and equipment, having been greater than the cash outflows from capital expenditure and financing activities during 1H 2021.

Derivative financial instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, which were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we contracted as at 30 June 2021 and 31 December 2020 respectively. Under assets, our derivative financial instruments decreased to US$4 million as at 30 June 2021 from US$11 million as at 31 December 2020. Under liabilities, our derivative financial instruments decreased to US$142 million as at 30 June 2021 from US$218 million as at 31 December 2020. 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 swap payments as at 30 June 2021. Accordingly, the unrealised loss in the hedging reserve decreased to US$132 million as at 30 June 2021 from US$171 million as at 31 December 2020, mainly due to net change in fair value of cash flow hedges being reclassified into profit or loss upon swap payments.

Other assets

Other assets increased to US$262 million as at 30 June 2021 from US$149 million as at 31 December 2020 mainly due to an amount receivable of US$90 million from a manufacturer which was deferred by mutual agreement in return for a fee. Included in other assets as at 30 June 2021 and 31 December 2020 was a corporate tax receivable from the US federal tax authority in relation to a tax refund of US$85 million which arose due to the carry back of net operating losses (tax losses) which can be offset against prior years' taxable income under the US Coronavirus Aid, Relief and Economic Security Act. The tax refund was received subsequent to 30 June 2021.

Loans and borrowings

Our loans and borrowings increased by 1.8% to US$17.0 billion as at 30 June 2021 from US$16.7 billion as at 31 December 2020. The increase in loans and borrowings included the issuance of US$1.5 billion of notes under our Global Medium Term Note Program and the utilisation of US$630 million in term loans. An amount of US$1.9 billion in term loans, revolving credit facilities and medium term notes was repaid as part of regular loan repayment and loan prepayments in 1H 2021.

Trade and other payables

Our trade and other payables decreased by 15.7% to US$158 million as at 30 June 2021 compared with US$187 million as at 31 December 2020, primarily due to lower accrued maintenance reserve payables and a decrease in staff cost accruals.

Total equity

Total equity increased by 4.5% to US$5.0 billion as at 30 June 2021, compared with US$4.8 billion as at 31 December 2020. The increase in total equity was attributable to profit for the period and a decrease in unrealised losses in hedging reflected in hedging reserve as explained under "Derivative financial instruments", partially offset by payment of dividends amounting to US$81 million.

Contingent liabilities

Other than corporate 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 24 to the interim condensed consolidated financial statements set out in the Appendix (Interim Financial Statements) hereto, the Company had no material contingent liabilities as at 30 June 2021.

OTHER INFORMATION

Liquidity

Our primary sources of liquidity comprise cash generated from aircraft leasing operations, proceeds from aircraft sales and borrowings. Our business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. The cash 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 flows net of interest paid rose 0.4% to US$557 million in the first six months of 2021 compared with 1H 2020.

In the first half of 2021, we issued US$1.5 billion of notes under our Global Medium Term Note Program and utilised US$630 million under term loan facilities. We also had US$0.4 billion utilised under our revolving credit facilities as at 30 June 2021 compared with US$1.1 billion of utilisation under these facilities as at 31 December 2020. Our liquidity remains strong, with cash and cash equivalents of US$460 million and US$5.4 billion in undrawn revolving credit facilities as at 30 June 2021.

Indebtedness

Our gearing as at 30 June 2021 decreased slightly compared with 31 December 2020 as set out in the table below.

	Unaudited 30 June 2021 *US$m*	Audited 31 December 2020 *US$m*
Gross debt	**17,085**	16,811
Net debt	**16,624**	16,403
Total equity	**4,992**	4,777
Gross debt to equity (times)	**3.4**	3.5
Net debt to equity (times)	**3.3**	3.4

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.

A description of our indebtedness is set out below:

	30 June 2021	31 December 2020
	US$m	*US$m*
Secured		
Term loans	**589**	597
Export credit agency supported financing	**279**	345
Total secured debt	**868**	942
Unsecured		
Term loans	**4,290**	3,991
Revolving credit facilities	**380**	1,145
Medium term notes	**11,547**	10,733
Total unsecured debt	**16,217**	15,869
Total indebtedness	**17,085**	16,811
Less: deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes	**(87)**	(113)
Total debt	**16,998**	16,698
Number of aircraft pledged as security	**52**	54
Net book value of aircraft pledged as security	**2,193**	2,273
Number of unencumbered aircraft	**319**	298
Net book value of unencumbered aircraft	**17,404**	16,578

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$13.4 billion as at 30 June 2021 compared with US$12.6 billion as at 31 December 2020.

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 1H 2021 as set out in the table below:

	30 June 2021	31 December 2020
Secured debt/total assets	**3.6%**	4.0%
Secured debt/total indebtedness	**5.1%**	5.6%

As at 30 June 2021, our debt repayment profile was as follows:

Debt repayment profile

	30 June 2021 ***US$b***
2H 2021	**0.7**
2022	**2.0**
2023	**2.9**
2024	**4.0**
2025	**3.5**
2026 and beyond	**4.0**
Total	**17.1**

Foreign currency risk

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

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

Future plans for material investments

Our estimated cash outflows based on aircraft capital expenditure commitments as at 30 June 2021 are set out below:

	30 June 2021
	US$b
2H 2021	**2.5**
2022	**0.3**
2023	**2.2**
2024	**0.8**
Total	**5.8**

The table above is based on estimated contractual capital expenditure commitments as at 30 June 2021 and include 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 includes anticipated escalation and are net of advance payments made before 30 June 2021.

Sources of funding

Our aircraft purchase commitments as at 30 June 2021 are expected to be financed through a range of funding sources, including (a) cash flows generated from our operating activities, (b) proceeds from our notes issuance from debt capital markets, (c) amounts made available and drawn down under our various bank financing facilities, and (d) net proceeds from sales of aircraft.

We benefit from our strong investment grade corporate credit ratings of A- from both Fitch Ratings and S&P Global Ratings and from our access to diverse debt funding sources. Our primary sources of debt funding are unsecured notes and unsecured loan facilities. We have been an issuer of notes since 2000 and continue to regularly issue notes under our US$15 billion Global Medium Term Note Program. We also enjoy access to and continued support from a large group of lenders comprising over 60 financial institutions. We have US$5.7 billion in committed unsecured revolving credit facilities including a US$3.5 billion facility from Bank of China which matures in December 2026.

Employees

As at 30 June 2021 and 30 June 2020, we had 185 and 179 employees, respectively, who were engaged in the operation and management of our business.

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

We set targets for our employees based on their position and role and periodically assess their performance. The results of such assessments are used in their salary reviews, bonus awards and assessing promotions. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our employee bonuses include two employee incentive plans as follows: (i) our short term incentive plan which is cash-based and payable over a maximum three year period, under which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive plan, under which a bonus is awarded to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period. The long term incentive plan comprises a mix of cash-based and share-based elements. The share-based long term incentive plan involves the grant of awards in the form of 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. Four annual grants under the RSU Plan have been made since 2018, and each RSU award is amortised over the vesting period of approximately three years commencing from the date of grant.

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

For the six months ended 30 June 2021 and 30 June 2020, our staff costs were US$28 million and US$45 million respectively, representing approximately 2.5% and 4.4% of the Group's total revenues and other income of each period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the six months ended 30 June 2021, there was no material acquisition or disposal of subsidiaries and affiliated companies by the Company.

GENERAL INFORMATION

Dividend policy

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

Interim dividend

Consistent with the dividend policy, the Directors have declared an interim dividend of US$0.1098 per Share for the six months ended 30 June 2021. The interim dividend will be paid in Hong Kong dollars (converted from US Dollar at the prevailing market rate at least one week before the payment date) on 13 October 2021 to Shareholders registered at the close of business on the record date, being 4 October 2021. This declared interim dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

The register of members will be closed from 29 September 2021 to 4 October 2021 (both dates inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong, for registration not later than 4:30 p.m. on 28 September 2021.

Substantial interests in share capital

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2021, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of total issued share capital (%)
Central Huijin Investment Limited	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOC	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOCGI	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
Sky Splendor Limited	Beneficial owner (L)	485,807,334 (Ordinary)	70
The Capital Group Companies, Inc.	Interest of controlled corporation (L)	41,615,379 (Ordinary)	5.99
Pandanus Associates Inc.	Interest of controlled corporation (L)	34,801,400 (Ordinary)	5.01
Pandanus Partners L.P.	Interest of controlled corporation (L)	34,801,400 (Ordinary)	5.01
FIL Limited	Beneficial owner/Interest of controlled corporation (L)	34,801,400 (Ordinary)	5.01

Notes:

1. BOCGI holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOCGI is deemed to have the same interests in the Company as Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.
2. BOC holds the entire issued share capital of BOCGI, which in turn holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCGI and Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.
3. Central Huijin Investment Limited holds the controlling stake in the equity capital of BOC. Accordingly, for the purpose of the SFO, Central Huijin Investment Limited is deemed to have the same interest in the Company as BOC.
4. The Capital Group Companies, Inc. holds the entire issued share capital of Capital Bank and Trust Company, and accordingly, it is deemed to have the same interests in the Company as Capital Bank and Trust Company which directly holds 447,614 Shares. The Capital Group Companies, Inc. also holds the entire issued share capital of Capital Research and Management Company, and accordingly, it is deemed to have the same interests in the Company as Capital Research and Management Company which directly holds 36,610,477 Shares. Capital Research and Management Company in turn holds the entire issued share capital of Capital Group International, Inc. which in turn holds 100% interest in Capital International Sarl and Capital International, Inc. Capital International Sarl directly holds 227,900 Shares. Capital International, Inc. directly holds 4,329,388 Shares. Accordingly, The Capital Group Companies, Inc. is deemed to have interest in 227,900 Shares and 4,329,388 Shares for the purpose of the SFO.
5. Pandanus Partners L.P. controls more than one-third of voting rights in FIL Limited. Accordingly, for the purpose of the SFO, Pandanus Partners L.P. is deemed to have the same interest in the Company as FIL Limited, which has interest in 34,801,400 Shares.
6. 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.
7. FIL Limited directly holds 1,200 Shares and is deemed be interested in 34,800,200 Shares held directly and indirectly by its controlled corporations. Accordingly, for the purpose of the SFO, FIL Limited has interest in 34,801,400 Shares.

All the interests stated above represented long positions. Save as disclosed above and so far as the Directors are aware as at 30 June 2021, no other persons or corporations had 5% or more interests or short positions in the Shares or underlying shares of the Company which were recorded in the register maintained by the Company under section 336 of the SFO.

Directors' and Chief Executive's interests in shares, underlying shares and debentures

As at 30 June 2021, interests of the Directors or the Chief Executive Officer or 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, Cap. 50 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	Number of underlying Shares held under equity derivatives (Note)	Approximate percentage of total issued share capital (%)
Mr. Robert James MARTIN	697,654	0.10
Mdm. ZHANG Xiaolu	44,409	0.01

Note: As at 30 June 2021, Mr. Martin had a beneficial interest in a total of 697,654 Shares, which included 498,281 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan. Mdm. Zhang had a beneficial interest in a total of 44,409 Shares, representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan.

Save as disclosed above, none of the Directors or the Chief Executive Officer of the Company or their respective associates had any other interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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, Cap. 50 or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2021.

Restricted Share Unit Long Term Incentive Plan

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

Eligible participants of the RSU Plan are selected employees (including Executive Directors) of the Company or any of its subsidiaries. An independent trustee (Computershare Hong Kong Trustees Limited) will purchase Shares of the Company from the market and will hold such Shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new Shares by the Company.

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

During the six months ended 30 June 2021, the Company granted awards under the RSU Plan on 7 May 2021. For more information on the grant of awards under the RSU Plan on 7 May 2021, please refer to the Company's announcement dated 7 May 2021 on the websites of the Stock Exchange and the Company. In addition, certain RSUs out of those granted since the adoption of the RSU Plan in 2017 were forfeited during the six months ended 30 June 2021 in accordance with the terms and conditions of the RSU Plan. Details are set out below:

Participants	**Position***	**Number of RSUs granted**	**Number of RSUs vested**	**Number of RSUs forfeited**
Mr. Robert James MARTIN	Executive Director	81,411	Nil	Nil
Mdm. ZHANG Xiaolu	Executive Director	44,409	Nil	Nil
Certain directors of subsidiaries of the Company	Subsidiary Directors	209,226	Nil	Nil
Employees and former employees of the Group other than the Executive Directors and Subsidiary Directors mentioned above	–	485,554	Nil	21,903
Total		**820,600**	**Nil**	**21,903**

* *Based on their positions as at 7 May 2021.*

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 2020 annual report dated 30 April 2021, up to 19 August 2021 (being the approval date of this announcement) is set out below:

Experience including other directorships

Mr. Chen Huaiyu, a Non-executive Director of the Company and Chairman of the Board, was appointed as the President of Bank of China's Shanghai RMB Trading Unit with effect from 3 March 2021, as announced by Bank of China and notified to the Company in May 2021.

Mr. Liu Chenggang, a Non-executive Director of the Company, was appointed as a non-executive director of National Green Development Fund Co., Ltd. with effect from 10 July 2020, as notified to the Company in July 2021.

Mr. Dai Deming, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Haier Smart Home Co., Ltd. with effect from 25 June 2021.

Purchase, sale or redemption of the Company's securities

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Audit Committee

The Audit Committee consists of three independent non-executive Directors and two non-executive Directors. It is chaired by Mr. Dai Deming. The other members are Mr. Liu Chenggang, Mdm. Zhu Lin, Mr. Fu Shula and Mr. Antony Nigel Tyler.

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

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

Compliance with the Corporate Governance Code and Corporate Governance Report

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. During the six months ended 30 June 2021, the Company was in full compliance with all code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules.

Compliance with the codes for securities transactions by Directors

The Company has established and implemented a Dealing Policy on terms no less exacting than the Model Code to govern the Directors' securities transactions of the Company. In this connection, the Company had made specific enquiry of all Directors, who confirmed that they had strictly complied with the provisions set out in both the Dealing Policy and the Model Code throughout the six months ended 30 June 2021.

Forward-looking statements

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

Publication of results announcement and unaudited Interim Financial Statements

This announcement complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcement of interim results. This announcement is published on the websites of the Company at www.bocaviation.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. A printed version of the Company's 2021 Interim Report, including our unaudited Interim Financial Statements for the six months ended 30 June 2021 as set out in the Appendix hereto, will be dispatched to the Shareholders who have chosen to receive a printed version and will also be available on the same websites in due course.

ADDITIONAL INFORMATION

As at 19 August 2021

CORPORATE INFORMATION

Board of Directors

Chairman
CHEN Huaiyu*

Vice Chairman
ZHANG Xiaolu

Directors
Robert James MARTIN
LIU Chenggang*
WANG Xiao*
WEI Hanguang*
ZHU Lin*
DAI Deming#
FU Shula#
Antony Nigel TYLER#
YEUNG Yin Bernard#

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

Senior Management

Managing Director and
Chief Executive Officer
Robert James MARTIN

Deputy Managing Director
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
8 Shenton Way
#18-01
Singapore 068811

Place of Business in Hong Kong
54th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditor
PricewaterhouseCoopers LLP

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

Credit Ratings
Fitch Ratings
S&P Global Ratings

Stock Codes
Ordinary shares:

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

Website
www.bocaviation.com

DEFINITIONS

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

Terms	Meanings
"Board"	The board of directors of the Company
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-share and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively and the ultimate controlling shareholder of the Company
"BOCGI"	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, and a wholly-owned subsidiary of BOC and a controlling shareholder of the Company
"Company"	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Stock Exchange which, together with its subsidiaries, is engaged in aircraft leasing, aircraft purchase and sale and related businesses
"Dealing Policy"	The Directors'/Chief Executive Officer's Dealing Policy adopted by the Board on 12 May 2016 on terms no less exacting than the Model Code
"Director(s)"	The director(s) of the Company
"Group"	The Company together with its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"RSU"	A restricted share unit, which is a contingent right to receive Shares, awarded pursuant to the RSU Plan

"RSU Plan"	The BOC Aviation Limited Restricted Share Unit Long Term Incentive Plan
"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

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

Hong Kong, 19 August 2021

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

Appendix

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2021 to 30 June 2021

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF BOC AVIATION LIMITED

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of BOC Aviation Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes, including the significant accounting policies. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) and Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting* (“SFRS(I) 1-34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

19 August 2021

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2021 to 30 June 2021

	Note	**Unaudited 1 January 2021 to 30 June 2021 US$'000**	Unaudited 1 January 2020 to 30 June 2020 US$'000
Revenues			
Lease rental income	29(a)	**926,554**	887,993
Interest and fee income	3	**95,442**	75,374
Other sources of income:			
Net gain on sale of aircraft	4	**3,216**	25,741
Fair value gain on investment in equity instruments		**–**	7,192
Other income	5	**82,149**	38,733
		1,107,361	1,035,033
Costs and expenses			
Depreciation of property, plant and equipment		**378,539**	328,698
Finance expenses	6	**235,920**	219,844
Amortisation of deferred debt issue costs		**12,382**	12,760
Amortisation of lease transaction closing costs		**111**	93
Staff costs	7	**27,554**	45,241
Marketing and travelling expenses		**94**	927
Impairment of aircraft		**83,700**	11,600
Impairment losses on financial assets		**62,788**	46,677
Other operating expenses		**18,650**	15,477
		(819,738)	(681,317)
Profit before income tax		**287,623**	353,716
Income tax expense	8	**(33,697)**	(30,384)
Profit for the period attributable to owners of the Company		**253,926**	323,332
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US$)	28	**0.37**	0.47
Diluted earnings per share (US$)	28	**0.37**	0.47

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2021 to 30 June 2021

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Profit for the period	**253,926**	323,332
Other comprehensive income for the period, net of tax:		
Items that may be reclassified subsequently to statement of profit or loss:		
Effective portion of changes in fair value of cash flow hedges, net of tax	**1,670**	(142,657)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	**37,440**	24,719
Total comprehensive income for the period attributable to owners of the Company	**293,036**	205,394

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	**Unaudited 30 June 2021 US$'000**	Audited 31 December 2020 US$'000
Non-current assets			
Property, plant and equipment	9	**22,266,494**	22,160,793
Lease transaction closing costs		**1,884**	1,758
Derivative financial instruments	18	**3,948**	11,069
Finance lease receivables	23(b)	**654,197**	664,953
Trade receivables	10	**41,547**	32,627
Other receivables	11	**35,111**	28,352
Deferred income tax assets	19	**153**	237
Other non-current assets		**22,378**	12,789
		23,025,712	22,912,578
Current assets			
Trade receivables	10	**58,760**	122,146
Prepayments		**4,708**	3,222
Finance lease receivables	23(b)	**21,184**	20,538
Other receivables	11	**102,760**	7,408
Income tax receivables	12	**85,259**	85,557
Short-term deposits	13	**208,756**	181,242
Cash and bank balances	13	**251,971**	226,315
Assets held for sale	14	**124,386**	–
Other current assets		**9,335**	9,335
		867,119	655,763
Total assets		**23,892,831**	23,568,341
Current liabilities			
Derivative financial instruments	18	**4,747**	36,780
Trade and other payables	15	**157,635**	186,966
Deferred income	16	**110,596**	134,914
Loans and borrowings	17	**1,567,254**	1,745,688
Lease liabilities		**2,135**	2,209
Security deposits		**43,849**	50,608
Income tax payables		**344**	177
Liabilities associated with assets held for sale	14	**76,216**	–
		1,962,776	2,157,342
Net current liabilities		**(1,095,657)**	(1,501,579)
Total assets less current liabilities		**21,930,055**	21,410,999

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

As at 30 June 2021

	Note	**Unaudited 30 June 2021 US$'000**	Audited 31 December 2020 US$'000
Non-current liabilities			
Derivative financial instruments	18	**137,602**	181,355
Loans and borrowings	17	**15,430,813**	14,952,649
Lease liabilities		**6,136**	7,239
Security deposits		**180,112**	226,451
Deferred income	16	**33,742**	66,884
Maintenance reserves		**624,693**	698,062
Deferred income tax liabilities	19	**502,361**	464,947
Other non-current liabilities		**22,304**	36,612
		16,937,763	16,634,199
Total liabilities		**18,900,539**	18,791,541
Net assets		**4,992,292**	4,776,800
Equity attributable to owners of the Company			
Share capital	20	**1,157,791**	1,157,791
Retained earnings		**3,950,929**	3,778,620
Statutory reserves		**834**	624
Share-based compensation reserves		**14,417**	10,554
Hedging reserves	21	**(131,679)**	(170,789)
Total equity		**4,992,292**	4,776,800
Total equity and liabilities		**23,892,831**	23,568,341

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2021 to 30 June 2021

	Note	Attributable to owners of the Company					
		Share capital US$'000	**Retained earnings US$'000**	**Statutory reserves* US$'000**	**Share-based compensation reserves US$'000**	**Hedging reserves US$'000**	**Total equity US$'000**
Unaudited 2021							
At 1 January 2021		**1,157,791**	**3,778,620**	**624**	**10,554**	**(170,789)**	**4,776,800**
Profit for the period		**–**	**253,926**	**–**	**–**	**–**	**253,926**
Transfers to statutory reserves		**–**	**(210)**	**210**	**–**	**–**	**–**
Other comprehensive income for the period, net of tax	21	**–**	**–**	**–**	**–**	**39,110**	**39,110**
Total comprehensive income for the period		**–**	**253,716**	**210**	**–**	**39,110**	**293,036**
Transactions with owners of the Company:							
Dividends	22	**–**	**(81,407)**	**–**	**–**	**–**	**(81,407)**
Amortisation of share-based compensation	7	**–**	**–**	**–**	**3,863**	**–**	**3,863**
At 30 June 2021		**1,157,791**	**3,950,929**	**834**	**14,417**	**(131,679)**	**4,992,292**
Unaudited 2020							
At 1 January 2020		1,157,791	3,515,584	262	8,021	(100,744)	4,580,914
Profit for the period		–	323,332	–	–	–	323,332
Transfers to statutory reserves		–	(363)	363	–	–	–
Other comprehensive income for the period, net of tax		–	–	–	–	(117,938)	(117,938)
Total comprehensive income for the period		–	322,969	363	–	(117,938)	205,394
Transactions with owners of the Company:							
Dividends	22	–	(149,420)	–	–	–	(149,420)
Amortisation of share-based compensation	7	–	–	–	4,787	–	4,787
At 30 June 2020		**1,157,791**	**3,689,133**	**625**	**12,808**	**(218,682)**	**4,641,675**

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2021 to 30 June 2021

	Note	**Unaudited 1 January 2021 to 30 June 2021 US$'000**	Unaudited 1 January 2020 to 30 June 2020 US$'000
Cash flows from operating activities:			
Profit before income tax		**287,623**	353,716
Adjustments for:			
Depreciation of property, plant and equipment		**378,539**	328,698
Amortisation of deferred debt issue costs		**12,382**	12,760
Amortisation of lease transaction closing costs		**111**	93
Share-based compensation	7	**3,863**	4,787
Net gain on sale of aircraft	4	**(3,216)**	(25,741)
Fair value gain on investment in equity instruments		**–**	(7,192)
Interest and fee income	3	**(95,442)**	(75,374)
Finance expenses	6	**235,920**	219,844
Impairment of aircraft		**83,700**	11,600
Impairment losses on financial assets		**62,788**	46,677
Operating profit before working capital changes		**966,268**	869,868
Increase in receivables		**(109,373)**	(171,025)
(Decrease)/Increase in payables		**(45,763)**	7,877
Increase in maintenance reserves		**347**	23,605
Decrease in deferred income		**(47,502)**	(1,166)
Cash generated from operations		**763,977**	729,159
Security deposits paid, net		**(60,556)**	(10,277)
Lease transaction closing costs paid		**(249)**	(225)
Income tax received/(paid), net		**46**	(430)
Interest and fee income received		**93,846**	70,073
Net cash flows from operating activities		**797,064**	788,300
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(1,128,385)**	(2,269,644)
Purchase of aircraft classified as finance lease		**–**	(703,800)
Proceeds from sale of property, plant and equipment		**448,621**	206,881
Net cash flows used in investing activities		**(679,764)**	(2,766,563)

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

For the period from 1 January 2021 to 30 June 2021

	Note	**Unaudited 1 January 2021 to 30 June 2021 US$'000**	Unaudited 1 January 2020 to 30 June 2020 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**2,130,000**	3,750,000
Repayment of loans and borrowings		**(1,090,626)**	(1,187,875)
Decrease in borrowings from revolving credit facilities, net		**(765,000)**	(30,000)
Repayment of lease liabilities		**(1,423)**	(1,559)
Finance expenses paid		**(239,888)**	(233,291)
Debt issue costs paid		**(15,786)**	(21,048)
Dividends paid	22	**(81,407)**	(149,420)
Decrease in cash and bank balances - encumbered		**–**	3,734
Increase in cash and bank balances - encumbered		**(455)**	(6,440)
Net cash flows (used in)/from financing activities		**(64,585)**	2,124,101
Net increase in cash and cash equivalents		**52,715**	145,838
Cash and cash equivalents at 1 January		**407,556**	251,663
Cash and cash equivalents at 30 June		**460,271**	397,501

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

1. Corporate information

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

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

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

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

As at 30 June 2021, the Group's current liabilities exceeded its current assets by US$1,095.7 million (31 December 2020: US$1,501.6 million). The interim financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

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

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2020.

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

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

2.2 Changes in significant accounting policies

The significant accounting policies adopted are consistent with those of the previous financial year which are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, except for the adoption of new and revised standards effective for annual periods beginning on or after 1 January 2021.

In the current financial period, the Group adopted the Amendments to IFRS 9/SFRS(I) 9: *Financial Instruments*, IAS 39/SFRS(I) 1-39: *Financial Instruments: Recognition and Measurement* and IFRS 7/SFRS(I) 7: *Interest Rate Benchmark Reform – Phase 2*. 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.

On modification of financial assets and financial liabilities, the amendments enable entities to account for a change in the contractual cash flows that are required by the reform as a direct consequence and made on an economically equivalent basis to be accounted for by updating the effective interest rate. As at 30 June 2021, the Group's exposure to changes in effective interest rates relates to financial assets and liabilities measured at amortised cost as disclosed in Note 30.

On hedge accounting, the amendments enable entities to amend the formal designation and document of a hedging relationship to reflect changes required by the reform without discontinuing the hedging relationship or designating a new hedging relationship. Permitted changes include designating an alternative benchmark rate as a hedged risk, amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged, or amending the description of the hedge instrument to refer to an alternative benchmark rate, and amending the description of how the entity will assess hedge effectiveness.

The Group has exposures to US Dollar LIBOR on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. As there is uncertainty over the timing and the methods of transition, IBOR reform may impact the Group's risk management and hedge accounting. As at 30 June 2021, the Group's exposure to US Dollar LIBOR designated in hedging relationships relates to loans and borrowings as disclosed in Note 17 and the outstanding derivative financial instruments as disclosed in Note 18 and where the interest rates are pegged to US Dollar LIBOR.

As these interest cash flows pegged to US Dollar LIBOR and fair value hedging relationships extend beyond the anticipated cessation date for US Dollar LIBOR, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. As the publication of US Dollar LIBOR (excluding the one week and two-month tenors, to which the Group has no exposure beyond their cessation dates) has been extended to 30 June 2023, the Group continues to apply Amendments to IFRS 9/SFRS(I) 9: *Financial Instruments*, IAS 39/SFRS(I) 1-39: *Financial Instruments: Recognition and Measurement* and IFRS 7/SFRS(I) 7: *Interest Rate Benchmark Reform*. These amendments which are referred to as Phase 1 amendments, provide relief which allow entities to assume that the uncertainty arising from the reform does not affect hedge relationships to the extent that they must be discontinued. Accordingly, the application of Phase 1 amendments and the adoption of Phase 2 amendments are not expected to have any material impact on the interim financial statements of the Group.

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

3. Interest and fee income

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Fee income from aircraft pre-delivery payments	**61,059**	57,499
Interest income from finance leases	**21,109**	9,154
Interest income from deferred payments	**1,248**	3,092
Interest income from short-term deposits and bank balances	**202**	2,187
Lease management and remarketing fee income	**2,381**	2,021
Others	**9,443**	1,421
	95,442	75,374

4. Net gain on sale of aircraft

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Proceeds from sale of aircraft	**250,614**	196,181
Maintenance reserves released	**–**	1,785
Net book value of aircraft classified as:		
Property, plant and equipment	**(226,331)**	(63,393)
Assets held for sale	**(20,587)**	(108,783)
Expenses, net of costs written back	**(480)**	(49)
	3,216	25,741

5. Other income

During the period ended 30 June 2021 and 30 June 2020, other income was mainly related to income arising from the termination of leases with certain airline customers, amounts paid by manufacturers based on mutual agreements, tax rebates and government wage subsidies under a jobs support scheme.

6. Finance expenses

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Interest expense and other charges on:		
Loans and borrowings	**235,777**	219,683
Lease liabilities	**143**	161
	235,920	219,844

7. Staff costs

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Salaries, bonuses and other staff costs	**22,983**	39,071
Employers' defined contributions	**708**	1,383
Share-based compensation	**3,863**	4,787
	27,554	45,241

Share-based compensation (equity-settled)

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

Movement of RSUs:

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

			Number of RSUs				
Year of grant	**Fair value at grant date HK$**	**Fair value at grant date US$**	**At 1 January 2020**	**Granted during the period**	**Forfeited during the period**	**Vested during the period**	**At 30 June 2020**
2018	46.61	5.94	1,247,429	–	–	–	1,247,429
2019	65.64	8.36	1,153,695	–	–	–	1,153,695
2020	47.08	6.06	–	1,755,376	–	–	1,755,376
			2,401,124	1,755,376	–	–	4,156,500

7. Staff costs (cont'd)

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

8. Income tax expense

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Current income tax	**557**	412
Deferred income tax	**39,153**	34,182
Overprovision in prior years	**(6,013)**	(4,210)
Income tax expense	**33,697**	30,384

9. Property, plant and equipment

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Cost:						
At 1 January 2020	18,489,110	2,554,864	1,890	15,145	12,161	21,073,170
Additions	2,725,145	1,236,447	–	1,283	617	3,963,492
Disposals/reductions	(322,548)	(32,472)	–	(698)	–	(355,718)
Transfers	458,709	(458,709)	–	–	–	–
Transfer from assets held for sale	260,284	–	–	–	–	260,284
Adjustments	(668)	–	–	–	–	(668)
At 31 December 2020 and 1 January 2021	21,610,032	3,300,130	1,890	15,730	12,778	24,940,560
Additions	1,060,890	75,611	–	99	–	1,136,600
Disposals/reductions	(322,543)	(198,007)	–	–	–	(520,550)
Transfers	392,077	(392,077)	–	–	–	–
Transfer to assets held for sale	(227,642)	–	–	–	–	(227,642)
Adjustments	632	–	–	20	–	652
At 30 June 2021	**22,513,446**	**2,785,657**	**1,890**	**15,849**	**12,778**	**25,329,620**

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

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Accumulated depreciation and impairment:						
At 1 January 2020	2,053,438	–	1,377	13,514	1,866	2,070,195
Charge for the year	672,150	–	288	1,757	2,148	676,343
Disposals	(119,314)	–	–	(698)	–	(120,012)
Impairment of aircraft	108,600	–	–	–	–	108,600
Transfer from assets held for sale	44,641	–	–	–	–	44,641
At 31 December 2020 and 1 January 2021	2,759,515	–	1,665	14,573	4,014	2,779,767
Charge for the period	376,450	–	98	916	1,075	378,539
Disposals	(96,211)	–	–	–	–	(96,211)
Impairment of aircraft	83,700	–	–	–	–	83,700
Transfer to assets held for sale	(82,669)	–	–	–	–	(82,669)
At 30 June 2021	**3,040,785**	**–**	**1,763**	**15,489**	**5,089**	**3,063,126**
Net book value:						
At 31 December 2020	18,850,517	3,300,130	225	1,157	8,764	22,160,793
At 30 June 2021	**19,472,661**	**2,785,657**	**127**	**360**	**7,689**	**22,266,494**

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

(a) Impairment of aircraft assets

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Movement of impairment provision:		
At beginning of period/year	**108,600**	–
Impairment loss	**83,700**	108,600
At end of period/year	**192,300**	108,600

The impairment loss for period ended 30 June 2021 represented the write-down of the book value of certain aircraft to their recoverable amounts. The recoverable amount was determined based on the management's best estimate of each aircraft's value from appraisers' valuations as at 30 June 2021.

(b) Right-of-use assets

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

The Group has certain leases that either have lease terms of 12 months or less or are of low value. The Group applies the exemption under IFRS 16/SFRS(I) 16 *Leases* not to recognise right-of-use assets and liabilities for these leases.

(c) Assets pledged as security

As at 30 June 2021, the net book value of aircraft owned by the Group that have been charged for loan facilities granted (Note 17) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft amounted to US$2,192.6 million (31 December 2020: US$2,272.7 million).

(d) Capitalisation of borrowing costs

As at 30 June 2021, the borrowing costs capitalised as cost of aircraft amounted to US$8.2 million (31 December 2020: US$25.6 million). The rate used to determine the amount of borrowing costs for capitalisation ranged from 2.5% to 3.6% per annum for the period ended 30 June 2021 (for the year ended 31 December 2020: 2.5% to 3.6% per annum).

10. Trade receivables

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Trade receivables – gross carrying amount		
Current	**129,829**	190,193
Non-current	**85,844**	32,627
	215,673	222,820
Less: Allowance for expected credit losses	**(115,366)**	(68,047)
	100,307	154,773
Trade receivables – net of allowance for expected credit losses		
Current	**58,760**	122,146
Non-current	**41,547**	32,627
	100,307	154,773

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Trade receivables are generally secured by cash security deposits or letters of credit. As at 30 June 2021, included in the Group's current and non-current portion of trade receivables was an amount of US$28.0 million and US$85.8 million (31 December 2020: US$71.6 million and US$32.6 million), respectively, that was contractually deferred by mutual agreements and was generally interest bearing.

Impairment of financial assets – trade receivables

The Group recognises an allowance for expected credit losses of trade receivables when the lessee does not pay the amounts due under its lease and/or deferral agreements in excess of the security deposit or the value of the collateral.

10. Trade receivables (cont'd)

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

As at 30 June 2021 and 31 December 2020, the aging of trade receivables based on the receivables due date was as follows:

Unaudited 30 June 2021	**Current/ Deferred**	**Less than 30 days past due**	**30 to 60 days past due**	**61 to 90 days past due**	**More than 90 days past due**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount	**113,873**	**14,082**	**11,147**	**9,136**	**67,435**	**215,673**
Allowance for expected credit losses	**(44,537)**	**(1,529)**	**(3,877)**	**(4,258)**	**(61,165)**	**(115,366)**
Audited 31 December 2020						
Gross carrying amount	104,219	9,421	25,995	7,699	75,486	222,820
Allowance for expected credit losses	–	(1,225)	(8,643)	(7,699)	(50,480)	(68,047)

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

	Unaudited 30 June 2021	Audited 31 December 2020
	US$'000	US$'000
At beginning of period/year	**68,047**	24,748
Charged to profit or loss	**62,788**	43,299
Write-off	**(15,469)**	–
At end of period/year	**115,366**	68,047

11. Other receivables

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Current:		
Deposits	**689**	696
Interest receivables	**4,147**	2,018
Sundry receivables	**2,836**	2,021
Receivables from manufacturers	**90,162**	–
Accrued receivables	**4,926**	2,673
	102,760	7,408
Non-current:		
Receivables from airlines	**18,000**	18,000
Accrued receivables	**16,351**	10,352
Interest receivables	**760**	–
	35,111	28,352

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

As at 30 June 2021, included in the Group's receivables was an amount of US$90.2 million (31 December 2020: nil) due from a manufacturer which was deferred by agreement in return for a fee.

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

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

12. Income tax receivables

Under the United States of America's Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") passed into law on 27 March 2020, Net Operating Losses ("NOLs") of US business taxpayers originating in the years 2018, 2019 and 2020 can be carried back to offset taxable income in the five preceding years. BOC Aviation (USA) Corporation has NOLs for the financial year ("FY") 2020 mainly due to accelerated tax depreciation claimable on its aircraft deliveries during the year and has elected to carry back the NOLs to offset its FY 2018 and FY 2019 taxable income. This results in an expected tax refund of US$85.1 million, being tax paid for FY 2018 and FY 2019 that is included in income tax receivables.

13. Cash and cash equivalents

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Short-term deposits	**208,756**	181,242
Cash and bank balances	**251,971**	226,315
	460,727	407,557
Less: encumbered cash and bank balances	**(456)**	(1)
Cash and cash equivalents	**460,271**	407,556

As at 30 June 2021, the Group's short-term deposits included an amount of US$185 million (31 December 2020: nil) placed with a related party. No short-term deposits (31 December 2020: US$60 million) were placed with the intermediate holding company.

As at 30 June 2021, the Group's cash and bank balances included an amount of US$11.7 million (31 December 2020: US$18.2 million) placed with the intermediate holding company.

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

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

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Assets held for sale:		
Property, plant and equipment - aircraft		
At beginning of period/year	**–**	324,426
Additions	**144,973**	–
Transfer to property, plant and equipment	**–**	(215,643)
Disposals	**(20,587)**	(108,783)
At end of period/year	**124,386**	–
Liabilities associated with assets held for sale:		
Maintenance reserves payables	**73,716**	–
Security deposits	**2,500**	–
	76,216	–

15. Trade and other payables

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Trade payables	**2,839**	2,336
Sundry payables	**7,938**	3,495
Accrued interest expenses	**99,749**	99,065
Accrued maintenance reserve payables	**14,015**	30,702
Accrued technical expenses	**1,668**	4,912
Staff costs related accruals	**24,922**	36,234
Other accruals and liabilities	**6,504**	10,222
	157,635	186,966

Trade payables and sundry payables are substantially denominated in US Dollar (31 December 2020: US Dollar and Japanese Yen), non-interest bearing, current in nature and are normally settled between 30 and 45 days credit terms.

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

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Current	**1,284**	2,334
1 – 30 days	**1,256**	2
31 – 60 days	**299**	–
	2,839	2,336

16. Deferred income

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

Deferred income (non-current) mainly relates to the difference between the nominal value of the security deposits and their fair value. The deferred income is charged to profit or loss on a straight-line basis over the lease term.

17. Loans and borrowings

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Current:		
Medium term notes	**1,000,000**	1,185,873
Loans	**574,466**	595,371
Medium term notes discount (net of premium)	**(621)**	(400)
Fair value and revaluation adjustments	**–**	(26,819)
Deferred debt issue costs	**(6,591)**	(8,337)
	1,567,254	1,745,688
Non-current:		
Medium term notes	**10,547,321**	9,547,321
Loans	**4,963,194**	5,482,042
Medium term notes discount (net of premium)	**(26,476)**	(22,882)
Fair value and revaluation adjustments	**6,704**	8,183
Deferred debt issue costs	**(59,930)**	(62,015)
	15,430,813	14,952,649
Total loans and borrowings	**16,998,067**	16,698,337

17. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the gross loans and borrowings before adjustments for deferred debt issue costs, fair value, revaluations and discounts/premiums to medium term notes for the 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
Unaudited 30 June 2021					
Medium term notes	**1,000,000**	**1,398,301**	**6,805,966**	**2,343,054**	**11,547,321**
Loans	**574,466**	**1,239,518**	**3,424,254**	**299,422**	**5,537,660**
Total gross loans and borrowings	**1,574,466**	**2,637,819**	**10,230,220**	**2,642,476**	**17,084,981**
Audited 31 December 2020					
Medium term notes	1,185,873	1,048,301	5,348,593	3,150,427	10,733,194
Loans	595,371	1,169,376	3,462,666	850,000	6,077,413
Total gross loans and borrowings	1,781,244	2,217,677	8,811,259	4,000,427	16,810,607

As at 30 June 2021, secured loans amounted to US$867.7 million (31 December 2020: US$942.4 million) for the Group. These amounts are secured by the related aircraft (Note 9), certain cash and bank balances and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to aircraft.

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

17. Loans and borrowings (cont'd)

(a) Medium term notes

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

			Unaudited As at 30 June 2021		
		Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to US$ and floating rates US$'000	Amounts swapped to US$ and fixed rates US$'000
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15%	2029	**140,590**	**–**	**140,590**
Chinese Yuan	4.7% to 5.5%	2022 to 2024	**98,011**	**98,011**	**–**
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	**159,837**	**–**	**159,837**
Singapore Dollar	3.93%	2025	**108,883**	**–**	**108,883**
United States Dollar	1.625% to 4.375%	2021 to 2030	**10,100,000**	**–**	**–**
			10,607,321	**98,011**	**409,310**
Currency	**Floating Rate (p.a.)**				
	3-month LIBOR + Margin ranging from				
United States Dollar	1.125% to 1.30%	2023 to 2025	**940,000**	**–**	**940,000**
			11,547,321	**98,011**	**1,349,310**

			Audited As at 31 December 2020		
		Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to US$ and floating rates US$'000	Amounts swapped to US$ and fixed rates US$'000
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15% to 5.375%	2021 to 2029	326,463	185,873	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	2.375% to 4.375%	2021 to 2030	8,600,000	–	–
			9,293,194	283,884	409,310
Currency	**Floating Rate (p.a.)**				
	3-month LIBOR + Margin ranging from				
United States Dollar	1.05% to 1.30%	2021 to 2025	1,440,000	–	1,440,000
			10,733,194	283,884	1,849,310

17. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2021, an amount of US$98.0 million (31 December 2020: US$283.9 million) in medium term notes has been swapped to floating rate liabilities and US Dollars (for non-US Dollar denominated notes) via cross-currency interest rate swap contracts. The carrying amount of these medium term notes was US$93.2 million (31 December 2020: US$252.3 million). These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 1.6% to 2.6% per annum for the period ended 30 June 2021 (for the year ended 31 December 2020: 0.9% to 4.4% per annum).

The effects of fair value hedges on the notes as at 30 June 2021 and 31 December 2020 were as follows:

			Unaudited 30 June 2021		
	Maturity	**Outstanding amounts**	**Discount and deferred debt issue costs**	**Accumulated amount of fair value and revaluation adjustments**	**Carrying amounts of liabilities**
	(Year)	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Fair value hedge					
Foreign currency and interest rate risks					
- Cross-currency interest rate swaps	**2022 to 2024**	**98,011**	**(64)**	**(4,761)**	**93,186**

			Audited 31 December 2020		
	Maturity	**Outstanding amounts**	**Discount and deferred debt issue costs**	**Accumulated amount of fair value and revaluation adjustments**	**Carrying amounts of liabilities**
	(Year)	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Fair value hedge					
Foreign currency and interest rate risks					
- Cross-currency interest rate swaps	2021 to 2024	283,884	(83)	(31,498)	252,303

17. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2021, an amount of US$409.3 million (31 December 2020: US$409.3 million) in medium term notes which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollars and at fixed rates via cross-currency interest rate swap contracts to hedge (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve. The net fair value loss of US$6.5 million for the period ended 30 June 2021 (for the year ended 31 December 2020: net fair value gain of US$0.2 million) on these cross-currency interest rate swaps was recognised in hedging reserve while the balance amount was recognised in profit or loss.

As at 30 June 2021, an amount of US$940 million (31 December 2020: US$1,440 million) in medium term notes has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value gain of US$21.1 million for the period ended 30 June 2021 (for the year ended 31 December 2020: net fair value loss of US$24.9 million) on these financial instruments was recognised in hedging reserve.

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

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 1.1% per annum for the period ended 30 June 2021 (for the year ended 31 December 2020: 1.7% per annum). The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans as at 30 June 2021 are between 2021 and 2028 (31 December 2020: 2021 and 2026).

As at 30 June 2021, the loans due to the intermediate holding company amounted to US$945 million (31 December 2020: US$1,545 million), and the loans due to other related parties amounted to US$1,542.2 million (31 December 2020: US$1,256.9 million).

As at 30 June 2021, loans outstanding amounting to US$1,965 million (31 December 2020: US$2,115 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$24.5 million for the period ended 30 June 2021 (for the year ended 31 December 2020: net fair value loss of US$45.3 million) was accounted for in hedging reserve.

17. Loans and borrowings (cont'd)

(b) Loans (cont'd)

As at 30 June 2021, the Group had unutilised unsecured committed revolving credit facilities of US$5,365 million (31 December 2020: US$4,600 million), which included US$3,250 million (31 December 2020: US$2,650 million) available under a committed revolving credit facility provided by the intermediate holding company that matures in 2026 (31 December 2020: 2026), and US$324.8 million (31 December 2020: US$310.1 million) available under committed syndicated revolving credit facilities provided by other related parties that mature between 2021 and 2024 (31 December 2020: 2021 and 2024).

As at 30 June 2021, the Group had no committed unutilised unsecured term loan facility (31 December 2020: US$50 million) and no committed unutilised secured term loan facility (31 December 2020: US$80 million).

18. Derivative financial instruments

	Unaudited 30 June 2021			Audited 31 December 2020		
	Outstanding notional amounts	**Assets**	**Liabilities**	Outstanding notional amounts	Assets	Liabilities
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Current:						
Cross-currency interest rate swaps	**–**	**–**	**–**	185,873	–	(26,819)
Interest rate swaps	**345,000**	**–**	**(4,747)**	850,000	–	(9,961)
		–	**(4,747)**		–	(36,780)
Non-current:						
Cross-currency interest rate swaps	**507,321**	**3,948**	**(8,964)**	507,321	11,069	(7,667)
Interest rate swaps	**2,560,000**	**–**	**(128,638)**	2,705,000	–	(173,688)
		3,948	**(137,602)**		11,069	(181,355)

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

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

18. Derivative financial instruments (cont'd)

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. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivatives match exactly with the terms of the hedged items.

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

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates USD interest rates (p.a.)	Hedge rates Foreign currency rates	Maturity (Year)
Unaudited 30 June 2021					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Chinese Yuan	98,011	(4,761)	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	3,948	3.43%	US$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(2,487)	3.72% to 4.13%	US$1 : HK$7.81 to HK$7.84	2026 to 2027
- Singapore Dollar	108,883	(1,716)	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	2,905,000	(133,385)	2.612% to 4.242%	–	2021 to 2025

18. Derivative financial instruments (cont'd)

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
Audited					
31 December 2020					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Australian Dollar	185,873	(26,819)	6-month LIBOR + Margin ranging from 1.70% to 1.79%	US$1 : AUD1.07 to AUD1.08	2021
- Chinese Yuan	98,011	(4,679)	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	9,762	3.43%	US$1 : AUD1.42	2029
- Hong Kong Dollar	159,837	(2,988)	3.72% to 4.13%	US$1 : HK$7.81 to HK$7.84	2026 to 2027
- Singapore Dollar	108,883	1,307	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	3,555,000	(183,649)	1.975% to 4.242%	–	2021 to 2025

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

[2] The Group uses these cross-currency interest rate swaps to hedge against (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related loans and borrowings (cash flow hedge). 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. The cross-currency interest rate swaps are bifurcated into two portions. The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve.

18. Derivative financial instruments (cont'd)

[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.

19. Deferred income tax assets and liabilities

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Deferred income tax liabilities, net	**502,361**	464,947
Deferred income tax assets, net	**(153)**	(237)
	502,208	464,710

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

20. Share capital

	Unaudited 30 June 2021		Audited 31 December 2020	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of period/year	**694,010**	**1,157,791**	694,010	1,157,791

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

21. Hedging reserves

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

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Interest rate and foreign currency risk:		
At beginning of period/year	**(170,789)**	(100,744)
Effective portion of changes in fair value of cash flow hedges, net of tax:		
- Interest rate swaps	**9,171**	(127,133)
- Cross-currency interest rate swaps	**(7,501)**	(524)
	1,670	(127,657)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:		
- Interest rate swaps	**36,461**	56,878
- Cross-currency interest rate swaps	**979**	734
	37,440	57,612
	39,110	(70,045)
At end of period/year	**(131,679)**	(170,789)

22. Dividends

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Declared and paid during the period:		
Final dividend for 2020: US$0.1173 (2019: US$0.2153) per share	**81,407**	149,420
Proposed as at 30 June:		
Interim dividend for 2021: US$0.1098 (2020: US$0.1398) per share	**76,202**	97,023

At the Annual General Meeting held on 3 June 2021, the shareholders approved a final dividend of US$0.1173 per ordinary share, which amounted to US$81.4 million, in respect of the profit for the year ended 31 December 2020. This dividend was paid in June 2021.

At a meeting on 19 August 2021, the directors declared an interim dividend of US$0.1098 per ordinary share for the period ended 30 June 2021 amounting to US$76.2 million. This declared interim dividend is not reflected as a dividend payable in these interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

23. Commitments

(a) Operating lease commitments

Operating lease commitments - As lessor

Aircraft

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

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

	Unaudited 30 June 2021 US$ million	Audited 31 December 2020 US$ million
Within one year	**1,847**	1,842
Between one and two years	**1,793**	1,835
Between two and three years	**1,739**	1,738
Between three and four years	**1,631**	1,647
Between four and five years	**1,472**	1,483
After five years	**6,997**	5,461
	15,479	14,006

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

	Unaudited 30 June 2021 US$ million	Audited 31 December 2020 US$ million
Within one year	**191**	269
Between one and two years	**285**	410
Between two and three years	**365**	408
Between three and four years	**389**	424
Between four and five years	**392**	438
After five years	**2,633**	2,977
	4,255	4,926

23. Commitments (cont'd)

(b) Finance lease commitments

Finance lease commitments - As lessor

	Group			
	Unaudited	**Unaudited**	Audited	Audited
	Minimum lease payments	**Present value of payments**	Minimum lease payments	Present value of payments
	30 June 2021	**30 June 2021**	31 December 2020	31 December 2020
	US$'000	**US$'000**	US$'000	US$'000
Within one year	**62,496**	**21,184**	62,496	20,538
Between one and two years	**62,496**	**22,536**	672,884	664,953
Between two and three years	**252,476**	**226,607**	–	–
Between three and four years	**223,716**	**211,003**	–	–
Between four and five years	**194,358**	**194,051**	–	–
Total minimum lease payments	**795,542**	**675,381**	735,380	685,491
Less: Amounts representing finance charges	**(120,161)**	**–**	(49,889)	–
	675,381	**675,381**	685,491	685,491

The scheduled receivables of the finance lease are as follows:

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Finance lease receivables	**675,381**	685,491
Less: Current portion	**(21,184)**	(20,538)
Non-current portion	**654,197**	664,953

During the period ended 30 June 2021, through mutual agreement, the anticipated lease end dates for these finance lease receivables were extended to end between 2023 and 2025 (31 December 2020: 2022). The effective interest rates on the finance lease receivables ranged from 6.1% to 6.3%.

23. Commitments (cont'd)

(c) Capital expenditure commitments

As at 30 June 2021, the Group had committed to purchase various aircraft delivering between 2021 and 2024. The amount of future commitments under purchase agreements including assumed escalation to delivery was US$5.8 billion (31 December 2020: US$6.9 billion). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

24. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company provides corporate guarantees for certain loans and borrowings extended to its subsidiary companies. As at 30 June 2021, the corporate guarantees for loans and borrowings to subsidiary companies amounted to US$5.0 billion (31 December 2020: US$4.4 billion).

25. Related party transactions

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

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

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

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

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Costs and expenses		
(a) Intermediate holding company:		
Interest expense	**8,153**	5,514
Debt issue costs	**–**	3,000
(b) Other related parties:		
Interest expense	**7,652**	13,313
Debt issue costs	**2,050**	2,880

25. Related party transactions (cont'd)

	Unaudited 1 January 2021 to 30 June 2021 US$'000	Unaudited 1 January 2020 to 30 June 2020 US$'000
Directors' and key executives' remuneration paid during the period*		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**4,797**	4,610
CPF and other defined contributions	**3**	3
	4,800	4,613
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	**6,307**	7,467
CPF and other defined contributions	**72**	218
	6,379	7,685

* Exclude share-based compensation expense as described below.

As at 30 June 2021, deferred cash bonuses of US$12.7 million (31 December 2020: US$ 13.3 million) in respect of services performed in prior years were payable to directors of the Company and key executives of the Group.

As at 30 June 2021, the Group had granted 542,690 and 641,450 (31 December 2020: 416,870 and 444,283) RSUs to the directors of the Company and key executives of the Group respectively.

The share-based compensation expense for the period ended 30 June 2021 was US$0.6 million (2020: US$0.6 million) and US$0.7 million (2020: US$1.2 million) for directors of the Company and key executives of the Group respectively.

26. 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.

Except for credit risk, 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.

As a result of Covid-19 pandemic, there is heightened monitoring of the credit risks of airline customers, manufacturers and suppliers and other counterparties with whom the Group does business. The Group recognises an allowance for expected credit losses when a lessee does not pay the amounts due under its lease and/or deferral agreements in excess of the security deposit or the value of the collateral.

27. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders. The changes in share capital and dividends are disclosed in Note 20 and Note 22 respectively. There were no changes made in the objectives, policies or processes during the period from 1 January 2021 to 30 June 2021 and the year ended 31 December 2020.

The Group monitors its gross debt to equity ratio, 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 ratings. Gross debt comprises the Group's loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Total equity refers to the equity attributable to owners of the Company.

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Gross debt	**17,084,981**	16,810,607
Total equity	**4,992,292**	4,776,800
Gross debt to equity (times)	**3.4**	3.5

28. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 30 June 2021 and 30 June 2020.

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

	Unaudited 1 January 2021 to 30 June 2021	Unaudited 1 January 2020 to 30 June 2020
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the period attributable to owners of the Company) (US$'000)	**253,926**	323,332
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	**694,010**	694,010
Basic earnings per share (US$)	**0.37**	0.47
Diluted earnings per share (US$)	**0.37**	0.47

29. Segmental analysis

All revenues are derived from the Group's principal activities of leasing and management of aircraft leases and other related activities. There is no known seasonality of the Group's contracted revenues. The main revenue and assets are analysed by geographical region as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft on operating lease to various airline customers around the world. The distribution of lease rental income by geographic region based on the jurisdiction of each airline customer under the relevant operating lease was as follows:

	Unaudited 1 January 2021 to 30 June 2021		Unaudited 1 January 2020 to 30 June 2020	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**171**	**18.4**	211	23.8
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**259**	**28.0**	261	29.4
Americas	**143**	**15.4**	77	8.6
Europe	**247**	**26.7**	239	26.9
Middle East and Africa	**107**	**11.5**	100	11.3
	927	**100.0**	888	100.0

The lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 28.0% and United States of America accounted for 12.2% of the total lease rental income (2020: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 29.4%). There was no other country concentration in excess of 10% of the total lease rental income for the period ended 30 June 2021 and the period ended 30 June 2020.

29. Segmental analysis (cont'd)

(b) Net book value of aircraft

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

	Unaudited 30 June 2021		Audited 31 December 2020	
	US$ million	**%**	US$ million	%
Asia Pacific (excluding Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**4,094**	**20.9**	4,117	21.9
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan*	**5,082**	**25.9**	5,036	26.7
Americas	**3,227**	**16.5**	2,856	15.1
Europe#	**4,980**	**25.4**	4,574	24.3
Middle East and Africa and others	**2,214**	**11.3**	2,268	12.0
	19,597	**100.0**	18,851	100.0

Represented by:	**Unaudited 30 June 2021 US$ million**	Audited 31 December 2020 US$ million
Property, plant and equipment (Note 9)	**19,473**	18,851
Assets held for sale (Note 14)	**124**	–
	19,597	18,851

* Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan region includes two single-aisle aircraft that were off-lease as at 30 June 2021 following the termination of leases with an airline in that region.

Europe region includes six widebody aircraft that were off-lease as at 30 June 2021 following the termination of leases with an airline in that region. Leases for the six aircraft were signed with an airline in Europe subsequent to 30 June 2021 and the aircraft are expected to be delivered to the airline in the fourth quarter of 2021.

The net book value of aircraft leased to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 25.9% (31 December 2020: 26.7%) and United States of America accounted for 13.6% (31 December 2020: 12.1%) of the total net book value as at 30 June 2021. Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value as at 30 June 2021 and 31 December 2020.

30. Classification of financial instruments and their fair values

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

Financial assets measured at amortised cost comprise trade receivables (Note 10), other receivables (Note 11), short-term deposits (Note 13), cash and bank balances (Note 13), finance lease receivables (Note 23(b)) and other non-current assets.

As at 30 June 2021, the financial assets measured at amortised cost for the Group were US$1,378.4 million (31 December 2020: US$1,283.6 million).

Financial liabilities measured at amortised cost comprise trade and other payables (Note 15), loans and borrowings (Note 17), liabilities associated with assets held for sale (Note 14), lease liabilities, security deposits and other non-current liabilities.

As at 30 June 2021, the financial liabilities measured at amortised cost for the Group were US$17,486.5 million (31 December 2020: US$17,208.4 million).

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 18).

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

(b) Financial instruments whose carrying amounts approximate fair values

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

Non-current loans and borrowings and receivables from airlines (Note 11) reasonably approximate their fair values for those that are at floating rate and are re-priced to market interest rates on or near the end of each period/year.

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

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

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

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

	Unaudited 30 June 2021 US$'000	Audited 31 December 2020 US$'000
Medium term notes :		
Carrying amounts	**10,454,741**	9,551,148
Fair values	**10,894,996**	9,451,428

As at 30 June 2021, the fair value measurement of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$159.5 million (31 December 2020: US$159.5 million) with fair value of US$170.1 million (31 December 2020: US$170.1 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.

31. Impact of Covid-19

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

The Covid-19 pandemic has affected air travel and the ability of certain of the Group's airline customers to satisfy their lease obligations to the Group, which in turn has affected the Group's cash flow and results of operations for the period ended 30 June 2021. It has also reduced the demand for, and the market values of, certain aircraft types. An analysis of impairment of financial assets, which reflects the impact of the Covid-19 pandemic on the ability of airline customers to satisfy their lease obligations, is disclosed in Note 10 in these interim financial statements. An analysis of impairment loss provision, which reflects the impact of the Covid-19 pandemic on aircraft values, is disclosed in Note 9 in these interim financial statements.

The Covid-19 pandemic is continuing to affect air travel. The future financial impact on the Group arising from the pandemic, including its effect on the ability of certain airline customers to satisfy their lease obligations and its potential effect on the market values of certain aircraft types, cannot be reliably measured at the present time. The management is closely monitoring the situation.

32. Authorisation of interim financial statements for issue

The interim financial statements for the period from 1 January 2021 to 30 June 2021 were authorised for issue in accordance with a resolution of the directors passed on 19 August 2021.