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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

Our financial highlights for the year ended 31 December 2020 are:

- Total revenues and other income were up 4% year-on-year, at US$2,054 million
- Profit before tax was US$563 million and net profit after tax was US$510 million, both of which declined 27% from 2019
- Earnings per share of US$0.73 and net assets per share of US$6.88
- Total assets increased 19% year-on-year, to US$23.6 billion at 31 December 2020
- Raised US$5.5 billion in new financing
- Maintained strong liquidity with US$408 million in cash and cash equivalents, and US$4.7 billion in undrawn committed credit facilities at 31 December 2020
- Operating cash flows net of interest increased 13% year-on-year to US$1,355 million
- Board recommended a final dividend for 2020 of US$0.1173 per share, pending approval at the AGM to be held on 3 June 2021. The final dividend will be payable to Shareholders registered at the close of business on the record date, being 11 June 2021, bringing the total dividend for the financial year 2020 to US$0.2571[1] per share

Capitalised terms used but not defined in this announcement are found in pages 73 to 76.

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.

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1 Includes interim dividend of US$0.1398 per share paid to Shareholders registered at the close of business on 6 October 2020.

* *For identification purposes only*

Exhibit 1: Financial highlights

	Year ended 31 December		
	2020	2019	Change[1]
	US$m	*US$m*	*%*
Statement of Profit or Loss			
Revenues and other income	**2,054**	1,976	3.9
Costs and expenses	**(1,491)**	(1,201)	24.1
Profit before income tax	**563**	775	(27.3)
Net profit after income tax	**510**	702	(27.4)
Earnings per share (US$)[2]	**0.73**	1.01	(27.4)

	As at 31 Dec 2020	As at 31 Dec 2019	Change[1]
	US$m	*US$m*	*%*
Statement of Financial Position			
Cash and short-term deposits[3]	**408**	287	41.9
Total current assets	**656**	739	(11.3)
Total non-current assets	**22,913**	19,025	20.4
Total assets	**23,568**	19,764	19.2
Total current liabilities	**2,157**	2,141	0.8
Total non-current liabilities	**16,634**	13,043	27.5
Total liabilities	**18,792**	15,184	23.8
Net assets	**4,777**	4,581	4.3
Financial Ratios			
Net assets per share (US$)[4]	**6.88**	6.60	4.3
Gross debt to equity (times)[5]	**3.5**	2.9	
Net debt to equity (times)[6]	**3.4**	2.9	

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

2 Earnings per share is calculated by dividing net profit after tax by total number of shares outstanding at 31 December 2020, and 31 December 2019, in the respective columns. Number of shares outstanding at 31 December 2020 and 31 December 2019 was 694,010,334.

3 Includes encumbered cash and bank balances of less than US$1,000 as at 31 December 2020 and US$35 million at 31 December 2019.

4 Net assets per share is calculated by dividing net assets by total number of shares outstanding at 31 December 2020, and 31 December 2019, in the respective columns.

5 Gross debt to equity is calculated by dividing gross debt by total equity at 31 December 2020, and 31 December 2019, in the respective columns.

6 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.

Exhibit 2: Operating cash flows net of interest[1], US$m

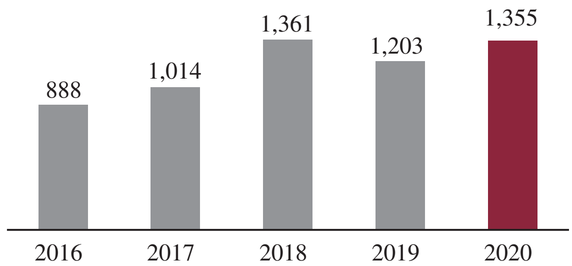
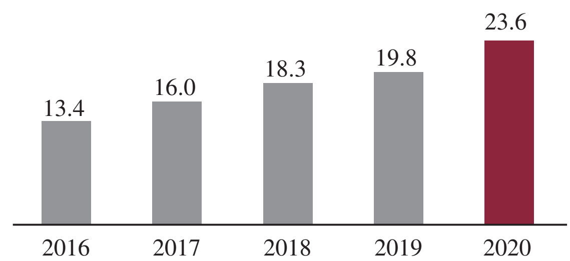


Exhibit 3: Total assets, US$b



PORTFOLIO AND OPERATIONAL HIGHLIGHTS

As at 31 December 2020, BOC Aviation:

- Had a total fleet of 553 aircraft owned, managed and on order[2], with an average aircraft age of 3.5 years and an average remaining lease term of 8.6 years for the 358 owned aircraft fleet, weighted by net book value[3]
- Leased aircraft to 87 airlines in 39 countries and regions
- Had taken delivery of 54 aircraft (including one acquired by an airline customer on delivery) in 2020
- Signed 102 lease commitments in 2020
- Sold 12 owned aircraft in 2020
- Had an orderbook of 155 aircraft[2]
- Recorded aircraft utilisation of 99.6% for the owned portfolio for the year ended 31 December 2020

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

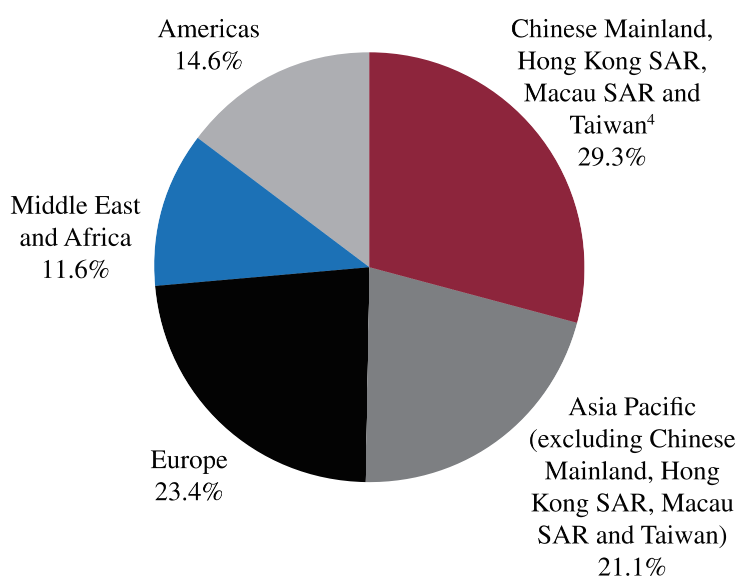
2 Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.

3 Including net book value of aircraft on leases classified as finance leases in accordance with IFRS 16 *(Leases)*.

Exhibit 4: Aircraft portfolio at 31 December 2020, by number of aircraft

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order[1]	Total
Airbus A320CEO family	112	15	0	127
Airbus A320NEO family	68	0	58	126
Airbus A330CEO family	12	3	0	15
Airbus A330NEO family	4	0	2	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	80	15	0	95
Boeing 737 MAX family	24	0	70	94
Boeing 777-300ER	24	4	3	31
Boeing 777-300	0	1	0	1
Boeing 787 family	20	1	22	43
Freighters	5	1	0	6
Total	**358**	**40**	**155**	**553**

Exhibit 5: Net book value[2] of aircraft by region[3]



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

[2] Including net book value of aircraft on leases classified as finance leases in accordance with IFRS 16 *(Leases)*.

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

[4] One single-aisle aircraft was off lease at 31 December 2020 and was delivered on lease to an airline in this region in January 2021.

YEAR IN REVIEW

The year in review was like no other in aviation history, with the effects of Covid-19 negatively affecting all elements of the industry. Our Company reported a profit before tax of US$563 million and a net profit after tax of US$510 million, both declining by 27% year-on-year.

Total revenues and other income exceeded US$2 billion for the first time in 2020, up 4% year-on-year, and our total assets rose to US$23.6 billion as at 31 December 2020, 19% higher than 2019.

Our dividend policy remains to pay up to 35% of our full year net profit after tax to our Shareholders, and our Board has recommended a final dividend of US$0.1173 per share. This will bring the total dividend for 2020 to US$0.2571 per share.

Mr. Sun Yu stood down as Chairman of the Board and Chairman of the Nomination Committee in December 2020 and his successor will be appointed in due course. At the management level, Mr. Phang Thim Fatt retired from his role as Chief Financial Officer, succeeded by Mr. Steven Townend who was himself replaced as Chief Commercial Officer (Europe, the Americas and Africa) by Mr. Paul Kent. We thank Mr. Sun and Mr. Phang for their efforts on behalf of all our Company's stakeholders.

We ended the year as the world's most valuable listed aircraft operating leasing company in terms of market capitalisation. We also retained our position as a top-five global aircraft operating leasing company and the largest aircraft leasing company based in Asia-Pacific, by value of owned fleet. In 2020 our fleet grew to 398 owned and managed aircraft leased to 87 airlines in 39 countries and regions. During the year we added three new customers as we rebalanced our global spread of business. The Belt and Road Initiative is reflected in the growth and development of our fleet: 64% of our owned fleet, by net book value, is leased to airlines domiciled in Belt and Road Initiative countries and regions.

Fitch Ratings and S&P Global Ratings both reaffirmed our investment grade credit ratings at A-, in recognition of our business strategy, our sound financial structure and our access to liquidity.

In 2020, we continued to be affected by delivery delays from the world's major aircraft manufacturers with Covid-19 and its effects on our suppliers, our customers and their passengers defining the year. In response to these pressures, we adapted our strategy, benefiting from the deep experience of our management team. We worked closely with our airline customers and all of our stakeholders, which allowed us to maintain our record of unbroken profitability, taking total earnings since inception to US$4.9 billion. These achievements reflect our disciplined approach to investment and the close relationships that we enjoy with our customers, financiers and suppliers.

During this difficult period, we continued to focus on the health and safety of our employees, our most important asset. Our team demonstrated resilience and tenacity by working efficiently from home when required by government authorities across the five offices where we are based.

CHIEF EXECUTIVE'S COMMENTS

In 2020, BOC Aviation's core business continued to perform well in the worst year in aviation history as we focused on supporting our customers and the manufacturers whilst securing quality growth in our customer and asset bases with a continued focus on long term sustainable earnings.

Our Company maintained its record of consistent profitability in 2020, despite delays to most new-generation aircraft programmes throughout the year and the global impact of Covid-19. Our core lease rental contribution rose 3% during 2020. However, our earnings per share of US$0.73 declined 27% compared with 2019.

Operating cash flows net of interest increased 13% compared with 2019 for the full year. During the year we increased our revolving credit facility from our majority shareholder, Bank of China, to US$3.5 billion and extended its maturity to December 2026, laying the foundation for our funding plans in the next growth cycle. Consequently, we ended 2020 with over US$5 billion in cash and unutilised credit lines.

2020 was characterised by active portfolio management, where we re-shaped our aircraft investment strategy by increasing purchase and leaseback activity while reducing and deferring orders from manufacturers. We delivered 54 aircraft to our airline customers, including one aircraft acquired by an airline customer upon delivery, taking our fleet to a new high of 398 aircraft. We signed 102 lease agreements during the year as we secured new business. During the year we committed to purchase 97 aircraft that were either delivered in 2020 or are scheduled to be delivered in 2021. We ended 2020 with no unplaced aircraft scheduled for delivery from our orderbook before 2023.

The effects of Covid-19 on the airline industry were, and continue to be, unprecedented, with stringent quarantine and border control restrictions by governments resulting in substantially lower demand for air travel. During 2020 governments provided over US$173 billion in financial support to the airline industry to offset losses that the International Air Transport Association (**IATA**) estimates will have totalled US$119 billion. Ongoing government support and positive momentum in the development and distribution of Covid-19 vaccines underpins our confidence in the resilience of the airline sector and the ultimate recovery of the industry.

Our aircraft sales team remained active in 2020, profitably selling 12 aircraft. Our owned fleet continues to be one of the youngest of the world's major aircraft operating lessors, with a weighted average age of 3.5 years and our weighted average remaining lease term of 8.6 years remains one of the longest in the aircraft operating lease industry.

We proactively supported our customers with purchase and leasebacks and ended the year with capital expenditure at a record level of US$4.6 billion. We added our 300th Boeing aircraft in June 2020 and our 400th Airbus aircraft in January 2021.

Our capital expenditure was supported by our activity in the loan and bond markets, where we raised US$5.5 billion and repaid US$1.8 billion in debt. Our average cost of funds declined to 3.2% in 2020, from 3.6% in 2019. Our A- credit ratings were reaffirmed by both of our ratings agencies, Fitch Ratings and S&P Global Ratings. Other milestones achieved during the year include the issuance of a 10-year bond at a coupon of 2.625%, which was the lowest ever achieved for that tenor by an aircraft operating lessor in the public debt markets.

We stepped up our Environmental, Social and Governance (**ESG**) engagement in 2020, despite the social distancing requirements that affected in-person activities in the communities where we operate, as we participated in and donated to a range of community support and environmental initiatives. In addition to our donations to support Airlink's efforts to combat Covid-19, we also contributed to its relief activities following the Beirut explosion in August and again contributed to Orbis' Flying Eye Hospital. As part of our efforts to reduce, re-use and recycle, we implemented an office-based recycling plan and incentivised our employees to cycle to work.

During 2020 we demonstrated both the resilience of our Company in the face of a global pandemic and our preparedness for the growth that will follow. The strength of our balance sheet and access to liquidity remain hallmarks of our Company. These position us well to deal with both the challenges that Covid-19 still presents to the world as well as the recovery that we hope will gain momentum later this year.

We also thank all of our Directors, employees and their families as our team continued to work tirelessly despite the challenges of lockdowns and remote working during the year.

Robert Martin
Managing Director and Chief Executive Officer

BUSINESS AND FINANCIAL REVIEW

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

From our inception to 31 December 2020, we have:

- Purchased and committed to purchase more than 880 aircraft with an aggregate purchase price of US$51 billion
- Executed more than 1,050 leases with more than 160 airlines in 57 countries and regions
- Sold more than 370 owned and managed aircraft
- Raised over US$34 billion in debt financing since 1 January 2007

We benefit from a low average cost of debt, which was 3.2% in 2020, supported by our strong investment grade corporate credit ratings of A- from both Fitch Ratings and S&P Global Ratings and by our access to diverse debt funding sources. Our primary sources of debt funding are unsecured notes issued in the debt capital markets and commercial bank debt from our group of over 70 banks.

We have strong liquidity including access to US$4.7 billion in undrawn committed lines of credit as at 31 December 2020.

Revenue

Lease rental income continues to provide the majority of our total revenue, supplemented by interest and fee income and gain on sale of aircraft. The rise in lease rental income was primarily due to portfolio growth.

Exhibit 6: Revenue breakdown, % 2020

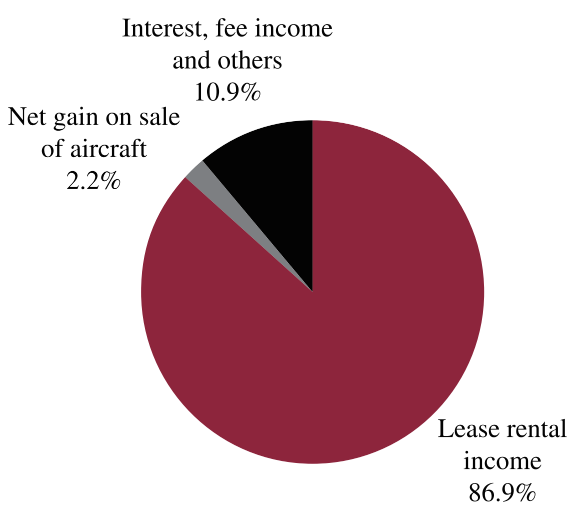
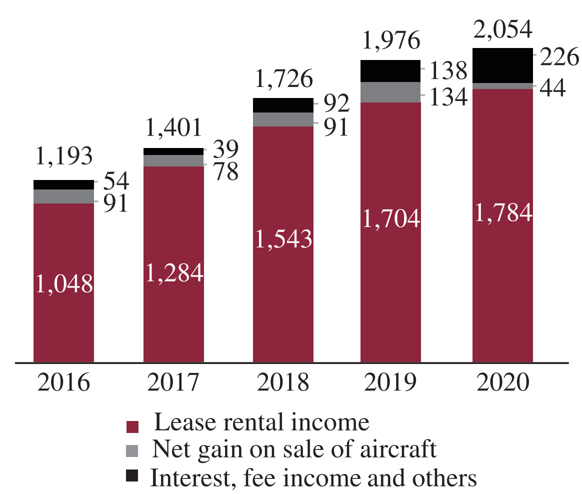
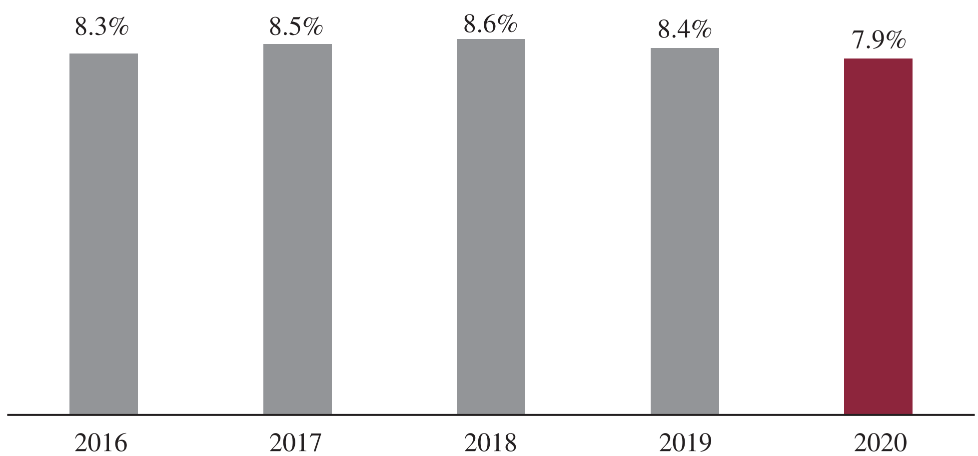


Exhibit 7: Revenue breakdown, US$m



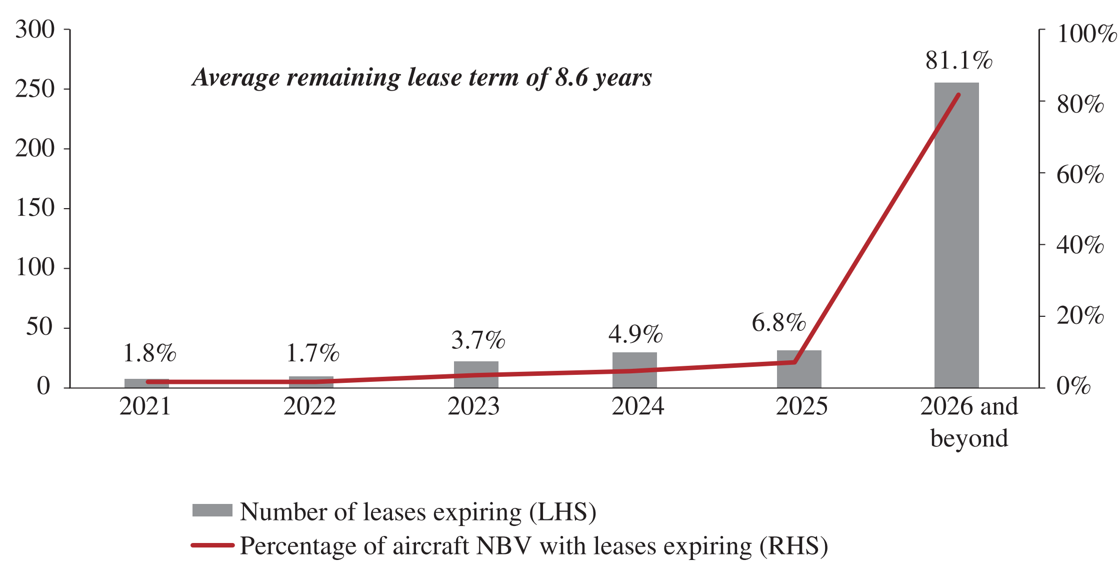
Our net lease yield[1] declined slightly in 2020. The late delivery of aircraft from manufacturers during the year was the principal factor behind the drop, with 30% of our total deliveries taking place in December.

Exhibit 8: Net lease yield[1], %



Our lease rental revenue is contracted on a long-term basis. Scheduled lease expiries on more than 80% of our owned portfolio occur in 2026 or beyond, with less than 2% scheduled to expire in 2021.

Exhibit 9: Lease expiries as % of portfolio[2] as at 31 December 2020



We had one single-aisle aircraft off lease at 31 December 2020, which was delivered on lease to an airline in January 2021.

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

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

Operating expenses

Aircraft costs[1] and finance expenses remain the largest components of our costs and represented 87.5% of our total operating costs[2] in 2020. Depreciation increased, reflecting growth in the fleet, and we recorded combined provisions for doubtful debts and impairment of aircraft amounting to US$152 million.

Exhibit 10:
Operating cost[2] breakdown, % 2020

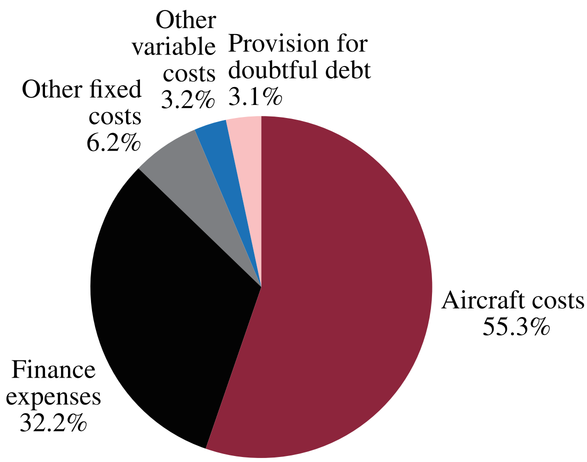
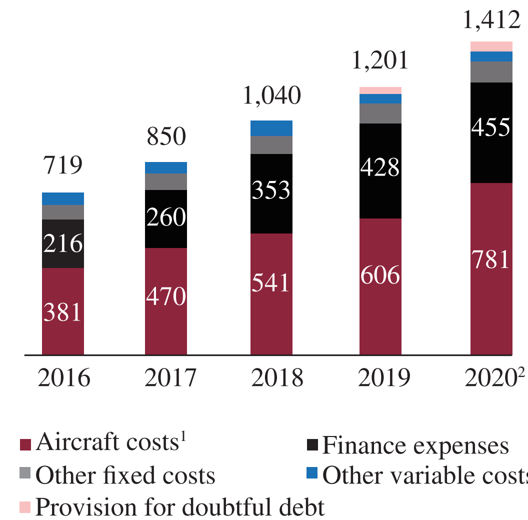


Exhibit 11:
Operating cost breakdown, US$m



Net Profit After Tax

In 2020, our net profit after tax was US$510 million, generating a return on equity of 10.9%.

Our effective tax rate for 2020 was stable at 9.4%, with USA representing the largest proportion of our income tax expense.

Exhibit 12:
Effective tax rate, %

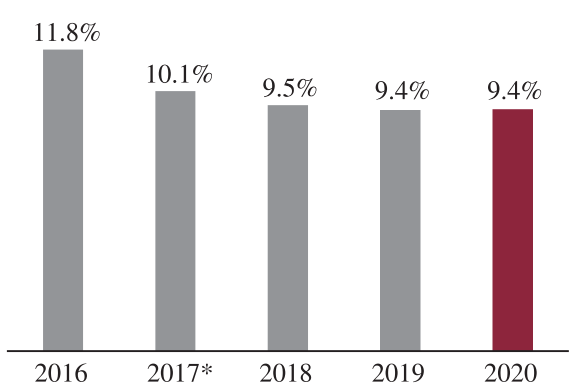
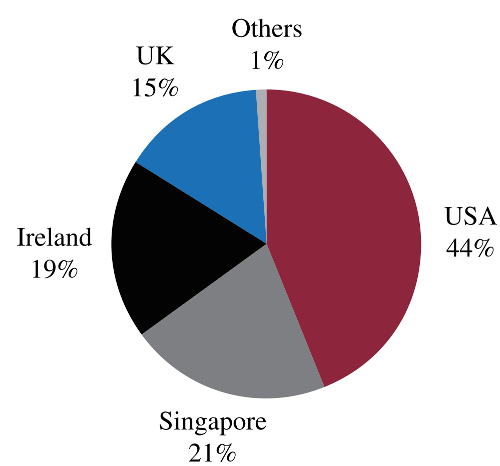


Exhibit 13:
Income tax expense by jurisdiction, % 2020



* 2017 excludes the one-off adjustment for net deferred tax liabilities in the USA.

1 Aircraft costs comprise depreciation and impairment charges.

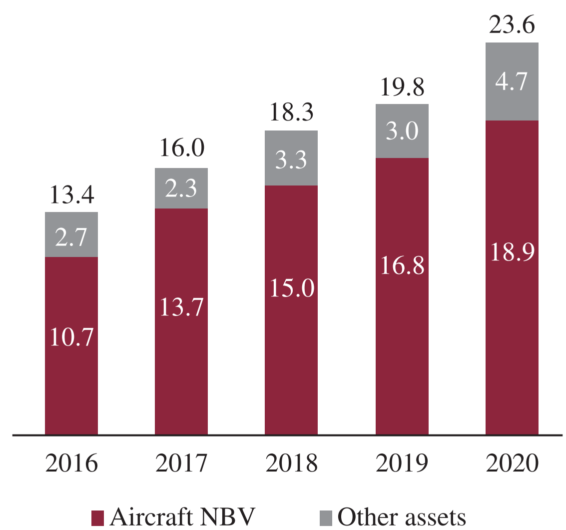
2 Excludes loss on investment in equity instruments.

Assets and Equity

Our total assets increased by US$3.8 billion to US$23.6 billion as at 31 December 2020, with aircraft representing the largest component. The full life, current market appraised value of our owned fleet based on the average of five independent appraisers was in line with book value.

Our total equity increased by US$0.2 billion to US$4.8 billion as at end of 31 December 2020.

Exhibit 14: Total assets vs. Fleet NBV, US$b



The net book value of our fleet rose 12% to US$18.9 billion as at 31 December 2020.

Exhibit 15: 2020 aircraft NBV evolution, US$b

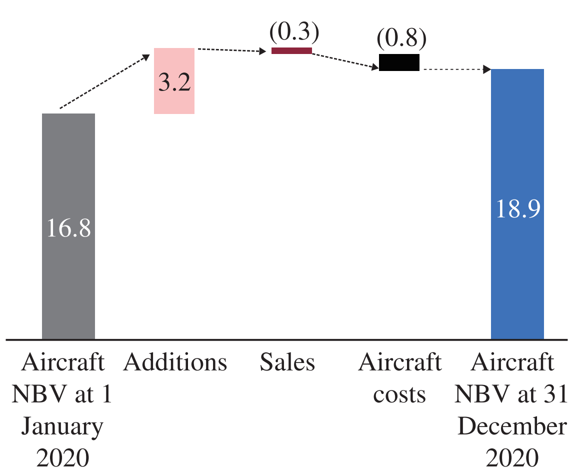
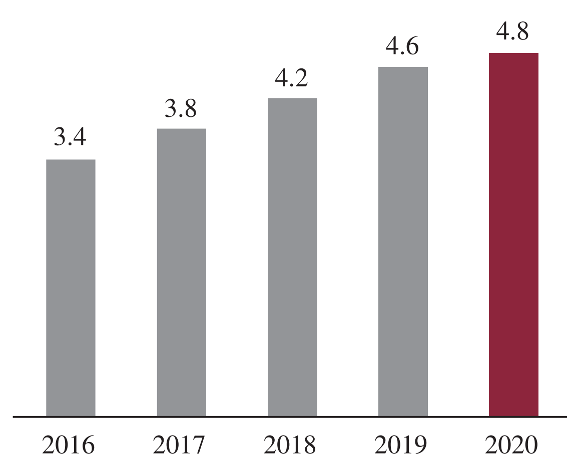


Exhibit 16: Total equity, US$b



Our balance sheet growth is driven by our capital expenditure programme, the majority of which comprises investment in aircraft and pre-delivery payments.

Our orderbook of 155 aircraft as at 31 December 2020 accounted for US$6.9 billion of future capital expenditure commitments. This includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery.

Liabilities

Total liabilities rose more than US$3.6 billion in 2020, as we took on additional debt to fund investment in new aircraft.

Exhibit 17: Total liabilities, US$b

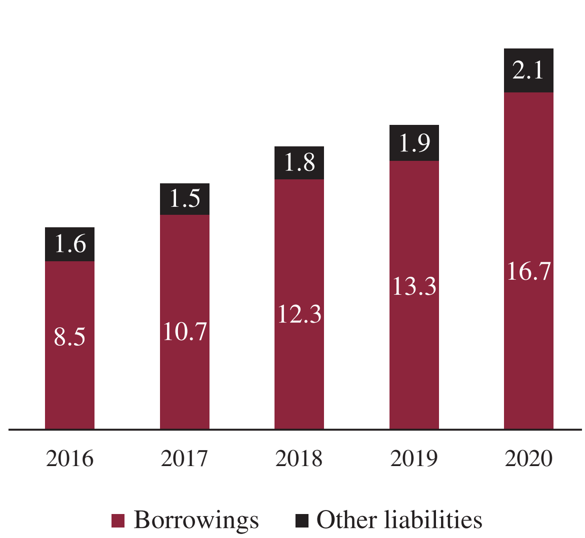
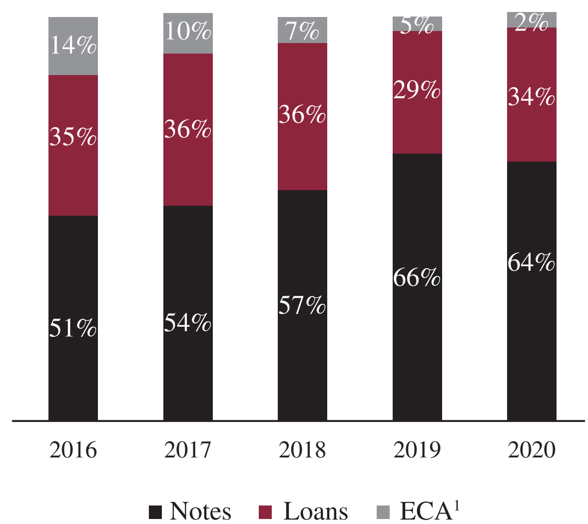


Exhibit 18: Sources of debt, %



The proportion of our leases that are contracted on a fixed rate basis rose in 2020 as more of our airline customers entered into fixed rate leases with us. We have reflected this by maintaining a high proportion of fixed rate funding, which has remained steady at about 75% of total funding. We actively manage our interest rate exposure through interest rate hedges[2] and issuance of fixed rate debt, which limits the impact of interest rate movements on our earnings[3].

Exhibit 19: Fixed vs. floating rate leases[4], %

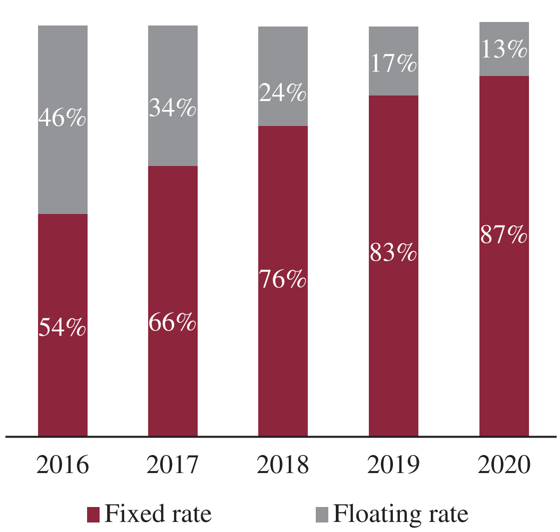
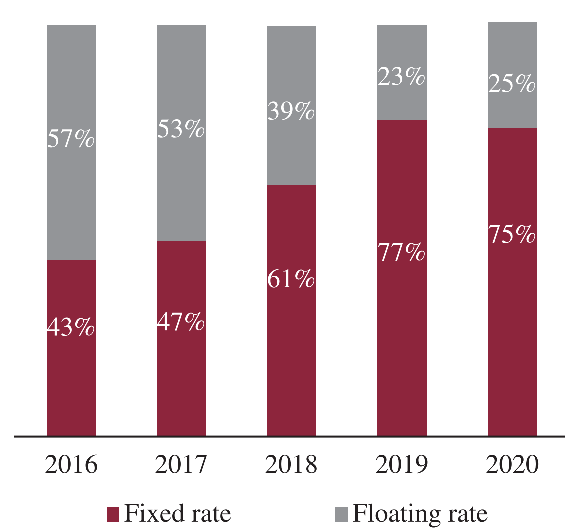


Exhibit 20: Fixed vs. floating rate debt, %



1 ECA refers to debt guaranteed by the export credit agencies of France, Germany, the United Kingdom or the United States.

2 Hedged approximately 90% of mismatched interest rate exposure as at 31 December 2020.

3 A 10 basis points increase in interest rates on our floating rate leases, deposits and debt, holding all other variables constant, would decrease our annual net profit after tax by approximately US$1.3 million based on lease portfolio, short-term deposits and debt composition as at 31 December 2020.

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

Significant Events after 31 December 2020

On 26 February 2021, the Company entered into an agreement with InterGlobe Aviation Limited pursuant to which it agreed to purchase eight Airbus A320NEO aircraft from InterGlobe Aviation Limited and to lease the aircraft back to InterGlobe Aviation Limited. Please refer to the Company's announcement dated 1 March 2021 on the websites of the Stock Exchange and the Company for more information.

Business Environment

Our revenues derive largely from the leasing of aircraft. Interest and fee income and gain on sale of aircraft also contribute to our revenues.

Leasing

The primary drivers of lease rental income are airline demand for leased aircraft and airline demand for capital to fund new aircraft deliveries or to provide liquidity. Lease rental income is also dependent upon manufacturer production rates and upon the capability of manufacturers to deliver aircraft on time. In 2020, Covid-19 had a significant impact on each of these drivers:

- Airline demand for leased aircraft declined significantly as government travel restrictions negatively impacted passenger demand. However, the Company resculpted its aircraft orderbook in 2020, reducing net orders by 32 aircraft and deferring 74 orderbook positions. Following these changes, the Company has no unplaced orderbook positions until 2023.

- Airline demand for capital increased significantly, particularly in the first half of 2020, as many airlines chose to raise liquidity through purchase and leaseback transactions on their own orderbook deliveries or on unencumbered aircraft. The Company added 77 commitments for aircraft to its owned fleet or future orderbook through purchase and leasebacks in 2020, of which 39 delivered in 2020.

- Manufacturers reduced production of new aircraft, both due to Covid-19 disruptions and because airline demand for new deliveries was expected to decline. Manufacturers also continued to have production problems unrelated to Covid-19.

Competition remains elevated in the market for operating lessors placing aircraft ordered direct from the manufacturers on lease to airline customers, although this has minimal impact on the Company as we have no unplaced aircraft on order until 2023. Given the weak airline demand environment and increased supply of available aircraft, the market for placing used aircraft on lease with airline customers will also be challenging. During 2020, the Company had only two aircraft to re-lease from its owned portfolio, which were successfully delivered to lessees in December 2020 and early January 2021. As at 31 December 2020, the Company had eight aircraft with leases scheduled to expire in 2021, representing less than 2% of the Company's fleet by net book value.

Airline restructurings and rehabilitation proceedings commenced in 2020 and early 2021 will continue to affect the aircraft operating leasing industry. In some cases, the airline may reject or terminate aircraft operating leases, or may use the proceedings as a way to renegotiate its vendor contracts generally, including aircraft operating leases. As a consequence of this, the profit for the year was reduced by US$109 million for impairment of aircraft, by US$79 million for loss on investment in equity instruments and US$43 million for impairment losses on financial assets, representing the overdue receivables in excess of security deposits.

While the extent and duration of the Covid-19 pandemic remain uncertain, it has had, and it will continue to have, adverse impacts on the Group and the industry in 2021. As vaccines continue to roll out in larger numbers, the airline industry is expected to gradually recover, with airlines with large domestic passenger markets recovering first, and those more reliant on cross-border activity recovering more slowly as government travel restrictions and quarantine requirements are lifted. The air cargo sector is expected to continue to perform well.

Aircraft sales

Investor demand for purchasing leased aircraft is a primary driver of our aircraft sales programme and our ability to generate gains on sale. The availability of equity and the availability and cost of financing, in turn, underpin investor demand for the purchase of leased aircraft. In 2020, investor demand for leased aircraft was significantly reduced after the onset of Covid-19 in the first quarter. Bank debt was virtually unavailable for many aircraft buyers during part of 2020, and the asset backed securitisation (**ABS**) market, which was a major source of liquidity for aircraft buyers in prior years, was effectively closed to aircraft ABS transactions until December 2020. Nonetheless, the Company sold 12 aircraft in 2020, and generated gains on sale of more than US$44 million in the most challenging year for aircraft sales since the global financial crisis.

Interest and fee income

Given the challenges in the aircraft sales market, the Company continued to focus on building other sources of revenue and earnings, with interest and fee income making larger contributions in 2020 than in recent years. Interest and fee income contributed an aggregate of US$177 million in revenue in 2020, representing a 79% increase year-on-year.

General

Whilst the Company was able to source both debt and capital finance, bank financing for many other aircraft operating lessors became difficult to source and in the second quarter of 2020 spreads widened significantly for aircraft operating lessors accessing the debt capital markets. As a result, for the first time since our IPO, competition in the purchase and leaseback market eased and consequently 2020 was the Company's most active year ever for purchase and leaseback commitments. While the availability of bank debt for lessors remains constrained, bond spreads for operating lessors narrowed towards the end of 2020, indicating that aircraft operating lessors with access to the debt capital markets will be competing in the purchase and leaseback market in 2021.

Supply growth in our addressable market, being aircraft with 100 or more seats, has been constrained due to the grounding of the Boeing 737 MAX, delays affecting Airbus deliveries and the decision of Airbus to reduce production of the A320NEO in 2020 following the onset of Covid-19. With the return to service of the Boeing MAX in Q4 2020 in the USA and in other countries during 2021, production of narrow-body aircraft will gradually rise during 2021, though it will remain substantially below 2018 levels, the last year of production before the grounding of the MAX. Demand for widebody aircraft is expected to remain muted for some time, and both Airbus and Boeing have announced substantial reductions in widebody production as a result.

Environmental Policy and Performance

BOC Aviation is committed to using resources efficiently and reducing unnecessary waste. Our efforts are reflected in our sustainable business model and our electronic communications efforts. While we do not operate the aircraft that we own and cannot directly control the greenhouse gas emissions of aircraft operated by our airline customers, our business model centered on a portfolio of latest technology, fuel efficient aircraft contributes to reductions in carbon emission. In addition, we promote a sustainable environment by using electronic communication (where possible) to distribute corporate communications to those of our Shareholders who have consented not to receive printed materials. More information will be presented in the Company's Environmental, Social and Governance Report, which will be published in due course.

Forward-Looking Statements

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

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

Our net profit after tax (**NPAT**) for the year ended 31 December 2020 was US$510 million, representing a decrease of 27.4% compared with US$702 million for the year ended 31 December 2019. The decrease in profit for the year was mainly due to the impact of the Covid-19 pandemic on our airline customers and buyers of our aircraft. This resulted in global travel restrictions during 2020 that had a material adverse impact on the airline industry. Despite this, total revenues and other income rose by 3.9% to over US$2 billion. Excluding the one-off loss on investment in equity instruments, total costs and expenses rose by 17.6%, largely due to impairment of aircraft and an increase in depreciation of property, plant and equipment.

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

	Year ended 31 December			
	2020	2019	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Lease rental income	**1,784,486**	1,704,280	80,206	4.7
Interest and fee income	**177,384**	99,225	78,159	78.8
Other income:				
Net gain on sale of aircraft	**44,361**	134,287	(89,926)	(67.0)
Incidental income	**47,539**	38,160	9,379	24.6
Total revenues and other income	**2,053,770**	1,975,952	77,818	3.9
Depreciation of property, plant and equipment	**676,343**	609,664	66,679	10.9
Impairment of aircraft	**108,600**	–	108,600	nm
Finance expenses	**454,871**	427,991	26,880	6.3
Staff costs	**67,653**	79,824	(12,171)	(15.2)
Impairment losses on financial assets	**43,299**	24,748	18,551	75.0
Other operating costs and expenses	**61,275**	58,799	2,476	4.2
	(1,412,041)	(1,201,026)	211,015	17.6
Loss on investment in equity instruments	**(78,728)**	–	78,728	nm
Total costs and expenses	**(1,490,769)**	(1,201,026)	289,743	24.1
Profit before income tax	**563,001**	774,926	(211,925)	(27.3)
Income tax expense	**(53,160)**	(72,667)	(19,507)	(26.8)
Profit for the year	**509,841**	702,259	(192,418)	(27.4)

nm: Not meaningful

Revenues and other income

Our total revenues and other income increased by 3.9% to US$2.1 billion from US$2.0 billion in 2019, primarily due to an increase in lease rental income and interest and fee income as described below.

Lease rental income

Our lease rental income increased by 4.7% to US$1.8 billion compared with US$1.7 billion in 2019. The main driver of the increase in lease rental income was the growth of our fleet to 352 aircraft on operating lease compared with 317 aircraft as at 31 December 2019. During the year, we added 47 aircraft on operating leases and sold 12 aircraft. The lease rental yield[1] for aircraft subject to operating leases was 10.0% for 2020 compared with 10.7% for 2019 mainly due to delivery of aircraft in the last quarter of 2020 which did not generate revenue for the full year.

Interest and fee income

Our interest and fee income rose significantly to US$177 million in 2020 from US$99 million in 2019. This growth was primarily due to an increase in fees from pre-delivery payment transactions and interest income on new finance leases for six aircraft. The lease rental yield[2] for aircraft on leases classified as finance leases in accordance with IFRS 16 (*Leases*) was 6.2% for 2020.

Net gain on sale of aircraft

Net gain on sale of aircraft decreased by 67% to US$44 million in 2020 compared with US$134 million in 2019 mainly due to having sold 12 aircraft in 2020 compared with 28 aircraft sold in 2019.

Incidental income

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

Costs and expenses

Excluding loss on investment in equity instruments, the increase in costs and expenses to US$1,412 million in 2020 from US$1,201 million in 2019 was primarily due to impairment of aircraft and an increase in depreciation of property, plant and equipment which are described below. The loss on equity instruments of US$79 million was due to realised loss on the sale of the shares of Norwegian Air Shuttle (**NAS**) that were issued to the Company in 2020 in connection with the financial restructuring of NAS under which certain present and future receivables under aircraft leases were converted into equity.

1 Lease rental yield for operating leases is defined as 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 31 December 2020.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by 10.9% to US$676 million in 2020 compared with US$610 million in 2019, mainly due to a 12.5% increase in the net book value of aircraft assets which increased to US$18.9 billion as at 31 December 2020 from US$16.8 billion as at 31 December 2019.

Impairment of aircraft

Impairment of aircraft, where the estimated recoverable value of certain aircraft was lower than the relevant aircraft's net book value, was US$109 million in 2020.

Finance expenses

Finance expenses increased by 6.3% to US$455 million in 2020 from US$428 million in 2019 mainly due to an increase in total indebtedness to US$16.8 billion as at 31 December 2020 from US$13.5 billion as at 31 December 2019, partially offset by lower cost of debt of 3.2% per annum in 2020 from 3.6% in 2019.

Staff costs

Staff costs decreased by 15.2% to US$68 million in 2020 from US$80 million in 2019 mainly due to the lower provisions for variable cash bonuses in 2020 compared with 2019 based on the Company's performance.

Impairment losses on financial assets

Impairment losses on financial assets of US$43 million in 2020 increased by 75.0% from US$25 million in 2019 stemming from increased receivables from lessees exceeding the security deposits held by us under those leases.

Other operating costs and expenses

Other operating costs and expenses mainly comprise amortisation of deferred debt issue costs, taxes (other than income tax expense), repossession and transition costs, and general and administration costs. The increase in these costs to US$61 million in 2020 from US$59 million in 2019 was mainly due to increased provision for costs in relation to the repossession of aircraft.

Profit before income tax and pre-tax profit margin

Profit before income tax decreased by 27.3% to US$563 million in 2020 from US$775 million in 2019. Our pre-tax profit margin decreased to 27.4% in 2020 from 39.2% in 2019.

Income tax expense

Income tax expense decreased by 26.8% to US$53 million in 2020 from US$73 million in 2019, mainly in line with the decrease in profit before income tax. The effective tax rate for 2020 was 9.4%, similar to 2019.

Profit for the year

As a result of the foregoing, our profit after tax for the year decreased by 27.4% to US$510 million in 2020 from US$702 million in 2019.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 19.2% to US$23.6 billion as at 31 December 2020 from US$19.8 billion as at 31 December 2019. Our total equity increased by 4.3% to US$4.8 billion as at 31 December 2020 compared with 31 December 2019.

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

	31 December 2020	31 December 2019	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Property, plant and equipment and assets held for sale	**22,160,793**	19,327,401	2,833,392	14.7
Finance lease receivables	**685,491**	–	685,491	nm
Trade receivables	**154,773**	18,232	136,541	748.9
Cash and short-term deposits	**407,557**	287,126	120,431	41.9
Derivative financial instruments	**11,069**	2,373	8,696	366.5
Other assets	**148,658**	129,296	19,362	15.0
Total assets	**23,568,341**	19,764,428	3,803,913	19.2
Loans and borrowings	**16,698,337**	13,305,935	3,392,402	25.5
Maintenance reserves	**698,062**	592,549	105,513	17.8
Security deposits and non-current deferred income	**343,943**	340,775	3,168	0.9
Derivative financial instruments	**218,135**	222,495	(4,360)	(2.0)
Trade and other payables	**186,966**	206,298	(19,332)	(9.4)
Deferred income tax liabilities	**464,947**	334,345	130,602	39.1
Other liabilities	**181,151**	181,117	34	nm
Total liabilities	**18,791,541**	15,183,514	3,608,027	23.8
Net assets	**4,776,800**	4,580,914	195,886	4.3
Share capital	**1,157,791**	1,157,791	–	–
Retained earnings	**3,778,620**	3,515,584	263,036	7.5
Statutory reserves	**624**	262	362	138.2
Share-based compensation reserves	**10,554**	8,021	2,533	31.6
Hedging reserves	**(170,789)**	(100,744)	(70,045)	(69.5)
Total equity	**4,776,800**	4,580,914	195,886	4.3

nm: Not meaningful

Property, plant and equipment and assets held for sale

We had property, plant and equipment and assets held for sale of US$22.2 billion as at 31 December 2020, which increased by 14.7% from US$19.3 billion as at 31 December 2019 due to the net addition of 35 aircraft in 2020.

Aircraft constituted the largest component, amounting to US$18.9 billion and US$16.8 billion as at 31 December 2020 and 31 December 2019, respectively, representing 85.1% and 86.7% of our total property, plant and equipment and assets held for sale as at the same dates. Aircraft pre-delivery payments constituted 14.9% and 13.2% of our total property, plant and equipment and assets held for sale as at 31 December 2020 and 31 December 2019, respectively. There were no assets held for sale as at 31 December 2020 while assets amounting to US$0.3 billion were held for sale as at 31 December 2019.

Finance lease receivables

Finance lease receivables of US$685 million as at 31 December 2020 (2019: nil) were in respect of six aircraft subject to leases contracted in 2020 that were classified as finance leases in accordance with IFRS 16 *(Leases)*.

Trade receivables

Trade receivables, net of allowance for impairment losses on financial assets, increased to US$155 million as at 31 December 2020 from US$18 million as at 31 December 2019 mainly due to delayed payments by certain airline customers as at 31 December 2020. The gross trade receivables as at 31 December 2020 were US$223 million comprising US$104 million which was contractually deferred by mutual agreement and not overdue, and which is generally interest bearing, and US$119 million which was past due. An amount of US$68 million, representing the overdue receivables in excess of security deposits, were provided for as impairment losses on financial assets.

Cash and short-term deposits

Our cash and short-term deposits, which were mainly denominated in US Dollar, increased to US$408 million as at 31 December 2020 from US$287 million as at 31 December 2019. The increase in cash and short-term deposits was mainly due to the total net cash inflows from operating activities, financing activities, and proceeds from sale of property, plant and equipment, having been greater than the cash outflows from capital expenditure during 2020.

Derivative financial instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, which were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we contracted as at 31 December 2020 and 31 December 2019 respectively. Under assets, our derivative financial instruments increased to US$11 million as at 31 December 2020 from US$2 million as at 31 December 2019. Under liabilities, our derivative financial instruments decreased to US$218 million as at 31 December 2020 from US$222 million as at 31 December 2019. 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 changes in interest rates. Due to the further downward movements in USD interest rates in 2020, the unrealised loss in the hedging reserve increased to US$171 million as at 31 December 2020 compared with US$101 million as at 31 December 2019.

Other assets

Other assets increased to US$149 million as at 31 December 2020 from US$129 million as at 31 December 2019 mainly due to a corporate tax receivable from the US federal tax authority. The tax receivable was in relation to a tax refund which arises 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.

Trade and other payables

Our trade and other payables decreased by 9.4% to US$187 million as at 31 December 2020 compared with US$206 million as at 31 December 2019, primarily due to a decrease in staff cost accruals.

Deferred income tax liabilities

Our deferred income tax liabilities increased by 39.1% to US$465 million as at 31 December 2020 from US$334 million as at 31 December 2019 mainly due to increased taxable temporary differences in depreciation of aircraft.

Loans and borrowings

Our loans and borrowings increased by 25.5% to US$16.7 billion as at 31 December 2020 from US$13.3 billion as at 31 December 2019 to finance the increase in capital expenditure. The increase in loans and borrowings included the issuance of US$2.9 billion of notes under our Global Medium Term Note Program, the drawing down of US$1.7 billion in term loans and an increase in the utilisation of our revolving credit facilities of US$505 million during 2020. An amount of US$1.8 billion in term loans and medium term notes was repaid as part of regular loan repayment and loan prepayments in 2020.

Total equity

Total equity increased by 4.3% to US$4.8 billion as at 31 December 2020 compared with US$4.6 billion as at 31 December 2019. The increase in total equity was attributable to profit for the year which was partially offset by payment of dividends amounting to US$246 million and an increase in unrealised losses in hedging reflected in hedging reserve as explained under "Derivative financial instruments".

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 40 to the financial statements for the year ended 31 December 2020, the Company had no material contingent liabilities as at 31 December 2020.

OTHER INFORMATION

Liquidity and capital resources

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

In 2020 we issued US$2.9 billion of notes under our Global Medium Term Note Program. We also utilised US$1.1 billion under our committed revolving credit facilities as at 31 December 2020.

Our gearing as at 31 December 2020 compared with 31 December 2019 increased as set out in the table below.

	31 December 2020 ***US$m***	31 December 2019 *US$m*
Gross debt	**16,811**	13,513
Net debt	**16,403**	13,226
Total equity	**4,777**	4,581
Gross debt to equity (times)	**3.5**	2.9
Net debt to equity (times)	**3.4**	2.9

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.

Our liquidity remains strong, with cash and cash equivalents of US$408 million and US$4.7 billion in undrawn committed credit facilities as at 31 December 2020, comprising the unutilised portion of our revolving credit facilities and US$130 million in term loans that were unutilised as at 31 December 2020.

Indebtedness

	31 December 2020 US$m	31 December 2019 US$m
Secured		
Term loans	**597**	729
Export credit agency supported financing	**345**	601
Total secured debt	**942**	1,330
Unsecured		
Term loans	**3,991**	2,580
Revolving credit facilities	**1,145**	640
Medium term notes	**10,733**	8,963
Total unsecured debt	**15,869**	12,183
Total indebtedness	**16,811**	13,513
Less: deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes	**(113)**	(207)
Total debt	**16,698**	13,306
Number of aircraft pledged as security	**54**	64
Net book value of aircraft pledged as security	**2,273**	2,915
Number of unencumbered aircraft	**298**	253
Net book value of unencumbered aircraft	**16,578**	13,845

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

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to US$12.6 billion as at 31 December 2020 compared with US$10.4 billion as at 31 December 2019.

Collateral for secured debt will typically include a mortgage over the relevant aircraft, an assignment of the operating lease of the relevant aircraft and/or a pledge of the shares in the subsidiary company that holds title to the relevant aircraft. In line with our strategy to reduce secured debt as a proportion of total assets and of total indebtedness, these proportions have come down in 2020 as set out in the table below:

	31 December 2020	31 December 2019
Secured debt/total assets	**4.0%**	6.7%
Secured debt/total indebtedness	**5.6%**	9.8%

As at 31 December 2020, the debt repayment profile was as follows:

Debt repayment profile

	31 December 2020 ***US$b***
2021	**1.8**
2022	**2.2**
2023	**2.9**
2024	**2.4**
2025	**3.5**
2026 and beyond	**4.0**
Total	**16.8**

Pledge of assets

Details of pledges of assets are included in Note 13 and Note 19 to the financial statements for the year ended 31 December 2020.

Credit ratings

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

Foreign currency risk

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

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

Future plans for material investments

Our estimated cash outflows based on aircraft capital expenditure commitments as at 31 December 2020 are set out below:

	31 December 2020 ***US$b***
2021	**3.7**
2022	**0.2**
2023	**2.1**
2024	**0.9**
Total	**6.9**

The table above is based on estimated contractual capital expenditure commitments as at 31 December 2020 and includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery. The capital expenditure figures for each year include anticipated escalation and are net of advance payments made before 31 December 2020.

Taking account of developments between 31 December 2020 and 11 March 2021, including our commitment to purchase eight Airbus A320NEO aircraft announced on 1 March 2021 and other changes to the anticipated aircraft delivery schedule, our estimated cash outflows stated above would change as follows:

	US$b
2021	**3.5**
2022	**0.5**
2023	**2.3**
2024	**0.9**
Total	**7.2**

Sources of funding

Our aircraft purchase commitments as at 31 December 2020 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 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 and secured 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 70 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 31 December 2020 and 31 December 2019, we had 182 and 176 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. Three 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 year ended 31 December 2020 and 31 December 2019, our staff costs were US$68 million and US$80 million respectively, representing approximately 3.3% and 4.0% of the Group's total revenues and other income of each year.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2020, there was no material acquisition or disposal of subsidiaries and affiliated companies by the Company. Please refer to Note 35 of the financial statements for details.

Significant investments

During the year ended 31 December 2020, there was no significant investment held by the Company that constituted 5% or more of our total assets.

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Directors

Mdm. ZHANG Xiaolu

Deputy Managing Director, Vice Chairman, Executive Director and a member of the Strategy and Budget Committee, aged 53.

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

Mdm. Zhang joined Bank of China in July 1990. She held various positions, including serving as Deputy CEO and COO at Bank of China (Suisse) S.A. from November 2008 to September 2012. From October 2012 to April 2014, she was the Executive Director and Special Advisor of Bank Julius Baer Head Office in Zurich. Prior to joining the Company, Mdm. Zhang was the Deputy General Manager of Bank of China Luxembourg Branch and Bank of China (Luxembourg) S.A. from April 2014 to December 2019.

Mdm. Zhang graduated with a Bachelor's degree in International Leasing and Foreign Trade Accounting from Beijing Union University in 1990, a Bachelor's degree in English Language from Beijing Foreign Study University in 2006 and a Master's degree in Business Administration from Southwestern University of Finance and Economics in 2000.

Mr. Robert James MARTIN

Managing Director, Chief Executive Officer, Executive Director and a member of the Strategy and Budget Committee, aged 56.

Mr. Martin was appointed as a Director and the Managing Director in 1998. Mr. Martin joined the Company in 1998 and has more than 33 years of experience in the aircraft and leasing business with Bank of America, The Long-Term Credit Bank of Japan and HSBC Investment Bank (Asia) Ltd. Mr. Martin graduated from Cambridge University in the United Kingdom with a Master of Arts degree in Economics.

Mr. LI Mang

Non-executive Director and a member of the Risk Committee and the Strategy and Budget Committee, aged 53. Mr. Li was appointed as a Non-Executive Director in December 2015.

Mr. Li joined BOC in July 1990 and he is currently the General Manager of BOC Hunan Branch. Mr. Li graduated from Central University of Finance and Economics in the PRC in June 1990 with a Bachelor's degree in Economics. He received a Master's degree in Economics from the Chinese Academy of Social Sciences in the PRC in July 2002.

Mr. LIU Chenggang

Non-executive Director, Chairman of Strategy and Budget Committee and a member of the Audit Committee, aged 48. Mr. Liu was appointed as a Non-Executive Director in September 2016.

Mr. Liu joined BOC in July 1994 and is currently the General Manager of Equity Investment and Subsidiary Management Department of BOC. Mr. Liu is also a director of BOC International Holdings Limited, Bank of China Group Insurance Company Limited and BOC Wealth Management Co. Ltd. From January 2017 to December 2018, Mr. Liu was the General Manager of Financial Management Department of BOC. Mr. Liu graduated from Renmin University of China in July 1994 with a Bachelor's degree in Economics. He then graduated from the Graduate School of People's Bank of China in April 1999 with a Master's degree in Economics, and was awarded a Master's degree in Applied Finance by Macquarie University in November 2003.

Mr. WANG Zhiheng

Non-executive Director, a member of the Nomination Committee and the Remuneration Committee, aged 47. Mr. Wang was appointed as a Non-Executive Director in October 2018.

Mr. Wang is currently an Employee Supervisor of BOC and a director of Bank of China Group Insurance Company Limited. Mr. Wang joined BOC in 1999. From October 2007 to December 2020, Mr. Wang successively held the positions of General Manager of Human Resources Department of BOC, Deputy General Manager of Human Resources Department of BOC, Deputy General Manager of BOC Guangdong Branch and as General Manager of BOC Qinghai Branch. He was also a director of BOC International Holdings Limited from October 2018 to January 2021. Mr. Wang graduated from Nankai University of China with a Bachelor's degree in Finance in 1996 and a Master's degree in Finance in 1999.

Mdm. ZHU Lin

Non-executive Director, a member of Audit Committee and the Risk Committee, aged 47. Mdm. Zhu was appointed as a Non-Executive Director in January 2014.

Mdm. Zhu joined BOC in July 1997 and is currently the Chief Manager, Deputy General Manager and Chief Risk Officer of BOC Beijing Branch. Mdm. Zhu graduated from Peking University in the PRC in July 1994 with a Bachelor's degree in Economics and received a Master's degree in Economics from Guanghua School of Management, Peking University in July 1997. Mdm. Zhu has been a member of the Chinese Institute of Certified Public Accountants since July 1997.

Mr. DAI Deming

Independent Non-executive Director, Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee, aged 58. Mr. Dai was appointed as an Independent Non-executive Director in May 2016.

Mr. Dai is an independent non-executive director of China Zheshang Bank Co., Ltd. which is listed on the Stock Exchange (stock code: 02016), Qingdao Haier Co. Ltd. which is listed on the Shanghai Stock Exchange (stock code: 600690), CSC Financial Co. Ltd. which is listed on the Stock Exchange (stock code: 6066), Power Construction Corporation of China, Ltd which is listed on the Shanghai Stock Exchange (stock code: 601669) and Poly Developments and Holdings which is listed on the Shanghai Stock Exchange (stock code: 600048).

Mr. Dai was an independent non-executive director of CSR Corporation Limited (which merged with China CNR Corporation Limited in 2015 to form CRRC Corporation Limited and is listed on the Shanghai Stock Exchange (stock code: 601766) and the Stock Exchange (stock code: 01766)) and chairman of its audit and risk management committee from August 2008 to June 2014. Mr. Dai was also an independent director of Shanxi Taigang Stainless Steel Co., Ltd. which is listed on the Shenzhen Stock Exchange (stock code: 000825) from May 2011 to October 2016, Beijing Xinwei Telecom Technology Group Co., Ltd. which is listed on the Shanghai Stock Exchange (stock code: 600485) from September 2014 to August 2016 and Beijing Capital Development Co. Ltd. which is listed on the Shanghai Stock Exchange (stock code: 600376) from September 2015 to May 2018.

Mr. Dai has served as the dean of the Accounting Department of the School of Business of Renmin University of China from October 2001 to September 2010, professor of the Accounting Department at that university since July 1996 and associate professor of the Accounting Department of that university from July 1993 to June 1996. Mr. Dai graduated from Hunan College of Finance & Economics in the PRC with a Bachelor's degree in Economics with a major in Industrial Financial Accounting in July 1983, graduated with an Accounting major in July 1986 and obtained a Master's degree in Economics in October 1986 from Zhongnan University of Finance & Economics in the PRC, and obtained a Doctorate degree in Economics with a major in Accounting at Renmin University of China in June 1991.

Mr. FU Shula

Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee, aged 65. Mr. Fu was appointed as an independent Director in February 2011 and redesignated as an Independent Non-Executive Director in March 2016.

From 1984 to 2015, Mr. Fu held various senior positions in Aviation Industry Corporation of China (**AVIC**), including President of China National Aero-Technology Import & Export Corporation, President of AVIC International Holding Corporation, Deputy Chief Economist of AVIC, Chairman of the Board of AVIC International Holding Corporation, Chairman of the Board of AVIC Aero-Engine Holding Corporation and Chairman of the Board of AVIC Economy & Technology Research Institute. Mr. Fu is currently an independent non-executive director of Besunyen Holdings Company Limited which is listed on the Stock Exchange (stock code: 00926). Mr. Fu graduated with a Master's degree in Aero Engine Design from Northwestern Polytechnical University in the PRC in July 1984.

Mr. Antony Nigel TYLER

Independent Non-executive Director, Chairman of the Risk Committee, a member of the Audit Committee and the Strategy and Budget Committee, aged 65. Mr. Tyler was appointed as an Independent Non-executive Director in May 2016.

Mr. Tyler was the Director General and Chief Executive Officer of the International Air Transport Association (**IATA**) from 1 July 2011 to September 2016. Prior to joining IATA, Mr. Tyler was an executive director of Cathay Pacific Airways Limited which is listed on the Stock Exchange (stock code: 00293) from December 1996 to March 2011 and the Chief Executive from July 2007 to March 2011. He was a non-executive director of Hong Kong Aircraft Engineering Company Limited (stock code: 00044) from December 1996 to September 2008 and an executive director of Swire Pacific Limited (stock code: 00019) from January 2008 to March 2011, both of which are listed on the Stock Exchange. Mr. Tyler was also a member of the Board of Governors of IATA and served as its Chairman from June 2009 to June 2010. Mr. Tyler is currently an independent non-executive director of Bombardier Inc., Trans Maldivian Airways and Qantas Airways Limited. Mr. Tyler graduated with a degree in Jurisprudence from Oxford University in the United Kingdom in July 1977.

Dr. YEUNG Yin Bernard

Independent Non-executive Director, a member of the Nomination Committee and the Strategy and Budget Committee, aged 67. Dr. Yeung was appointed as an Independent Non-executive Director in December 2016.

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

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

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

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

Senior Management

Mr. Robert MARTIN

Please refer to his biography on page 28.

Mdm. ZHANG Xiaolu

Please refer to her biography on page 28.

Mr. Steven TOWNEND

Deputy Managing Director and Chief Financial Officer, aged 51. Mr. Townend joined the Company in January 2001 and was appointed as Chief Commercial Officer in July 2004. Mr. Townend assumed the role of Chief Financial Officer in October 2020. He currently oversees the Finance, Treasury, Tax, Settlement and Investor Relations and Corporate Communications Departments. Mr. Townend has almost 30 years of banking and leasing experience. He graduated from Loughborough University in the United Kingdom with a degree in Banking and Finance.

Mr. David WALTON

Deputy Managing Director and Chief Operating Officer, aged 59. Mr. Walton joined the Company in November 2014 as Chief Operating Officer. He currently oversees the Legal and Transaction Management, Compliance and Insurance, Pricing and Portfolio Management, Technical, Procurement and Information Technology departments. Mr. Walton has more than 34 years of experience in the aircraft leasing and finance industry. Prior to joining the Company, he served as a general counsel and chief operating officer for both privately held and publicly listed companies, with primary responsibility for structuring and documenting capital raising, joint venture and leasing activities. Mr. Walton graduated from Stanford University in the United States with a Bachelor of Arts (Honours) degree and received a law degree from the University of California, Berkeley (Boalt Hall) in the United States.

Mr. DENG Lei

Chief Commercial Officer (Asia Pacific and the Middle East), aged 44. Mr. Deng joined the Company in November 2019. He is responsible for overseeing all revenue activities within the Asia Pacific and the Middle East. He joined Bank of China in July 1998 and held various positions, including serving as the General Manager of the Global Markets Department at the Shanghai Branch and as a Director in the Investment Banking and Asset Management Department at the Head Office. Prior to joining the Company, Mr. Deng was the Assistant General Manager of Bank of China, Singapore Branch. Mr. Deng graduated with a Bachelor's degree in International Finance from Shanghai University in 1998 and a Master's degree in Business Administration from The University of Hong Kong in 2005.

Mr. Paul KENT

Chief Commercial Officer (Asia Pacific and the Middle East), aged 46. Mr. Kent joined the Company as Chief Commercial Officer (Europe, Americas and Africa) in June 2020. He is based in London and responsible for overseeing all revenue activities in Europe, Americas and Africa. Mr. Kent has more than 24 years of finance and leasing experience, having started his career with nine years at Citibank, before becoming one of the leadership team that launched Doric as a new asset management platform in the aviation industry. He subsequently co-led the set-up of Amedeo where, as a principal shareholder, he managed all commercial activities of the company including aircraft leasing and sales, capital raising and investments, OEM relationships and the company's principal aircraft order positions. Mr. Kent graduated from Cambridge University in the United Kingdom with a Master of Arts (Honours) degree in Management Studies.

Company Secretary

Ms. ZHANG Yanqiu Juliana

Company Secretary, aged 36. Ms. Zhang was appointed Company Secretary and an authorised representative of the Company on 1 June 2017. Ms. Zhang joined the Company in November 2015 as Legal Counsel. Prior to joining the Company, she worked in international law firms in Hong Kong and Singapore. Ms. Zhang graduated from University of Nottingham in the United Kingdom with a Bachelor of Laws degree. She was admitted as a Solicitor of the High Court of Hong Kong in January 2010.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE POLICY

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

The Company has applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code during the year ended 31 December 2020. The Company will continue to maintain sound corporate governance standards and procedures to ensure the completeness, transparency and quality of the Company's information disclosure. This report sets out a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICE

Corporate governance functions

The Board is responsible for performing the functions set out in provision D.3.1 of the Corporate Governance Code.

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

Constitutional documents

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

Shareholders rights

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

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

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

Shareholders meetings

The Company is required to seek Shareholders' approval according to the requirements under the Listing Rules, the Singapore Companies Act (Cap 50), the Constitution and other relevant and applicable rules and regulations.

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

The Company held its 2020 annual general meeting on 27 May 2020 by electronic means.

Roles of the Board and management

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

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

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

The Chairman and the Chief Executive

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

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

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

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

Board composition

The Board comprises four Non-executive Directors, four Independent Non-executive Directors and two Executive Directors. Their biographical details are set out on pages 28 to 32 of this announcement. A list of Directors is set out on page 47 of this announcement.

The position of Chairman is currently vacant following the resignation of Mr. Sun Yu in December 2020. Mr Sun's successor will be appointed in due course and the Vice Chairman performs the duties of the Chairman in the meantime.

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

Board diversity

The Company has adopted a Board diversity policy. In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, geographical locations, professional experience, skills, knowledge, length of service, regulatory requirements and the legitimate interests of the Company's principal Shareholders.

After annual assessment by the Nomination Committee before the date of this announcement, the Board considers the current structure, size and composition of the Board to be appropriate in enabling it to perform a balanced and independent monitoring function on management practices to complement the Company's corporate strategy.

Nomination policy

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

When deciding on appointments to the Board and the continuation of those appointments, the Nomination Committee and the Board should consider the integrity, character and other personal qualities of the candidate, the ability of the candidate to devote sufficient time and attention to carry out his or her duties and responsibilities effectively, the candidate's independence, other factors listed in the Board diversity policy, and any other factors considered to be relevant by the Nomination Committee and/or the Board.

Each proposed new appointment or re-election of a Director should be evaluated against the criteria set out in the Board nomination policy by the Nomination Committee, which should make a recommendation to the Board for consideration and, as the case may be, approval. Where the appointment is to be approved by the Shareholders, the Board should make a recommendation to the Shareholders for the Shareholders' approval at the Company's general meeting. Where Shareholders are required to vote on electing or re-electing a Director, the circular accompanying the notice of the relevant general meeting should contain all information on such candidate as required under the Listing Rules.

Independent non-executive Directors

During the year ended 31 December 2020, the Board at all times met the requirements of Rule 3.10 of the Listing Rules.

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

Changes in composition of the Board and Board committees

From 1 January 2020 to the date of this announcement, the changes in composition of the Board and Board Committees are listed below:

Effective date	Director	Change
1 January 2020	Mdm. Zhang Xiaolu	Appointed as an Executive Director, Vice Chairman of the Board, Deputy Managing Director and a member of the Strategy and Budget Committee
23 December 2020	Mr. Sun Yu	Resigned as a Non-executive Director, Chairman of the Board and Chairman of the Nomination Committee

Save as disclosed above, there were no other changes to the composition of the Board and Board Committees from 1 January 2020 to the date of this announcement.

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 interim report dated 24 September 2020, up to 11 March 2021 (being the approval date of this announcement) are set out below:

Experience including other directorships

Mr. Li Mang, a non-executive Director of the Company, ceased to be the General Manager of the Global Transaction Banking Department of BOC with effect from 10 October 2020 and ceased to be a director of Bank of China (New Zealand) Limited with effect from 17 November 2020 He was appointed as the General Manager of BOC Hunan Branch with effect from 14 December 2020.

Mr. Wang Zhiheng, a non-executive Director of the Company, ceased to be the General Manager of the Human Resources Department of BOC with effect from 15 December 2020 and ceased to be a director of BOC International Holdings Limited with effect from 27 January 2021.

Mdm. Zhu Lin, a non-executive Director of the Company, ceased to be a director of Bank of China (Mauritius) Limited with effect from 16 October 2020.

Former Director

Mr. Sun Yu resigned as a Non-executive Director, Chairman of the Board and Chairman of the Nomination Committee with effect from 23 December 2020. He ceased to be the General Manager of BOC Beijing Branch and President of BOC's Shanghai RMB Trading Unit with effect from 2 November 2020 and ceased to be an Executive Vice President of BOC with effect from 23 December 2020. Mr. Sun was re-designated as an Executive Director, and appointed as the Vice Chairman and Chief Executive, of BOCHK and BOCHK Holdings with effect from 23 December 2020.

Appointment and re-election of Directors

All the existing Non-executive Directors and Independent Non-executive Directors of the Company have been appointed for a fixed term of approximately three years, with formal letters of appointment setting out the key terms and conditions of their appointment. In accordance with Article 97 of the Constitution and pursuant to code provision A.4.2 of the Corporate Governance Code, any Director appointed by the Board during the year shall hold office only until the next following general meeting or the next following annual general meeting of the Company, and shall then be eligible for re-election at such meeting.

Further, pursuant to Article 90 of the Constitution and code provision A.4.2 of the Corporate Governance Code, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, each of Mr. Robert Martin, Mr. Liu Chenggang, Mr. Fu Shula and Dr. Yeung Yin Bernard shall retire by rotation at the forthcoming AGM. Each of Mr. Robert Martin, Mr. Liu Chenggang, Mr. Fu Shula and Dr. Yeung Yin Bernard, being eligible, will offer himself for re-election.

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

Board meeting process and attendance

Four Board meetings were held during the year ended 31 December 2020, in accordance with the Corporate Governance Code. In general, a regular meeting schedule for the year is prepared and approved by the Board, and ad hoc Board meetings are convened as appropriate. Formal notice of regular Board meetings is required to be sent to all Directors at least 14 days before the date of scheduled meetings and a Board agenda and meeting materials are sent to all Board members for review at least three days prior to the scheduled meetings.

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

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

A typical Board meeting would consist of:

- the presentation of papers to support decisions requiring Board approval

- the presentation of discussion papers and information papers

- a report by the chairman of each Board Committee on matters arising since the last Board meeting

- a management report by the Chief Executive Officer providing an update on the results since the last Board meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan

- the raising of new initiatives and ideas

- any declarations of interest

The following table provides relevant details concerning attendance at Board and Board Committee meetings for the year ended 31 December 2020, and other matters:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Strategy & Budget Committee	2020 Annual General Meeting
Meetings held:	4	5	1	1	4	4	1
Meetings attended:							
Non-executive Directors							
Sun Yu *(Note 1)*	4			1			1
Li Mang	4				3	4	1
Liu Chenggang	4	5				4	1
Wang Zhiheng	2		1	1			1
Zhu Lin	4	5			4		1
Executive Directors							
Robert James Martin	4					4	1
Zhang Xiaolu	4					4	1
Independent Non-executive Directors							
Dai Deming	4	5	1	1			1
Fu Shula	4	5	1	1			1
Antony Nigel Tyler	4	5			4	4	1
Yeung Yin Bernard	4			1		4	1
Average Attendance	95%	100%	100%	100%	92%	100%	100%

Notes:

1. Mr. Sun Yu resigned on 23 December 2020.
2. Certain Directors did not attend certain Board or Board Committee meetings due to other business commitments.

Training and professional development

Each Director received continuous professional development training during the year ended 31 December 2020, including from the Company's external legal advisor. Such training covered topics relevant to their duties as directors including corporate governance and ESG matters. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs. The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills. Each Director has provided to the Company a record of the training they received.

Board's oversight over risk management and internal control

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

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

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

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

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

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

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

The Company conducts an annual review of the effectiveness of its risk management and internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review is coordinated by the Company's Internal Audit Department which, after management and various business departments have performed their self-assessment and management has confirmed the effectiveness of the relevant systems, then carries out an independent examination and other post assessment work on the review process and results. The review also considers the adequacy of resources, employee qualifications and experience and training of the Company's accounting, financial reporting and internal audit functions. The results of the 2020 review, which have been reported to the Audit Committee and the Board, revealed that the Company's risk management and internal control systems were effective and adequate.

Internal audit

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

The Internal Audit Department assists the Audit Committee in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The internal audit plan, which is prepared based on risk assessment methodology, is discussed and approved by Audit Committee every year. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. The Head of

Internal Audit has direct access to the Audit Committee. Audit reports are sent to the Audit Committee and copied to the Managing Director and Chief Executive Officer, Senior Management in charge and the relevant management of audited departments. A summary of major audit findings and recommendations as well as the remediation plan status are reported to the Audit Committee on regular basis. As a key criterion of assessing the adequacy and effectiveness of the Group's risk management and internal control systems, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the Internal Audit Department and also the corrective actions taken by relevant departments.

Directors' responsibility statement in relation to financial statements

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50, applicable disclosure requirements of the Hong Kong Companies Ordinance, International Financial Reporting Standards and the Listing Rules. In addition, the Directors are responsible for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

Board delegation

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

Board Committees

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

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

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

The table below sets out the chairman and members of each Board Committee as at the date of this announcement:

Director	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Strategy and Budget Committee
Mdm. Zhang Xiaolu					M
Mr. Robert James Martin					M
Mr. Li Mang				M	M
Mr. Liu Chenggang	M				C
Mr. Wang Zhiheng		M	M		
Mdm. Zhu Lin	M			M	
Mr. Dai Deming	C	M	M		
Mr. Fu Shula	M	C	M		
Mr. Antony Nigel Tyler	M			C	M
Dr. Yeung Yin Bernard			M		M

Explanatory Notes:

C means committee chairman
M means committee member

The Company will announce the appointment of the Chairman of the Board and Chairman of the Nomination Committee in due course.

Audit Committee

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

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

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

The Audit Committee held five meetings during the year ended 31 December 2020 and its main work included its:

- review, and recommendation to the Board for approval, of the Company's final results announcement, including the financial statements, for the year ended 31 December 2019
- review, and recommendation to the Board for approval, of the Company's interim results announcement, including the financial statements, for the six-month period ended 30 June 2020
- recommendation to the Board for approval of the re-appointment and remuneration of the external auditor of the Company, review and approval of the external audit plan and any external audit reports, and monitoring of the external auditor's independence and objectivity
- review and approval of the internal audit budget for 2021, and review of the effectiveness of the internal audit function of the Company
- review of the effectiveness of the Company's risk management and internal control systems

Nomination Committee

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

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

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

The Nomination Committee held one meeting during the year ended 31 December 2020, supplemented by the circulation of written resolutions, and its main work included its:

- review and recommendation to the Board on the appointment of the Chief Commercial Officer (Europe, Americas and Africa)
- consideration of succession planning for the Directors and Senior Management, and the Company in general
- annual review of the size and structure of the Board
- annual evaluation of the Board and Board Committees
- assessment of the independence of the Independent Non-executive Directors
- review of the Nomination Policy, the Board Diversity Policy and the Nomination Committee's terms of reference

Remuneration Committee

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

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

- reviewing the Company's policy and structure for all Directors' and Senior Management remuneration and making recommendations to the Board with respect to such policy and structure

- determining, with delegated responsibility, regarding remuneration of Executive Directors or Senior Management members

- ensuring that no Director or any of his associates is involved in deciding his own remuneration

- reviewing and approving management's remuneration proposals with reference to the Board's goals and objectives

The Remuneration Committee held one meeting during the year ended 31 December 2020 and its main work included its:

- providing input to the Strategy and Budget Committee and the Board with respect to the Company's staff costs budget for 2021

- reviewing and recommending the bonus pool based on the Company's Incentive Plan to the Board for approval

- recommending salary increase and discretionary bonus amounts for Executive Directors and Senior Management to the Board for approval

- determining and approving the remuneration of the new Executive Director and other Senior Management appointments

- reviewing remuneration competitiveness against comparable companies' market benchmark

- reviewing the Remuneration Committee's terms of reference

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

Risk Committee

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

- conducting regular review of risk factors in the Company's business, including but not limited to customer credit and aircraft asset and portfolio risks, cash flow, liquidity, hedging and funding risks and procurement and technical risks, as well as enterprise risk matters

- regularly reviewing with management new and emerging risks and providing guidance on measures to be taken to mitigate these risks

- reviewing the adequacy of departmental resources, and policies and procedures, to mitigate current and potential future risks

- oversight of the Company's ESG strategy and reporting

- providing regular reports to the Board on the foregoing

- approving other matters delegated to it by the Board

The Risk Committee held four meetings during the year ended 31 December 2020 and its main work included the following:

- quarterly review of the overall risk status of the Company, including portfolio credit quality and collections status, liability risk management, geo-political risk factors, risk factors impacting the commercial aviation industry generally, and enterprise risk matters

- quarterly status review of technical and procurement risk factors

- review of corporate tax, insurance and vendor risk management matters

- review of key risk indicators for inclusion in the scorecard relating to the Company's long term incentive plan

- review of the Company's ESG targets

Strategy and Budget Committee

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

- guiding management in the preparation of the Company's medium to long-term strategic plan for approval by the Board

- reviewing the process for formulating the Company's strategy to ensure that it takes into account a range of alternatives

- reviewing the annual budget prior to Board approval and monitoring performance against budgeted targets

- reviewing and monitoring the Company's business plan and financial budget

- setting corporate targets

The Strategy and Budget Committee held four meetings during the year ended 31 December 2020 and its main work included the following:

- considering and recommending to the Board for approval the final dividend for full-year 2019

- considering and recommending to the Board for approval the interim dividend for the six-month period ending 30 June 2020

- reviewing and reporting to the Board on developments in market conditions and opportunities relevant to the Company's business, including developments in the lease placement and purchase-leaseback markets and developments relating to the procurement of aircraft

- reviewing and recommending to the Board for approval the 2021 budget and the 2021 Corporate Scorecard

- reviewing and recommending to the Board for approval the Company's 2020 Corporate Scorecard result and certain metrics for the Company's short term and long term incentive plans

- reviewing and reporting to the Board on preliminary work on the Company's next five-year plan

Management structure

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

- The **Management Committee** has decision-making authority, delegated from the Board, to approve transactions that meet certain criteria, including leases and lease extensions, purchase and leasebacks, sales, loan and bond financings, hedging, aircraft specification changes and other procurement matters and general administrative matters. The committee is chaired by the Managing Director and Chief Executive Officer. The six members of the Senior Management team and the Chief Risk Officer are members of the committee.

- The **Risk Management Committee** provides an ongoing and forward-looking review of risk factors impacting both parts of the Company's balance sheet, asset/credit risk and liability risk matters. The committee also reviews changes in the external operating environment and the portfolio impact of implementing revenue plans. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Operations Committee** brings together the main business functions involved in executing the Company's aircraft acquisition, leasing and sales transactions and is involved in day-to-day management of the owned and managed aircraft portfolio, including the heads of the legal and transaction management, risk, technical, portfolio management, procurement, airline leasing and sales and aircraft sales departments. The committee is chaired by the Deputy Managing Director and Chief Operating Officer.

- The **Finance Committee** monitors and coordinates issues between the heads of the finance, tax, risk, aircraft sales, treasury and investor relations departments, including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Deputy Managing Director and Chief Financial Officer.

- The **Investment Committee** reviews the overall investment and divestment environment. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Revenue Committee** provides guidance and planning for new lease and sales activities, and provides direction to the customer-facing airline leasing and sales and aircraft sales team for prospective new transactions. Approval of the Revenue Committee is typically obtained for proposals falling outside certain parameters. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Funding Committee** discusses debt markets and funding requirements for the Company. The committee is chaired by the Deputy Managing Director and Chief Financial Officer.

- The **Internal Control Committee** monitors compliance with internal processes and procedures and provides direction for any needed improvements thereto. The committee is responsible for oversight of the Company's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Company's business. The committee is chaired by the General Counsel.

- The **Disclosure Committee** monitors and approve all disclosures made on the Stock Exchange according to the Listing Rules. The committee is responsible for oversight of the Company's disclosure and the Company's inside information related policies and procedure. The committee is chaired by the Managing Director and Chief Executive Officer.

- The **Environmental, Social and Governance Committee** drives the Company's ESG initiatives, and reviews and monitors the Company's ESG commitments, targets and reporting obligations at management level. The committee is chaired by the Deputy Managing Director and Chief Operating Officer.

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

D&O liability insurance policy

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

Company Secretary

The Company Secretary is a full time employee of the Company based in Singapore and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with Shareholders and with management. The Company Secretary attended sufficient professional training for the year ended 31 December 2020 to update her skills and knowledge.

Directors' securities transactions

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

Upon specific enquiry by the Company, all Directors confirmed that they complied with the Dealing Policy during the year ended 31 December 2020.

External auditor and auditor's remuneration

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

Ernst & Young LLP (**EY**) was the Company's external auditor for the year ended 31 December 2020. For 2020, the total fees charged by EY and its affiliates were US$0.86 million, of which US$0.42 million was for audit services, US$0.14 million was for audit related services mainly relating to the Company's issuance of notes under its Global Medium Term Note Program and US$0.30 million was for non-audit related services mainly relating to tax compliance and advisory services. Apart from audit services, EY was appointed to provide audit related services and non-audit related services to the Group in relation to matters closely associated with the audit or where EY's understanding of the Group's business was beneficial in improving efficiency and effectiveness. The percentage of fee ratio between audit related services and non-audit related services versus total fees charged was 51.4%, while the percentage of fee ratio between non-audit related services versus total fees charged was 34.9%.

The Audit Committee reviewed the fees paid to EY in 2020 for the purposes of Section 206(1A) of the Singapore Companies Act, Chapter 50, and is satisfied that the non-audit services (comprising audit related and non-audit related services) provided by EY in 2020 did not affect the independence of EY in carrying out their audit services provided to the Group.

EY will retire and will not be seeking re-appointment at the forthcoming AGM. PricewaterhouseCoopers LLP (**PWC**) has expressed its willingness to act as the Company's external auditor and, upon the recommendation of the Audit committee, the Board has proposed that PWC be appointed as auditor of the Company at the forthcoming AGM. Subject to Shareholders' approval, the Board has authorised the Audit Committee to determine the remuneration of PWC.

Investor relations

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

The methods used to communicate with Shareholders include the following:

- the Head of Investor Relations makes himself available for regular meetings with major Shareholders, investors and analysts. During the year ended 31 December 2020, he and members of Senior Management have participated in numerous meetings, calls and conferences, in Hong Kong and elsewhere, with Shareholders, investors and analysts

- the Company's website includes electronic copies of financial reports, call transcripts, audio webcasts of analyst presentations, presentation slides, latest news, public announcements and general information about the Company

- publication of interim and annual reports

- publication of press releases and announcements

- the annual general meeting of the Company

Putting forward enquiries to the Board

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

DIRECTORS' STATEMENT

The Directors are pleased to present this statement and the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2020. In our opinion:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Principal activities

The principal activities of the Company, which are conducted in Singapore, are the leasing of aircraft, management of aircraft leases and other related activities. The Company's subsidiaries, which are listed in Note 35 to the financial statements, are also primarily engaged in the leasing of aircraft and other related activities.

Business review and principal risks

Please refer to "Year In Review", "Chief Executive's Comments", "Business and Financial Review", "Management Discussion and Analysis" and "Corporate Governance Report" sections for a review of the Company's business for the year ended 31 December 2020. Details of the principal risks faced by the Company and the potential impact on the Company are set out on pages 13 to 15 of this announcement. The Company's Environmental, Social and Governance Report will be published in due course.

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

Annual General Meeting

The AGM will be held on 3 June 2021.

Results

The financial performance of the Group for the year ended 31 December 2020 and the financial position of the Group and the Company at that date are set out in the financial statements in the Appendix A to this announcement.

Dividend policy

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

Dividends

The Board has recommended a final dividend of US$0.1173 per share for the year ended 31 December 2020, amounting to approximately US$81.4 million, subject to the approval of Shareholders at the AGM. If approved, the final dividend will be paid on 18 June 2021 to Shareholders whose names appear on the Register of Members of the Company on the record date, being 11 June 2021. The final dividend will be paid in Hong Kong Dollar, converted from US Dollar at the prevailing market rate at least one week before the dividend payment date.

Together with the interim dividend of US$0.1398 per share declared in August 2020, the total dividend payout for the year ended 31 December 2020 would be US$0.2571 per share, representing a total distribution to Shareholders of approximately US$178.4 million.

Closure of register of members-Annual General Meeting

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the AGM, from 31 May 2021 to 3 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfer documents, accompanied by the relevant Share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 28 May 2021.

Closure of register of members-Final dividend

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to the proposed final dividend, from 9 June 2021 to 11 June 2021 (both days inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the proposed final dividend, all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 8 June 2021.

Financial summary

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 1 June 2016. A five year financial summary of the Group is set out on page 71 of this announcement.

Plant and equipment

Details of plant and equipment of the Group as at 31 December 2020 are set out in Note 13 to the financial statements.

Pre-emptive rights

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

Donations

For the year ended 31 December 2020, the Company and employees donated more than US$41,000 each for charitable purposes. We did not make any donation of a political nature.

Share capital

Details of the Shares issued by the Company are set out in Note 30 to the financial statements. There was no movement in the share capital of the Company during the year ended 31 December 2020. There was no purchase, sale or redemption of Shares by the Company or any of its subsidiaries during the year ended 31 December 2020. In connection with the RSU plan, the independent trustee (Computershare Hong Kong Trustees) purchased 1,738,000 Shares on-market for a total consideration of approximately HK$81.4 million, which are held on trust in accordance with the rules of the RSU Plan.

Public float

Based on information that is publicly available and within the knowledge of the Directors, the Company maintained the prescribed public float of more than 25% of the total issued share capital required under the Listing Rules from 1 January 2020 to the date of this announcement.

Bank loans, debentures issued and other borrowings

Details of the Company's bank loans, debentures issued and other borrowings are set out in Notes 23 and 33 to the financial statements.

Distributable reserves

The distributable reserves of the Company as at 31 December 2020, calculated according to the Companies Act (Cap. 50 of the laws of Singapore), amounted to approximately US$2.1 billion and are set out as retained earnings in the Company's statement of financial position in the financial statements.

Contingent liabilities

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 40 to the financial statements, the Company had no material contingent liabilities as at 31 December 2020.

Directors

A list of Directors in office at the date of this statement is set out on page 47 of this announcement. The Company will announce the appointment of the Chairman of the Board and Chairman of the Nomination Committee in due course.

The changes in Board composition, and the biographical details of the Directors and their terms of office are set out on pages 28 to 32 and 40 to 41 of this announcement.

In accordance with Article 90 of the Constitution, Mr. Robert Martin, Mr. Liu Chenggang, Mr. Fu Shula and Dr. Yeung Yin Bernard will retire at the forthcoming AGM. Each of the above retiring Directors, being eligible, will offer himself for re-election at the forthcoming AGM.

Directors' service contracts

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

Directors' interests in transactions, arrangements or contracts

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

During the year ended 31 December 2020 and as at 31 December 2020, none of the Directors has interests in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

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

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

Remuneration of Directors and Senior Management

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

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

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

Details of the remuneration of the Directors and a summary of the remuneration of the five highest paid individuals and Senior Management by band for the year ended 31 December 2020 are set out in Note 10 to the financial statements.

Restricted Share Unit Long Term Incentive Plan

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

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) purchases Shares of the Company from the market and holds such Shares on trust in accordance with the rules of the RSU Plan. The RSU Plan will not involve any issue of new Shares by the Company.

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 year ended 31 December 2020, the Company granted awards under the RSU Plan on 28 April 2020. For more information on the grant of awards under the RSU Plan on 28 April 2020, please refer to the Company's announcement dated 28 April 2020 on the websites of the Stock Exchange and the Company. In addition, certain RSUs vested or were forfeited during the year 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	243,535	199,373	Nil
Mr. WANG Jian	Former Executive Director#	60,881	34,890	Nil
Certain directors of subsidiaries of the Company	Subsidiary Directors	478,812	406,105	Nil
Employees and former employees of the Group other than the Executive Director, Former Executive Director and Subsidiary Directors mentioned above	–	972,148	607,061	Nil
Total		1,755,376	1,247,429	Nil

* Based on their positions as at 28 April 2020.
\# Mr. Wang Jian retired on 31 December 2019.

Directors' and Chief Executive Officer's Interests in Shares and Debentures

As at 31 December 2020, interests of the Directors and the Chief Executive Officer and their respective associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO and section 164 of the Singapore Companies Act, Cap. 50, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2020 were as follows:

Long position (ordinary Shares)

Name of Director	Total Number of Shares held (Note)	Approximate percentage of total issued share capital (%)
Mr. Robert James MARTIN	616,243	0.09

Note: As at 31 December 2020, Mr. Martin had a beneficial interest in a total of 616,243 Shares, which included 416,870 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan.

None of the Directors or the Chief Executive Officer of the Company or their respective associates had any short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO and section 164 of the Singapore Companies Act, Cap. 50, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2020.

Substantial Shareholders

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2020, 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

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 Sari and Capital International, Inc. Capital International Sari 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.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2020, so far as the Directors are aware, no other persons or corporations had 5% or more interests or short positions in Shares and underlying shares of the Company which were recorded in the register maintained by the Company under section 336 of the SFO.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

Permitted indemnity

Pursuant to the Constitution, every Director shall be entitled to be indemnified by the Company against all liabilities incurred by him/her to the extent permitted by the Companies Act (Cap. 50 of Singapore). The Company has maintained insurance for the benefit of Directors against liability which may lawfully be insured by the Company.

Share option scheme

The Company has not adopted a share option scheme.

Equity-linked agreements

Save for the RSU Plan, no equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted as at 31 December 2020.

Shares under option

No options over unissued Shares of the Company or its subsidiaries were granted by the Company or its subsidiaries, or exercised, during the year ended 31 December 2020 or subsisted as at 31 December 2020.

Major customers

In 2020, the five largest customers of the Group accounted for less than 30% of the total of lease rental income of the Group.

Major suppliers

The largest suppliers of the Group in terms of capital expenditure are typically Airbus and Boeing as aircraft suppliers, but in 2020 more aircraft were acquired under purchase and leaseback transactions with airlines than under direct purchases from Airbus and Boeing. Our largest supplier in 2020 in terms of capital expenditure was United Airlines, Inc. under a purchase and leaseback transaction, representing 26.0% of total capital expenditure of the Group. The total purchases from the five largest suppliers of the Group accounted for approximately 82% of total capital expenditure of the Group.

The five largest suppliers to the Group are independent third parties and, to the best knowledge and belief of the Directors, none of the Directors or their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interest in any of the five largest suppliers in 2020 (to the extent applicable to such suppliers).

Continuing connected transactions

The following transactions constituted continuing connected transactions under the Listing Rules during the year ended 31 December 2020:

A. Bank deposits

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

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

The maximum daily balance of deposit placed by the Group with the BOC Group (other than the BOCHK Holdings Group) (including interest accrued thereon) for the year ended 31 December 2020 was approximately US$494 million and it had not exceeded the applicable cap during the year ended 31 December 2020.

2. Bank deposits with the BOCHK Holdings Group

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

The maximum daily balance of deposits placed by the Group with the BOCHK Holdings Group (including interest accrued thereon) for the year ended 31 December 2020 was US$493 million and it had not exceeded the applicable cap during the year ended 31 December 2020.

Other terms

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

Each of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement expires on 31 December 2021 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the BOC Deposit Framework Agreement or the BOCHK Deposit Framework Agreement, as the case may be.

B. Secured loans and other banking services

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

The Group did not enter into any secured loans with the BOC Group (other than the BOCHK Holdings Group) during the year ended 31 December 2020 and no secured loans with BOC Group (other than the BOCHK Holdings Group) were outstanding as at 31 December 2020.

BOC Singapore Branch had provided services as arranger in respect of an unsecured loan provided by BOC Singapore Branch to the Group (the **Other Banking Services**).

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

The aggregate of the outstanding principal amount of the secured loans from the BOC Group (other than the BOCHK Holdings Group) and the fees paid for the provision of the Other Banking Services by the BOC Group (other than the BOCHK Holdings Group) for the year ended 31 December 2020 was US$3.0 million and it had not exceeded the cap of US$500 million for the year ended 31 December 2020.

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

The Group did not enter into any secured loans with BOCHK during the year ended 31 December 2020 and no secured loans with BOCHK were outstanding as at 31 December 2020.

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

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

The aggregate of the outstanding principal amount of the secured loans from the BOCHK Holdings Group and the fees paid for the provision of the Other Banking Services by the BOCHK Holdings Group for the year ended 31 December 2020 was US$1.2 million and it had not exceeded the cap of US$500 million for the year ended 31 December 2020.

Other terms

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

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

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

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

C. Listing Rule Implications

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

D. Annual review

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

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

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this announcement;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) have exceeded their respective annual caps for the financial year ended 31 December 2020 set out in the prospectus or previous announcements of the Company.

In accordance with paragraph 14A.57 of the Listing Rules, a copy of the auditor's letter will be provided by the Company to the Stock Exchange at least 10 business days before the bulk printing of the Annual Report.

The Company has complied with the requirements of Chapter 14A of the Listing Rules in relation to the connected transactions and continuing connected transactions to which any Group member was a party during the year ended 31 December 2020. Details of the related party transactions entered into by the members of the Group for the year ended 31 December 2020 and whether such related party transactions are connected transactions under the Listing Rules are set out below.

E. Related party transactions

Note 19 to the financial statements disclosed the cash and bank balances of the Group. Such bank balances included the Group's bank deposits with the BOC Group (other than the BOCHK Holdings Group) pursuant to the deposit framework agreement with BOC, which constituted non-exempt continuing connected transactions of the Company under the Listing Rules.

Note 23 to the 2020 financial statements disclosed the loans and borrowings of the Group. Such loans and borrowings included (a) unsecured loans from the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group in the aggregate amount of US$2.045 billion and (b) US$2.67 billion in unutilised committed revolving credit facilities from the BOC Group (other than the BOCHK Holdings Group), all of which constituted fully exempt continuing connected transactions of the Company pursuant to Listing Rule 14A.90.

Note 38 to the financial statements disclosed certain significant transactions of the Group with related parties in the normal course of business and on commercial terms, other than those that were disclosed in other notes to the financial statements. In relation to the interest expense payable to the intermediate holding company and other related parties in 2020, (a) a de minimis amount related to office lease liabilities owing to the BOC Group (other than the BOCHK Holdings Group) and (b) an aggregate amount of US$22.56 million related to interest expenses payable on unsecured loans due to the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group, all of which constituted fully exempt continuing connected transactions of the Company pursuant to Listing Rules 14A.76 and 14A.90 respectively. The directors' remuneration paid by the Company in 2020 and payable as at 31 December 2020 constituted fully exempt continuing connected transactions of the Company pursuant to Listing Rule 14A.95.

Debentures issued

In 2020, the Company issued the following debentures to raise funds to fund capital expenditure and our general corporate expenses:

Class	Amount issued	Term
Senior Unsecured Notes	US$400,000,000	5 years
Senior Unsecured Notes	US$1,000,000,000	5 years
Senior Unsecured Notes	US$750,000,000	3.5 years
Senior Unsecured Notes	US$750,000,000	10 years

Please refer to Note 23 to the financial statements for details of debentures.

Review by the Audit Committee

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Company and discussed auditing, internal controls and financial reporting matters. The Audit Committee has also reviewed the audited financial statements of the Group for the year ended 31 December 2020.

Auditor

Ernst & Young LLP will retire and will not be seeking re-appointment at the forthcoming AGM. PricewaterhouseCoopers LLP (**PWC**) has expressed its willingness to act as the Company's external auditor and, upon the recommendation of the Audit committee, the Board has proposed that PWC be appointed as auditor of the Company at the forthcoming AGM.

On behalf of the Board
BOC Aviation Limited

ZHANG Xiaolu	**Robert James MARTIN**
Vice Chairman and Executive Director	*Executive Director*

Singapore, 11 March 2021

FIVE YEAR FINANCIAL SUMMARY

The financial highlights of the Group for the financial years 2016 to 2020 are summarised below:

	2020	2019	2018	2017	2016
	US$m	*US$m*	*US$m*	*US$m*	*US$m*
Statement of Profit or Loss					
Revenues and other income	2,054	1,976	1,726	1,401	1,193
Costs and expenses	(1,491)	(1,201)	(1,040)	(850)	(719)
Profit before income tax	563	775	685	551	474
Net profit after income tax	**510**	**702**	**620**	**587**	**418**
Earnings per share (US$)[1]	0.73	1.01	0.89	0.85	0.60
Statement of Financial Position					
Cash and short-term deposits	408	287	243	305	558
Total current assets	656	739	257	572	820
Total non-current assets	22,913	19,025	17,999	15,468	12,625
Total assets	**23,568**	**19,764**	**18,256**	**16,040**	**13,445**
Total current liabilities	2,157	2,141	1,709	1,724	1,190
Total non-current liabilities	16,634	13,043	12,349	10,497	8,873
Total liabilities	**18,792**	**15,184**	**14,057**	**12,221**	**10,063**
Net assets	**4,777**	**4,581**	**4,199**	**3,819**	**3,382**
Financial Ratios					
Net assets per share (US$)[2]	6.88	6.60	6.05	5.50	4.87
Gross debt to equity (times)[3]	3.5	2.9	3.0	2.9	2.6
Net debt to equity (times)[4]	3.4	2.9	2.9	2.8	2.4

1 Earnings per share is calculated by dividing net profit after tax by total number of shares outstanding at 31 December of the relevant year. Number of shares outstanding at 31 December 2016 to 31 December 2020 was 694,010,334.

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

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

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

CORPORATE INFORMATION

As at 11 March 2021

Board of Directors

Vice Chairman
ZHANG Xiaolu

Directors
Robert James MARTIN
LI Mang*
LIU Chenggang*
WANG Zhiheng*
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
Recognised Public Interest Entity Auditor
Ernst & Young LLP

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

Credit Ratings
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
"AGM"	The annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statements for the financial year ended 31 December 2020. The meeting will be held on 3 June 2021
"Airbus"	Airbus S.A.S., a societe par actions simplifiee duly created and existing under French law
"Annual Report"	The annual report of the Company for the financial year ended 31 December 2020 which contains, among others, the audited financial statements for the financial year ended 31 December 2020 and the Directors' Statement
"Board"	The board of Directors of the Company
"Board Committees"	The five sub-committees of the Board comprising the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy and Budget Committee and the Risk Committee
"BOC" or "Bank of China"	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-share and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules
"BOC Group"	BOC and its subsidiaries (excluding the Group)
"BOCGI"	Bank of China Group Investment Limited (中銀集團投資有限公司), a company incorporated in Hong Kong with limited liability on 11 December 1984, a wholly-owned subsidiary of BOC, a controlling shareholder of the Company and a connected person of the Company under the Listing Rules
"BOCHK"	Bank of China (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 16 October 1964, a wholly-owned subsidiary of the BOCHK Holdings and an associate of a connected person of the Company under the Listing Rules

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

"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NBV"	Net book value
"RSU Plan"	The BOC Aviation Limited Restricted Share Unit Long Term Incentive Plan, which was adopted by the Company in December 2017
"Senior Management"	Managing Director and Chief Executive Officer, Vice Chairman and Deputy Managing Director, Deputy Managing Director and Chief Financial Officer, Deputy Managing Director and Chief Operating Officer, Chief Commercial Officer (Asia Pacific and the Middle East) and Chief Commercial Officer (Europe, Americas and Africa)
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder"	A holder of Shares
"Shares"	Ordinary shares in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD", "US$" or "US Dollar"	The lawful currency of the United States of America
"USD LIBOR"	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US Dollar

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT, ANNUAL REPORT, ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT AND NOTICE OF AGM

This final results announcement is published on the websites of the Company at www.bocaviation.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The AGM is scheduled to be held on 3 June 2021. The notice of the AGM and the 2020 Annual Report, including our Environmental, Social and Governance Report and audited financial statements for the year ended 31 December 2020, will be dispatched and made available to the Shareholders in due course.

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

Hong Kong, 11 March 2021

As at the date of this announcement, the Board comprises Mdm. Zhang Xiaolu as Vice Chairman and Executive Director, Mr. Robert James Martin as Executive Director, Mr. Li Mang, Mr. Liu Chenggang, Mr. Wang Zhiheng 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.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

Contents

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

The directors present their statement to the members together with the audited consolidated financial statements of BOC Aviation Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Zhang Xiaolu	Vice-Chairman and Deputy Managing Director
Robert James Martin	Managing Director and Chief Executive Officer
Li Mang	Non-executive Director
Liu Chenggang	Non-executive Director
Wang Zhiheng	Non-executive Director
Zhu Lin	Non-executive Director
Dai Deming	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Yeung Yin Bernard	Independent Non-executive Director

3. Arrangements to enable directors to acquire shares and debentures

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

4. Restricted Share Unit Long Term Incentive Plan

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

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

5. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interests in shares of the Company or of related companies as stated below:

Name of director	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares:		
Robert James Martin	–	199,373
Restricted share units granted by the Company but not yet vested:		
Robert James Martin	372,708	416,870

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

6. Audit Committee

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

Dai Deming	Chairman, Independent Non-executive Director
Antony Nigel Tyler	Independent Non-executive Director
Fu Shula	Independent Non-executive Director
Liu Chenggang	Non-executive Director
Zhu Lin	Non-executive Director

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

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

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

DIRECTORS' STATEMENT

7. Auditor

Ernst & Young LLP will retire as auditor of the Company and will not be seeking re-appointment at the forthcoming Annual General Meeting ("AGM"). PricewaterhouseCoopers LLP has expressed its willingness to act as the auditor of the Company and, upon the recommendation of the Audit Committee, the Board of Directors has proposed that PricewaterhouseCoopers LLP be appointed as the auditor of the Company subject to shareholders' approval at the forthcoming AGM.

On behalf of the Board of Directors:

Zhang Xiaolu
Director

Robert James Martin
Director

Singapore
11 March 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BOC Aviation Limited (the "Company") and its subsidiary companies (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2020, the consolidated statement of changes in equity, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), International Financial Reporting Standards ("IFRS") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (continued)

Carrying value of property, plant and equipment - aircraft

The carrying value of aircraft in property, plant and equipment was significant to the audit because the aircraft carrying value of US$18,851 million as at the end of the reporting period was material to the financial statements, representing approximately 80% of the Group's total assets. The Covid-19 pandemic has and is continuing to affect air travel. This may reduce demand for aircraft which could result in lower lease rentals or lower market values for aircraft. During the year ended 31 December 2020, the Group recognised an impairment loss of US$108.6 million (2019: nil) on aircraft representing 0.5% of the Group's carrying value of the property, plant and equipment. The impairment loss represents the write-down on the book value of each affected aircraft to its estimated recoverable amount.

As disclosed in Note 3.2(d) to the financial statements, the Group follows the guidance provided by IAS 36/SFRS(I) 1-36 *Impairment of Assets* in determining whether it is necessary to recognise any impairment loss on an aircraft. Management assesses at the end of each reporting period whether there is any indication that an aircraft's value may have been impaired. This exercise involves management considering both internal and external sources of information which include but are not limited to: observable indications that the value of aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; aircraft valuation reports provided by external appraisers; significant adverse changes in the expected usage of the aircraft, technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence of or physical damage to the aircraft; and worse than expected economic performance of the aircraft. If any indication exists, the Group makes an estimate of the asset's recoverable amount. We reviewed management's assessment of whether indicators of impairment were present and assessed the reasonableness of significant judgements used in estimating the asset's recoverable amount.

In addition, our audit procedures included, amongst others:

- Validating the information used in assessing the financial profitability of individual aircraft by considering the recoverability of lease rental and comparing lease rental revenue to depreciation and costs of financing for that aircraft;
- Cross-checking against management's and our assessment on the lessee's financial position along with public news available to assess the appropriateness of the method used to determine the aircraft recoverable value;
- Reviewing announcements from other aircraft leasing companies and airlines across the aviation industry for news that are applicable to the Group;
- Validating the utilisation of aircraft;
- Assessing management's judgement on economic and technological relevance of aircraft and engine models in the current aviation demand and supply dynamics;
- Reviewing the inputs used by management to estimate the aircraft recoverable amount by taking into consideration the current market conditions, applying our knowledge of the business and the aviation industry and performing sensitivity analyses;
- Evaluating each lessee's financial condition and consequent ability to fulfil its lease obligations in order to assess the appropriateness of using value in use to determine the recoverable value of the relevant aircraft;
- Assessing the accuracy of the discounted cash flow models by re-performing the mathematical calculations; and

Key Audit Matters (continued)

- Performing sensitivity analyses on aircraft which were not identified as having indicators of impairment but have a higher risk of impairment due to lower excess of the recoverable value of an aircraft over its appraised values, higher age of an aircraft or the existence of operational circumstances affecting the recoverable value of an aircraft.

Furthermore, we assessed the adequacy of the Group's disclosures regarding the impairment of aircraft, which are disclosed in Note 3.2 and Note 13 to the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

11 March 2021

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2020

	Note	Group 2020 US$'000	2019 US$'000
Revenues			
Lease rental income	45(a)	**1,784,486**	1,704,280
Interest and fee income	4	**177,384**	99,225
Other income:			
Net gain on sale of aircraft	5	**44,361**	134,287
Incidental income	6	**47,539**	38,160
		2,053,770	1,975,952
Costs and expenses			
Depreciation of property, plant and equipment	13	**676,343**	609,664
Finance expenses	7	**454,871**	427,991
Amortisation of deferred debt issue costs	8	**28,366**	24,711
Amortisation of lease transaction closing costs		**191**	206
Staff costs	9	**67,653**	79,824
Marketing and travelling expenses		**1,009**	5,671
Impairment of aircraft	13	**108,600**	–
Impairment losses on financial assets	15	**43,299**	24,748
Other operating expenses	11	**31,709**	28,211
		(1,412,041)	(1,201,026)
Loss on investment in equity instruments	37	**(78,728)**	–
		(1,490,769)	(1,201,026)
Profit before income tax		**563,001**	774,926
Income tax expense	12	**(53,160)**	(72,667)
Profit for the year attributable to owners of the Company		**509,841**	702,259
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US$)	44	**0.73**	1.01
Diluted earnings per share (US$)	44	**0.73**	1.01

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000
Profit for the year		**509,841**	702,259
Other comprehensive income for the year, 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	31	**(127,657)**	(104,520)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	31	**57,612**	2,433
Total comprehensive income for the year attributable to owners of the Company		**439,796**	600,172

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 US$'000	2019 US$'000
Non-current assets			
Property, plant and equipment	13	**22,160,793**	19,002,975
Lease transaction closing costs		**1,758**	1,536
Derivative financial instruments	14	**11,069**	1,850
Finance lease receivables	39(b)	**664,953**	–
Trade receivables	15	**32,627**	–
Other receivables	16	**28,352**	–
Deferred income tax assets	28	**237**	169
Other non-current assets		**12,789**	18,625
		22,912,578	19,025,155
Current assets			
Derivative financial instruments	14	**–**	523
Trade receivables	15	**122,146**	18,232
Prepayments		**3,222**	2,534
Finance lease receivables	39(b)	**20,538**	–
Other receivables	16	**7,408**	106,432
Income tax receivables	17	**85,557**	–
Short-term deposits	18	**181,242**	202,935
Cash and bank balances	19	**226,315**	84,191
Assets held for sale	20	**–**	324,426
Other current assets		**9,335**	–
		655,763	739,273
Total assets		**23,568,341**	19,764,428
Current liabilities			
Derivative financial instruments	14	**36,780**	55,409
Trade and other payables	21	**186,966**	206,298
Deferred income	22	**134,914**	62,397
Income tax payables		**177**	431
Loans and borrowings	23	**1,745,688**	1,715,233
Lease liabilities	24	**2,209**	1,981
Security deposits	26	**50,608**	34,375
Liabilities associated with assets held for sale	20	**–**	64,766
		2,157,342	2,140,890
Net current liabilities		**(1,501,579)**	(1,401,617)
Total assets less current liabilities		**21,410,999**	17,623,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

	Note	Group 2020 US$'000	2019 US$'000
Non-current liabilities			
Derivative financial instruments	14	**181,355**	167,086
Loans and borrowings	23	**14,952,649**	11,590,702
Lease liabilities	24	**7,239**	8,587
Security deposits	26	**226,451**	250,691
Deferred income	22	**66,884**	55,709
Maintenance reserves	27	**698,062**	592,549
Deferred income tax liabilities	28	**464,947**	334,345
Other non-current liabilities	29	**36,612**	42,955
		16,634,199	13,042,624
Total liabilities		**18,791,541**	15,183,514
Net assets		**4,776,800**	4,580,914
Equity attributable to owners of the Company			
Share capital	30	**1,157,791**	1,157,791
Retained earnings		**3,778,620**	3,515,584
Statutory reserves		**624**	262
Share-based compensation reserves		**10,554**	8,021
Hedging reserves	31	**(170,789)**	(100,744)
Total equity		**4,776,800**	4,580,914
Total equity and liabilities		**23,568,341**	19,764,428

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		Company	
	Note	**2020 US$'000**	2019 US$'000
Non-current assets			
Property, plant and equipment	13	**12,243,970**	11,855,841
Lease transaction closing costs		**873**	812
Derivative financial instruments	14	**11,069**	1,850
Finance lease receivables	39(b)	**664,953**	–
Trade receivables	15	**10,184**	–
Other receivables	16	**9,222**	–
Amounts due from subsidiary companies	34	**2,873,850**	1,424,590
Investments in subsidiary companies	35	**747,140**	747,227
Other non-current assets		**10,700**	15,975
		16,571,961	14,046,295
Current assets			
Derivative financial instruments	14	**–**	523
Trade receivables	15	**77,963**	12,501
Prepayments		**1,625**	1,598
Finance lease receivables	39(b)	**20,538**	–
Other receivables	16	**148,907**	221,759
Short-term deposits	18	**85,725**	31,730
Cash and bank balances	19	**10,534**	30,766
Assets held for sale	20	**–**	197,937
Other current assets		**7,993**	–
		353,285	496,814
Total assets		**16,925,246**	14,543,109
Current liabilities			
Derivative financial instruments	14	**36,780**	55,409
Trade and other payables	21	**155,744**	146,778
Deferred income	22	**97,831**	45,182
Loans and borrowings	23	**1,200,430**	1,271,859
Security deposits	26	**3,773**	11,647
Lease liabilities	24	**1,520**	1,359
Lease liabilities to subsidiary companies	33	**78,556**	105,614
Liabilities associated with assets held for sale	20	**–**	30,667
		1,574,634	1,668,515
Net current liabilities		**(1,221,349)**	(1,171,701)
Total assets less current liabilities		**15,350,612**	12,874,594

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

	Note	Company 2020 US$'000	Company 2019 US$'000
Non-current liabilities			
Derivative financial instruments	14	**181,355**	167,086
Loans and borrowings	23	**11,141,848**	8,735,749
Security deposits	26	**133,836**	152,858
Deferred income	22	**51,192**	33,860
Maintenance reserves	27	**327,757**	273,529
Deferred income tax liabilities	28	**129,325**	120,337
Lease liabilities	24	**5,314**	6,560
Lease liabilities to subsidiary companies	33	**175,710**	317,234
Other non-current liabilities	29	**29,505**	34,888
		12,175,842	9,842,101
Total liabilities		**13,750,476**	11,510,616
Net assets		**3,174,770**	3,032,493
Equity attributable to owners of the Company			
Share capital	30	**1,157,791**	1,157,791
Retained earnings		**2,093,016**	1,923,011
Share-based compensation reserves		**9,065**	6,851
Hedging reserves	31	**(85,102)**	(55,160)
Total equity		**3,174,770**	3,032,493
Total equity and liabilities		**16,925,246**	14,543,109

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

		Attributable to owners of the Company					
	Note	**Share capital US$'000**	**Retained earnings US$'000**	**Statutory reserves* US$'000**	**Share-based compensation reserves US$'000**	**Hedging reserves US$'000**	**Total equity US$'000**
At 1 January 2019		1,157,791	3,037,898	63	1,931	1,343	4,199,026
Profit for the year		–	702,259	–	–	–	702,259
Transfers to statutory reserves		–	(199)	199	–	–	–
Other comprehensive income for the year, net of tax	31	–	–	–	–	(102,087)	(102,087)
Total comprehensive income for the year		–	702,060	199	–	(102,087)	600,172
Transactions with owners of the Company:							
Dividends	36	–	(224,374)	–	–	–	(224,374)
Amortisation of share-based compensation	9	–	–	–	6,090	–	6,090
At 31 December 2019 and 1 January 2020		**1,157,791**	**3,515,584**	**262**	**8,021**	**(100,744)**	**4,580,914**
Profit for the year		**–**	**509,841**	**–**	**–**	**–**	**509,841**
Transfers to statutory reserves		**–**	**(362)**	**362**	**–**	**–**	**–**
Other comprehensive income for the year, net of tax	31	**–**	**–**	**–**	**–**	**(70,045)**	**(70,045)**
Total comprehensive income for the year		**–**	**509,479**	**362**	**–**	**(70,045)**	**439,796**
Transactions with owners of the Company:							
Dividends	36	**–**	**(246,443)**	**–**	**–**	**–**	**(246,443)**
Amortisation of share-based compensation	9	**–**	**–**	**–**	**10,257**	**–**	**10,257**
Restricted Share Units – amount vested		**–**	**–**	**–**	**(7,724)**	**–**	**(7,724)**
At 31 December 2020		**1,157,791**	**3,778,620**	**624**	**10,554**	**(170,789)**	**4,776,800**

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000
Cash flows from operating activities:			
Profit before income tax		**563,001**	774,926
Adjustments for:			
Depreciation of property, plant and equipment	13	**676,343**	609,664
Impairment of aircraft	13	**108,600**	–
Amortisation of deferred debt issue costs	8	**28,366**	24,711
Amortisation of lease transaction closing costs		**191**	206
Amortisation of share-based compensation	9	**10,257**	6,090
Interest and fee income	4	**(177,384)**	(99,225)
Net gain on sale of aircraft	5	**(44,361)**	(134,287)
Loss on investment in equity instruments	37	**78,728**	–
Finance expenses	7	**454,871**	427,991
Impairment losses on financial assets	15	**43,299**	24,748
Operating profit before working capital changes		**1,741,911**	1,634,824
Increase in receivables		**(102,463)**	(151,867)
(Decrease)/increase in payables		**(28,234)**	1,509
Increase in maintenance reserves, net		**48,602**	56,517
Increase/(decrease) in deferred income		**19,067**	(1,172)
Cash generated from operations		**1,678,883**	1,539,811
Security deposits (paid)/received, net		**(27,535)**	39,760
Lease transaction closing costs paid		**(413)**	(546)
Income tax paid, net		**(1,068)**	(32,913)
Interest and fee income received		**176,525**	99,253
Net cash flows from operating activities		**1,826,392**	1,645,365
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(3,937,283)**	(3,197,250)
Purchase of aircraft classified as finance lease		**(703,800)**	–
Proceeds from sale of property, plant and equipment		**386,570**	1,265,693
Net cash flows used in investing activities		**(4,254,513)**	(1,931,557)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the financial year ended 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**4,550,000**	3,067,962
Repayment of loans and borrowings		**(1,757,668)**	(1,231,308)
Increase/(decrease) in borrowings from revolving credit facilities, net		**505,000**	(799,000)
Repayment of lease liabilities		**(2,289)**	(1,955)
Finance expenses paid		**(471,067)**	(442,665)
Debt issue costs paid		**(28,981)**	(38,325)
Dividends paid	36	**(246,443)**	(224,374)
Decrease in cash and bank balances - encumbered		**35,462**	3,672
Increase in cash and bank balances - encumbered		**–**	(18,885)
Net cash flows from financing activities		**2,584,014**	315,122
Net increase in cash and cash equivalents		**155,893**	28,930
Cash and cash equivalents at beginning of year		**251,663**	222,733
Cash and cash equivalents at end of year	32	**407,556**	251,663

The accompanying accounting policies and explanatory notes form an integral part of these 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 as disclosed in Note 35.

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

As at 31 December 2020, the Group's and the Company's current liabilities exceeded its current assets by US$1,501.6 million (2019: US$1,401.6 million) and US$1,221.3 million (2019: US$1,171.7 million), respectively. The 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 have been 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)") as issued by the Singapore Accounting Standards Council.

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

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020. In the current financial year, the Group adopted the Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39 and IFRS 7/SFRS(I) 7: Interest Rate Benchmark Reform. The amendments provide relief which allow entities to assume that the uncertainty arising from the Interbank Offered Rates ("IBOR") reform does not affect hedge relationships to the extent that they must be discontinued. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

Standards	**Applicable for financial year beginning on or after**
Amendments to IFRS 9/SFRS(I) 9, IAS 39/SFRS(I) 1-39, IFRS 7/SFRS(I) 7, IFRS 4/SFRS(I) 4 and IFRS 16/SFRS(I) 16 on Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IAS 16/SFRS(I) 1-16 on Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37/SFRS(I) 1-37 on Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Amendments to IFRS 9/SFRS(I) 9 on Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Amendments to IAS 1/SFRS(I) 1-1 on Classification of Liabilities as Current or Non-current	1 January 2023

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

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2020. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

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

2.4 Functional and foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

2.5 Property, plant and equipment

(a) Aircraft

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

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

(b) Aircraft pre-delivery payments

Pre-delivery payments are recognised under property, plant and equipment when payments are made for aircraft under construction.

(c) Other plant and equipment

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

(*d*) *Right-of-use assets*

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

The right-of-use assets are subject to impairment. Refer to Note 2.8 for the accounting policy.

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

2.5 Property, plant and equipment (cont'd)

(e) Depreciation

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

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

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

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

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

(f) Disposal

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

2.6 Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. Assets classified as held for sale are not depreciated.

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

2.7 Lease transaction closing costs

Legal fees and all other initial direct costs incurred in procuring the lease for the aircraft are capitalised and amortised on a straight-line basis over the related lease period in profit or loss.

If a lease agreement is terminated or transferred to a third-party buyer of the relevant aircraft prior to its expiry date, the remaining lease transaction closing costs will be written off to profit or loss.

2.8 Impairment of non-financial assets

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

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

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

2.9 Subsidiary companies

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

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

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

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

Subsequent measurement

(i) Derivatives

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

(ii) Investments in other financial assets measured at amortised cost

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

(iii) Investment in equity instruments

An investment in equity instruments which is not held as strategic investment is initially recognised at fair value through profit or loss and is measured again at fair value at the end of each reporting period. Any change in the fair values is recognised in profit or loss and such instruments are reflected in the balance sheet at fair value as at the end of the reporting period.

Derecognition

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

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

2.10 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

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

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

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

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

(ii) Other financial liabilities

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

Derecognition

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

(c) Offsetting of financial instruments

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

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

2.11 Impairment of financial assets

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

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

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

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

(a) Simplified approach

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

(b) General approach

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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

2.11 Impairment of financial assets (cont'd)

For the purpose of recognition of an allowance for ECL, the Group considers a financial asset to be in default:

- when the lessee does not pay the amounts due under its lease agreements to the Group in excess of the security deposit or the value of the collateral; or

- in the case where the financial asset is not secured, when the financial asset is more than 90 days past due.

2.12 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross-currency interest rate swap, interest rate swap and foreign exchange forward contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss.

The fair values of cross-currency interest rate swap, interest rate swap and foreign exchange forward contracts are determined by marked-to-market values provided by counterparties which approximate fair value.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

(a) Fair value hedges when hedging the exposure to changes in the fair values of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss; and

(b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the years for which they were designated.

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

2.12 Derivative financial instruments and hedging activities (cont'd)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from the derivative and the hedged item are recognised in profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

(b) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in hedging reserve, while the ineffective portion is recognised in profit or loss.

Amounts recognised in hedging reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognised in hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedged future cash flows are no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in other comprehensive income until the future cash flows occur.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, fixed deposits, and short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each year and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.15 Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are generally paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. Upon expiry of a lease, any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss.

If a lease requires the lessee to pay return compensation payments at the end of the lease, the lessee may also be required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which is providing flight hour-based support to the lessee.

2.16 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use is in progress, and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. The Group borrows to finance certain aircraft pre-delivery payments for aircraft under construction. The interest incurred on borrowings directly attributable to the acquisition of the aircraft under construction is capitalised and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitment or advances of pre-delivery payments on which the Group earns income. Capitalisation of interest is suspended during extended periods in which active development of a qualifying asset is suspended and ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

2.17 Debt issue costs

Debt issue costs are costs incurred in connection with obtaining financing. These costs comprise primarily front-end fees, agency fees and legal fees.

On initial recognition of a financial liability, debt issue costs that are directly attributable to the acquisition of the financial liability are included in the initial measurement of that liability. These costs are amortised over the related life of the debt using the effective interest method and written off upon prepayment of the financial liability, except for those debt issue costs relating to credit facilities which remain available for re-drawing after prepayment.

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

2.18 Trade and other payables

Liabilities for trade and other payables including payables to related parties, which are normally settled between 30 and 45 days credit terms, are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.19 Employee benefits

(a) Short term employee benefits

All short term employee benefits, including accumulated compensated absences, are recognised in profit or loss in the period in which the employees render their services to the Group.

(b) Short term incentive plan

The short term incentive plan bonus is payable to employees of the Group when certain key performance targets for each year are met and payment is to be made over a period. The bonus is accrued and recognised in profit or loss in the period in which the employees render their services to the Group. Any over or under provision will be recognised in profit or loss.

(c) Long term incentive plan

Selected employees of the Group are eligible to participate in the long term incentive plan, which comprises a cash portion and the Restricted Share Unit Long Term Incentive Plan (the "RSU Plan"). Cash amounts are payable to the participants based on the achievement of certain key performance targets at the end of a pre-determined period. The cash amount is accrued and recognised in profit or loss in the period in which the participants render their services to the Group. Any over or under provision will be recognised in profit or loss. Payment of accrued cash amounts will be made over a period after each pre-determined period.

With respect to the RSU Plan, a cash amount which is determined based on the achievement of certain key performance targets of the Group for a financial year will be paid to an independent trustee in the following year to purchase shares of the Company in the secondary market. These shares and any accrued dividends will be held on trust for the participants during the vesting period. The cost of these equity-settled share-based compensation transactions with employees is measured by reference to the fair value of RSU at grant date. This cost is recognised in the profit or loss over the vesting period (from the date of grant to the date the shares are vested) or the period of service of the employee who has retired, whichever is shorter. The vesting period is typically over a period of approximately three years.

(d) Employers' defined contributions

As required by law, the Group makes contributions to Central Provident Fund ("CPF") in Singapore, National Insurance and Pension in United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in United States of America and Social Insurance in China. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

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

2.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Where the Group or the Company is the lessor

Leases where the Group or the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.21. Contingent rents are recognised as revenue in the period in which they are earned.

Finance leases, which effectively transfer to the lessee substantially all the risks and rewards of ownership of the asset, are recognised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income is charged directly to profit or loss.

(b) Where the Group or the Company is the lessee

The Group or the Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group or the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Refer to Note 2.5 (d) and (e) for the accounting policies.

(ii) Lease liabilities

At the commencement date of a lease, the Group or the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group or the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payment.

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

2.20 Leases (cont'd)

(b) Where the Group or the Company is the lessee (cont'd)

(iii) Short-term leases and leases of low-value assets

The Group or the Company applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.21 Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) Lease rental income

Lease rental income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with stepped or adjusted rentals are recognised on a straight-line basis over the term of the remaining lease.

(b) Fee income from aircraft pre-delivery payments

Fee income from aircraft pre-delivery payments are recognised as revenue over time following the timing of satisfaction of the performance obligation.

(c) Remarketing and lease management fees

Remarketing and lease management fees are recognised as revenue at a point in time or over time following the timing of satisfaction of the performance obligation.

(d) Dividend income

Dividend income from investments is recognised when the Company's right to receive payment is established.

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

2.21 Revenue recognition (cont'd)

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Other income

Other income are recognised based on contractual agreements with the relevant parties.

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each year, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

2.22 Taxes (cont'd)

(b) Deferred income tax (cont'd)

(ii) in respect of deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each year.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.23 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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

2.24 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have significant effect on the amounts recognised in the consolidated financial statements.

(a) Maintenance of aircraft by lessees

Maintenance, repairs and overhaul of the aircraft placed on operating and finance leases are generally undertaken and paid for by the lessees. Certain lease agreements require the lessees to make monthly maintenance contributions to the Group which can subsequently be drawn on for certain maintenance events carried out during the lease term or end-of-lease payments based on aircraft utilisation during the lease term. Management has made a judgement that lessees are able to fulfil their obligations as stipulated in the lease agreements.

(b) Classification of leases

(i) Operating lease – As lessor

The majority of the Group's aircraft are subject to leases under which the Group retains substantially all the risks and rewards of ownership of the aircraft. Accordingly, the Group has classified these leases as operating leases.

(ii) Finance lease – As lessor

Certain of the Group's aircraft are subject to leases under which the lessee has assumed substantially all the risks and rewards of ownership of the aircraft. Accordingly, the Group has classified these leases as finance leases and has recorded the finance lease receivables on the statement of financial position.

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(c) Deferred income taxes

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgement is required to determine that the undistributed profits of the subsidiary companies will not be distributed and remitted into Singapore in the foreseeable future. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiary companies and overseas unremitted income as at 31 December 2020 was US$230.2 million (2019: US$342.6 million) for which deferred tax liabilities have not been recognised.

Deferred tax assets are recognised for all unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the allowances and losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future business planning decisions.

In January 2017, the Company was awarded the Aircraft Leasing Scheme ("ALS") Incentive for five years from 1 July 2017 to 30 June 2022 at a concessionary income tax rate of 5%, subject to meeting certain conditions as amended from time to time. Management is reasonably confident that the conditions of the award will be met.

While the concessionary income tax rates under the ALS have been streamlined to 8% for approvals on or after 1 April 2017, the Singapore Government further amended the Income Tax Act in October 2018 for existing ALS recipients to apply the tax rate under their existing award until 31 December 2027 on qualifying income from leasing of aircraft or aircraft engines acquired during their existing award tenure. Management has exercised judgement in determining the timing in which the existing portfolio of aircraft are expected to be sold. Consequently, the deferred tax liability arising from the temporary differences between the carrying amounts of the aircraft and their tax written down values is computed based on the tax rates applicable in those years.

Details have been disclosed in Note 12 and Note 28.

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(d) Assets held for sale

An asset is classified as held for sale when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale is highly probable. Management judgement is required to assess whether the asset meets the conditions to be classified as assets held for sale and details have been disclosed in Note 20.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Depreciation of aircraft and estimation of residual values

Aircraft are depreciated on a straight-line basis over 25 years with 15% residual value at the end of the 25th year for the first 12 years. The remaining value at the end of the 12th year is depreciated using a straight-line basis over the remaining 13 years with no residual value. Management estimates the useful life to be 25 years based on the common life expectancies applied in the aircraft leasing industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A one-year decrease in the expected useful lives of these assets from management's estimates would result in an increase in annual depreciation charges of US$30.6 million (2019: US$26.7 million). Such a decrease in the useful lives of the Group's aircraft could affect the Group's annual profit before tax in future.

(b) Fair values

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models by counterparties. The valuation of financial instruments is described in more detail in Note 41. Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 14.

(c) Income taxes and deferred income taxes

The Group has exposure to income taxes in several jurisdictions. Estimation is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Details have been disclosed in Note 12 and Note 28.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Carrying value of aircraft

The Group follows the guidance provided by IAS 36/SFRS(I) 1-36 *Impairment of Assets* in determining whether it is necessary to recognise any impairment loss on an aircraft. Management assesses at the end of each reporting period whether there is any indication that the carrying value of any aircraft may have been impaired. This exercise involves management consideration of both internal and external sources of information which include but are not limited to: observable indications that the value of an aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of an aircraft, or the technological or aviation environment have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence of or physical damage to an aircraft; and worse than expected economic performance of the aircraft. If any indication exists, the Group makes an estimate of the asset's recoverable amount. Analysis of impairment loss provision and impact of the Covid-19 pandemic on market values of aircraft are disclosed in Note 13 and Note 46 in the financial statements respectively.

(e) Impairment of financial assets

The Group follows the guidance of IFRS 9/SFRS(I) 9 *Financial Instruments* in determining when a financial asset is impaired and recognises an allowance for ECL for all financial assets not held at fair value through profit or loss. The Group considers a receivable to be in default for the purpose of assessing ECL provision when the lessee has not paid the amounts due under its lease agreements, unless mutually agreed to be deferred, in excess of the security deposits or the value of the collaterals. If the total overdue receivables are in excess of the security deposits, provision for ECL is made for the excess amounts. Analysis of impairment of financial assets and impact of the Covid-19 pandemic on the ability of airline customers to satisfy their lease obligations are disclosed in Note 15 and Note 46 in the financial statements respectively.

4. Interest and fee income

	Group	
	2020	2019
	US$'000	US$'000
Fee income from aircraft pre-delivery payments	**125,915**	85,960
Interest income from finance leases	**30,677**	–
Interest income from deferred payments	**8,259**	2,668
Interest income from short-term deposits and bank balances	**2,722**	4,984
Lease management and remarketing fee income	**4,371**	5,056
Others	**5,440**	557
	177,384	99,225

5. Net gain on sale of aircraft

	Note	Group 2020 US$'000	Group 2019 US$'000
Proceeds from sale of aircraft		**375,870**	915,708
Maintenance reserves released		**1,830**	142,160
Security deposits released		**600**	15,157
Net book value of aircraft classified as:			
Property, plant and equipment		**(225,004)**	(300,602)
Assets held for sale	20	**(108,783)**	(630,138)
Expenses, net of costs written back		**(152)**	(7,998)
		44,361	134,287

6. Incidental income

During the year ended 31 December 2020 and 2019, incidental income was mainly related to amounts paid by manufacturers based on mutual agreements, tax rebates, income arising from the termination of leases with certain airline customers and government wage subsidies under a jobs support scheme.

7. Finance expenses

	Group 2020 US$'000	Group 2019 US$'000
Interest expense and other charges on:		
Loans and borrowings	**454,560**	427,669
Lease liabilities	**311**	322
	454,871	427,991

8. Amortisation of deferred debt issue costs

During the year ended 31 December 2020 and 2019, the amortisation of deferred debt issue costs was related to loans and borrowings.

9. Staff costs

	Group	
	2020	2019
	US$'000	US$'000
Salaries, bonuses and other staff costs	**55,309**	71,242
Employers' defined contributions	**2,087**	2,492
Amortisation of share-based compensation	**10,257**	6,090
	67,653	79,824

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.

Movements of RSUs:

			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 year**	**Forfeited during the year**	**Vested during the year**	**At 31 December 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**	**–**	**(1,247,429)**	**2,909,071**

			Number of RSUs				
Year of grant	**Fair value at grant date HK$**	**Fair value at grant date US$**	**At 1 January 2019**	**Granted during the year**	**Forfeited during the year**	**Vested during the year**	**At 31 December 2019**
2018	46.61	5.94	1,273,080	–	(25,651)	–	1,247,429
2019	65.64	8.36	–	1,153,695	–	–	1,153,695
			1,273,080	1,153,695	(25,651)	–	2,401,124

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.

10. Emoluments of directors, five highest paid individuals and senior management

(a) Emoluments paid to directors of the Company during the year

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2020					
Chairman, Non-executive director[1]					
Sun Yu [2]	–	–	–	–	–
Executive directors					
Zhang Xiaolu (Vice-Chairman)[3]	–	569	–	–	569
Robert James Martin	–	1,083	5,894	4	6,981
Independent non-executive directors					
Antony Nigel Tyler	140	39	–	–	179
Dai Deming	60	17	–	–	77
Fu Shula	60	17	–	–	77
Yeung Yin Bernard	45	–	–	–	45
Non-executive directors[1]					
Li Mang	–	–	–	–	–
Liu Chenggang	–	–	–	–	–
Wang Zhiheng	–	–	–	–	–
Zhu Lin	–	–	–	–	–
	305	1,725	5,894	4	7,928

10. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(a) Emoluments paid to directors of the Company during the year (cont'd)

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employers' defined contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2019					
Chairman, Non-executive director[1]					
Sun Yu [2]	–	–	–	–	–
Executive directors					
Wang Jian (Vice-Chairman)[4]	–	550	926	–	1,476
Robert James Martin	–	1,067	7,767	4	8,838
Independent non-executive directors					
Antony Nigel Tyler	140	39	–	–	179
Dai Deming	60	17	–	–	77
Fu Shula	60	17	–	–	77
Yeung Yin Bernard	45	–	–	–	45
Non-executive directors[1]					
Li Mang	–	–	–	–	–
Liu Chenggang	–	–	–	–	–
Wang Zhiheng	–	–	–	–	–
Zhu Lin	–	–	–	–	–
	305	1,690	8,693	4	10,692

[1] In 2019 and 2020, the non-executive Chairman and non-executive directors (other than independent non-executive directors) were not entitled to any emoluments under their respective engagement letters
[2] Appointed on 27 February 2019 and resigned on 23 December 2020
[3] Appointed on 1 January 2020
[4] Retired on 31 December 2019

10. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(b) Five highest paid individuals

During the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group include one (2019: one) executive director whose emoluments are reflected in Note 10(a).

The emoluments paid to the remaining four (2019: four) individuals during the year ended 31 December 2020 and 2019 were as follows:

	2020	2019
	US$'000	US$'000
Salaries, allowances and other benefits	**2,299**	2,340
Discretionary bonus	**7,325**	9,677
Employers' defined contributions	**330**	453
	9,954	12,470

The number of such individuals whose emoluments paid during the year ended 31 December 2020 and 2019 fell within the following bands:

	2020	2019
HK$14,500,001 to HK$15,000,000	**1**	–
HK$19,000,001 to HK$19,500,000	**1**	–
HK$19,500,001 to HK$20,000,000	**–**	1
HK$21,500,001 to HK$22,000,000	**2**	–
HK$25,000,001 to HK$25,500,000	**–**	2
HK$27,500,001 to HK$28,000,000	**–**	1

During the year ended 31 December 2020, 469,966 (2019: nil) of RSUs granted in 2018 to the five highest paid individuals had vested.

During the year ended 31 December 2020 and 2019, no directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group as compensation for loss of office.

10. Emoluments of directors, five highest paid individuals and senior management (cont'd)

(c) *Senior management's emoluments*

The number of senior management whose emoluments paid during the year ended 31 December 2020 and 2019 fell within the following bands are as follows:

	2020	2019
HK$500,001 to HK$1,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	–
HK$11,500,001 to HK$12,000,000	**–**	1
HK$16,500,001 to HK$17,000,000	**–**	1
HK$19,000,001 to HK$19,500,000	**1**	–
HK$21,500,001 to HK$22,000,000	**2**	–
HK$25,000,001 to HK$25,500,000	**–**	2
HK$27,500,001 to HK$28,000,000	**–**	1
HK$54,000,001 to HK$54,500,000	**1**	–
HK$69,000,001 to HK$69,500,000	**–**	1

During the year ended 31 December 2020, 412,036 (2019: nil) of RSUs granted in 2018 to the senior management had vested.

11. Other operating expenses

	Group	
	2020	2019
	US$'000	US$'000
General office expenses	**5,603**	5,119
Operating lease expenses	**292**	472
Technical services expenses	**9,979**	9,825
Professional fees	**5,571**	3,674
Auditors' remuneration	**416**	396
Net foreign exchange losses[1]	**37**	470
Other taxes and expenses	**9,811**	8,255
	31,709	28,211

Technical services expenses include net provisions for repair, maintenance, transition and repossession costs of aircraft.

[1] Included foreign exchange loss of US$96.7 million (2019: gain of US$7.3 million) in revaluation of financial liabilities which was offset by fair value gain of US$96.7 million (2019: loss of US$7.3 million) in derivative financial instruments.

12. Income tax expense

The major components of income tax expense for the year ended 31 December 2020 and 2019 are:

	Group	
	2020	2019
	US$'000	US$'000
Current income tax		
Singapore	**–**	(28)
Foreign*	**(84,065)**	32,681
(Over)/under provision in respect of prior years	**(680)**	222
	(84,745)	32,875
Deferred income tax		
Singapore	**15,532**	33,650
Foreign	**123,693**	11,182
Over provision in respect of prior years	**(1,320)**	(5,040)
	137,905	39,792
	53,160	72,667

***** Including expected tax refund of US$85.1 million (Note 17) for the year ended 31 December 2020.

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2020 and 2019 is as follows:

	Group	
	2020	2019
	US$'000	US$'000
Profit before income tax	**563,001**	774,926
Tax at the Singapore tax rate of 17% (2019:17%)	**95,710**	131,737
Adjustments:		
Different tax rates in foreign jurisdictions	**17,043**	12,656
Effects of Aircraft Leasing Scheme incentive on the Company's results	**(35,645)**	(34,623)
Income not subject to tax	**(39,398)**	(35,979)
Expenses not deductible for tax purposes	**17,450**	3,327
Others	**–**	367
Over provision in respect of prior years, net	**(2,000)**	(4,818)
	53,160	72,667

13. Property, plant and equipment

Group	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Cost:						
At 1 January 2019	16,764,092	3,013,699	1,893	13,183	–	19,792,867
Adoption of IFRS 16/SFRS(I) 16	–	–	–	–	9,899	9,899
Additions	2,173,757	1,059,072	104	2,142	2,278	3,237,353
Disposals/reductions	(407,217)	(349,985)	–	(180)	(16)	(757,398)
Transfers	1,167,922	(1,167,922)	–	–	–	–
Transfer to assets held for sale	(1,206,620)	–	–	–	–	(1,206,620)
Adjustments	(2,824)	–	(107)	–	–	(2,931)
At 31 December 2019 and 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	**21,610,032**	**3,300,130**	**1,890**	**15,730**	**12,778**	**24,940,560**

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

Group	**Aircraft US$'000**	**Aircraft pre-delivery payments US$'000**	**Office renovations US$'000**	**Furniture, fittings and office equipment US$'000**	**Right-of-use assets US$'000**	**Total US$'000**
Accumulated depreciation and impairment:						
At 1 January 2019	1,806,420	–	1,073	11,893	–	1,819,386
Charge for the year	605,689	–	304	1,801	1,870	609,664
Disposals	(106,615)	–	–	(180)	(4)	(106,799)
Transfer to assets held for sale	(252,056)	–	–	–	–	(252,056)
At 31 December 2019 and 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	**2,759,515**	–	**1,665**	**14,573**	**4,014**	**2,779,767**
Net book value:						
At 31 December 2019	16,435,672	2,554,864	513	1,631	10,295	19,002,975
At 31 December 2020	**18,850,517**	**3,300,130**	**225**	**1,157**	**8,764**	**22,160,793**

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

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets (Aircraft) US$'000	Right-of-use assets (Others) US$'000	Total US$'000
Cost:							
At 1 January 2019	10,818,503	516,997	1,668	12,749	–	–	11,349,917
Adoption of IFRS 16/SFRS(I) 16	(1,491,988)	–	–	–	1,491,988	9,198	9,198
Additions	2,158,483	480,527	–	1,918	–	–	2,640,928
Disposals/reductions	(161,226)	(62,816)	–	(180)	–	–	(224,222)
Transfer	406,033	(406,033)	–	–	–	–	–
Transfer to assets held for sale	(635,077)	–	–	–	–	–	(635,077)
Adjustments	(24)	–	(107)	99	(825)	–	(857)
At 31 December 2019 and 1 January 2020	11,094,704	528,675	1,561	14,586	1,491,163	9,198	13,139,887
Additions	634,424	251,534	2	1,269	–	222	887,451
Disposals/reductions	(121,800)	(200)	–	(690)	–	–	(122,690)
Transfer from right-of-use assets (aircraft)	405,282	–	–	–	–	–	405,282
Transfer to aircraft	–	–	–	–	(405,282)	–	(405,282)
Transfer from assets held for sale	139,414	–	–	–	–	–	139,414
At 31 December 2020	**12,152,024**	**780,009**	**1,563**	**15,165**	**1,085,881**	**9,420**	**14,044,062**

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

Company	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use assets (Aircraft) US$'000	Right-of-use assets (Others) US$'000	Total US$'000
Accumulated depreciation and impairment:							
At 1 January 2019	1,001,480	–	967	11,506	–	–	1,013,953
Adoption of IFRS 16/SFRS(I) 16	(264,285)	–	–	–	264,285	–	–
Charge for the year	352,109	–	243	1,735	50,964	1,508	406,559
Disposals	(24,862)	–	–	(180)	–	–	(25,042)
Transfer to assets held for sale	(111,424)	–	–	–	–	–	(111,424)
At 31 December 2019 and 1 January 2020	953,018	–	1,210	13,061	315,249	1,508	1,284,046
Charge for the year	393,315	–	206	1,644	46,549	1,505	443,219
Impairment of aircraft	88,800	–	–	–	9,800	–	98,600
Disposals	(40,155)	–	–	(690)	–	–	(40,845)
Transfer from right-of-use assets (aircraft)	121,616	–	–	–	–	–	121,616
Transfer to aircraft	–	–	–	–	(121,616)	–	(121,616)
Transfer from assets held for sale	15,072	–	–	–	–	–	15,072
At 31 December 2020	**1,531,666**	–	**1,416**	**14,015**	**249,982**	**3,013**	**1,800,092**
Net book value:							
At 31 December 2019	10,141,686	528,675	351	1,525	1,175,914	7,690	11,855,841
At 31 December 2020	**10,620,358**	**780,009**	**147**	**1,150**	**835,899**	**6,407**	**12,243,970**

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

(a) Impairment of assets

As at 31 December 2020, the accumulated impairment loss on the Group's and the Company's property, plant and equipment was US$108.6 million (2019: nil) and US$98.6 million (2019: nil) respectively.

The impairment loss for year ended 31 December 2020 represented the write-down of the book value of certain aircraft to their recoverable amounts. The recoverable amount was determined based on the management's best estimate of each aircraft value from appraisers' valuation less costs of disposal as at 31 December 2020.

(b) Right-of-use assets

The Group and the Company have lease contracts for its offices. The Company also has facilities spaces and lease contracts for aircraft as a lessee with its subsidiary companies.

During the year ended 31 December 2019, the Group and the Company had certain leases that either had lease terms of 12 months or less or were of low value. The Group and the Company applied the exemption under IFRS 16/SFRS(I) 16 *Leases* not to recognise right-of-use assets and liabilities for these leases.

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

(c) Reconciliation of capital expenditure in property, plant and equipment to net cash flows used in investing activities

	Group	
	2020	2019
Extract from Consolidated Statement of Cash Flows	**US$'000**	US$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(3,937,283)**	(3,197,250)
Proceeds from sale of property, plant and equipment	**386,570**	1,265,693
Total capital expenditure in property, plant and equipment	**(3,550,713)**	(1,931,557)
Purchase of aircraft classified as finance lease	**(703,800)**	–
Net cash flows used in investing activities in the consolidated statement of cash flows	**(4,254,513)**	(1,931,557)
Reconciliation:		
Additions of aircraft	**(2,725,145)**	(2,173,757)
Additions of aircraft pre-delivery payments	**(1,236,447)**	(1,059,072)
Additions of other property, plant and equipment	**(1,283)**	(2,246)
Proceeds from sale of aircraft	**375,870**	915,708
Refunds from airlines for aircraft pre-delivery payments upon delivery of aircraft	**10,700**	349,985
Adjustments for capitalised borrowing costs	**25,592**	37,825
Total capital expenditure in property, plant and equipment	**(3,550,713)**	(1,931,557)

(d) Assets pledged as security

The net book value of aircraft and aircraft held for sale (Note 20) owned by the Group and the Company, including aircraft held under lease arrangements (Note 33), that have been charged for loan facilities granted (Note 23 and Note 33) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft (Note 35) amounted to US$2,272.7 million (2019: US$2,915.3 million) and US$1,323.8 million (2019: US$1,832.4 million), respectively.

(e) Capitalisation of borrowing costs

The borrowing costs capitalised as cost of aircraft by the Group and the Company amounted to US$25.6 million (2019: US$37.8 million) and US$13.1 million (2019: US$4.7 million) respectively. The interest rates used to determine the amount of borrowing costs for capitalisation ranged from 2.5% to 3.6% (2019: 2.5% to 3.6%) per annum.

14. Derivative financial instruments

	Group and Company					
	2020			2019		
	Outstanding notional amounts US$'000	**Assets US$'000**	**Liabilities US$'000**	Outstanding notional amounts US$'000	Assets US$'000	Liabilities US$'000
Current:						
Cross-currency interest rate swaps	**185,873**	**–**	**(26,819)**	379,788	–	(55,215)
Interest rate swaps	**850,000**	**–**	**(9,961)**	280,000	523	(194)
		–	**(36,780)**		523	(55,409)
Non-current:						
Cross-currency interest rate swaps	**507,321**	**11,069**	**(7,667)**	693,194	182	(58,886)
Interest rate swaps	**2,705,000**	**–**	**(173,688)**	3,615,000	1,668	(108,200)
		11,069	**(181,355)**		1,850	(167,086)

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.

14. 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 and the Company 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)
2020					
Group and Company					
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 US$1 : 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

14. 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)
2019					
Group and Company					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Australian Dollar	373,493	(82,664)	6-month LIBOR + Margin ranging from 1.70% to 1.96%	US$1 : AUD1.06 to AUD1.08	2020 to 2021
- Chinese Yuan	250,179	(19,244)	6-month LIBOR + Margin ranging from 0.64% to 2.28%	US$1 : CNY6.04 to CNY6.57	2020 to 2024
Interest rate swaps[4]					
- United States Dollar	200,000	(194)	6-month LIBOR + Margin ranging from 1.28% to 1.38%	–	2020
Cash flow hedge					
Cross-currency interest rate swaps[2]					
- Australian Dollar	140,590	(3,151)	3.43%	US$1 : AUD1.42	2029
- Chinese Yuan	40,000	(4,137)	2.95%	US$1 : CNY6.25	2020
- Hong Kong Dollar	159,837	(4,926)	3.72% to 4.13%	US$1 : HK$7.81 to US$1 : HK$7.84	2026 to 2027
- Singapore Dollar	108,883	203	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[3]					
- United States Dollar	3,695,000	(106,009)	1.975% to 4.242%	–	2020 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.

14. 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.

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

15. Trade receivables

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables – gross carrying amount				
Current	**190,193**	42,980	**105,387**	29,785
Non-current	**32,627**	–	**10,184**	–
	222,820	42,980	**115,571**	29,785
Less: Allowance for expected credit losses	**(68,047)**	(24,748)	**(27,424)**	(17,284)
	154,773	18,232	**88,147**	12,501
Trade receivables – net of allowance for expected credit losses				
Current	**122,146**	18,232	**77,963**	12,501
Non-current	**32,627**	–	**10,184**	–
	154,773	18,232	**88,147**	12,501

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 31 December 2020, included in the Group's current and non-current portion of trade receivables was an amount of US$71.6 million and US$32.6 million (2019: nil), respectively, that was contractually deferred by mutual agreement and was generally interest bearing.

As at 31 December 2020, included in the Company's current and non-current portion of trade receivables was an amount of US$39.7 million and US$10.2 million (2019: nil), respectively, that was contractually deferred by mutual agreement and was generally interest bearing.

15. Trade receivables (cont'd)

Impairment of financial assets – trade receivables

The Group and the Company recognise an allowance for expected credit losses of trade receivables when the overdue receivables of each lessee are in excess of the security deposit or the value of the collateral.

As at 31 December 2020 and 31 December 2019, the aging of trade receivables based on the receivables due date was as follows:

	Group					
	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**
2020	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
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)**
2019						
Gross carrying amount	109	8,945	7,933	4,946	21,047	42,980
Allowance for expected credit losses	–	(2,590)	(2,696)	(1,583)	(17,879)	(24,748)

	Company					
	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**
2020	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount	**49,869**	**4,046**	**14,571**	**2,567**	**44,518**	**115,571**
Allowance for expected credit losses	–	**(1,225)**	**(3,397)**	**(2,567)**	**(20,235)**	**(27,424)**

15. Trade receivables (cont'd)

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

	Company					
	Current	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
2019	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Gross carrying amount	–	7,017	6,357	4,946	11,465	29,785
Allowance for expected credit losses	–	(2,434)	(2,283)	(1,583)	(10,984)	(17,284)

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

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**24,748**	–	**17,284**	–
Charged to profit or loss	**43,299**	24,748	**10,140**	17,284
At end of year	**68,047**	24,748	**27,424**	17,284

16. Other receivables

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Current:				
Deposits	**696**	680	**574**	574
Interest receivables	**2,018**	136	**392**	46
Sundry receivables	**2,021**	1,849	**347**	469
Receivables from manufacturers	**–**	103,227	**–**	103,227
Accrued receivables	**2,673**	540	**5,148**	10,575
Amounts due from subsidiary companies	**–**	–	**142,446**	106,868
	7,408	106,432	**148,907**	221,759
Non-current:				
Receivables from airlines	**18,000**	–	**–**	–
Accrued receivables	**10,352**	–	**9,222**	–
	28,352	–	**9,222**	–

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

As at 31 December 2020, the receivables from manufacturers were fully repaid during the year. The Group's receivables from airlines are non-trade related, secured by letter of credit, fee bearing and are repayable based on agreed repayment schedule.

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

The amounts due from subsidiary companies are non-trade related, unsecured, interest free and are repayable on demand.

17. Income tax receivables

Under the United States of America's ("US") 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 is anticipated to have NOLs for the financial year ("FY") 2020 mainly due to accelerated tax depreciation claimable on its aircraft deliveries during the year and will elect 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.

18. Short-term deposits

		Group		Company	
	Note	**2020**	2019	**2020**	2019
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	32	**181,242**	202,935	**85,725**	31,730

Short-term deposits consist of fixed deposits and investments in money market funds which are placed for varying periods between one day and three months depending on cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate for fixed deposits and money market funds were 0.4% (2019: 2.4%) and 0.5% (2019: 2.2%) per annum, respectively.

As at 31 December 2020, the Group's and the Company's short-term deposits included an amount of US$60 million (2019: nil) placed with the intermediate holding company.

19. Cash and bank balances

		Group		Company	
	Note	**2020**	2019	**2020**	2019
		US$'000	US$'000	**US$'000**	US$'000
Encumbered		**1**	35,463	**–**	16,923
Unencumbered	32	**226,314**	48,728	**10,534**	13,843
		226,315	84,191	**10,534**	30,766

The Group's and the Company's encumbered cash and bank balances have been pledged for loan obligations (Note 23) and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US$169.5 million (2019: US$13.4 million) and US$6.2 million (2019: US$8.8 million), respectively, placed in daily sweep accounts which are available upon demand.

As at 31 December 2020, the Group's cash and bank balances included an amount of US$18.2 million (2019: US$14.1 million) placed with the intermediate holding company.

19. Cash and bank balances (cont'd)

Cash and bank balances were denominated in US Dollar except for the following:

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Australian Dollar	**95**	87	**–**	–
Chinese Yuan	**2,605**	5,148	**–**	–
Euro	**2,263**	1,644	**1,136**	1,033
Hong Kong Dollar	**279**	316	**221**	316
Japanese Yen	**999**	981	**–**	–
Sterling Pound	**615**	1,154	**–**	–
Singapore Dollar	**594**	853	**594**	853
	7,450	10,183	**1,951**	2,202

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

As at 31 December 2020 and 31 December 2019, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale were as follows:

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Assets held for sale:				
Property, plant and equipment – aircraft				
At beginning of year	**324,426**	–	**197,937**	–
Additions	**–**	954,564	**–**	523,653
Transfer to property, plant and equipment	**(215,643)**	–	**(124,342)**	–
Disposals	**(108,783)**	(630,138)	**(73,595)**	(325,716)
At end of year	**–**	324,426	**–**	197,937

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Liabilities associated with assets held for sale:				
Maintenance reserve payables	**–**	58,741	**–**	26,099
Security deposits	**–**	6,025	**–**	4,568
	–	64,766	**–**	30,667

21. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**2,336**	70	**2,038**	56
Sundry payables	**3,495**	4,603	**1,645**	2,455
Accrued interest expenses	**99,065**	95,191	**91,955**	82,952
Accrued maintenance reserve payables	**30,702**	37,613	**20,111**	11,375
Accrued technical expenses	**4,912**	2,673	**817**	950
Staff costs related accruals	**36,234**	54,153	**29,225**	44,638
Other accruals and liabilities	**10,222**	11,995	**5,884**	1,742
Amounts due to subsidiary companies	**–**	–	**4,069**	2,610
	186,966	206,298	**155,744**	146,778

The trade payables and sundry payables of the Group and the Company are substantially denominated in US Dollar and Japanese Yen (2019: US Dollar), 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:

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Current	**2,334**	36	**2,036**	23
1 – 30 days	**2**	34	**2**	33
	2,336	70	**2,038**	56

22. Deferred income

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

Deferred income (non-current) relates to advance receipts for lease for which services have not yet been rendered and the difference between the nominal value of the security deposits (Note 26) and their fair value. The deferred income is charged to profit or loss on a straight-line basis over the lease term.

23. Loans and borrowings

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Current:				
Medium term notes	**1,185,873**	1,129,788	**1,185,873**	1,129,788
Loans	**595,371**	650,273	**42,918**	198,865
Medium term notes discount (net of premium)	**(400)**	(213)	**(400)**	(213)
Fair value and revaluation adjustments	**(26,819)**	(55,547)	**(26,819)**	(55,547)
Deferred debt issue costs	**(8,337)**	(9,068)	**(1,142)**	(1,034)
	1,745,688	1,715,233	**1,200,430**	1,271,859
Non-current:				
Medium term notes	**9,547,321**	7,833,194	**9,547,321**	7,833,194
Loans	**5,482,042**	3,900,021	**1,647,040**	1,007,170
Medium term notes discount (net of premium)	**(22,882)**	(19,058)	**(22,882)**	(19,058)
Fair value and revaluation adjustments	**8,183**	(53,562)	**8,183**	(53,562)
Deferred debt issue costs	**(62,015)**	(69,893)	**(37,814)**	(31,995)
	14,952,649	11,590,702	**11,141,848**	8,735,749
Total loans and borrowings	**16,698,337**	13,305,935	**12,342,278**	10,007,608

23. Loans and borrowings (cont'd)

The deferred debt issue costs relating to the obtaining of the loans and borrowings are analysed as follows:

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Cost:				
At beginning of year	**171,289**	162,235	**53,449**	37,919
Additions	**19,747**	24,695	**16,576**	17,496
Fully amortised costs written off	**(24,097)**	(15,637)	**(5,890)**	(1,962)
Adjustments	**10**	(4)	**10**	(4)
At end of year	**166,949**	171,289	**64,145**	53,449
Accumulated amortisation:				
At beginning of year	**92,328**	83,254	**20,420**	14,727
Charge for the year	**28,366**	24,711	**10,659**	7,655
Fully amortised costs written off	**(24,097)**	(15,637)	**(5,890)**	(1,962)
At end of year	**96,597**	92,328	**25,189**	20,420
Net book value:				
At end of year	**70,352**	78,961	**38,956**	33,029
Deferred debt issue costs, net	**70,352**	78,961	**38,956**	33,029
Less: Current portion	**(8,337)**	(9,068)	**(1,142)**	(1,034)
Non-current portion	**62,015**	69,893	**37,814**	31,995

23. 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 at the end of each year for the Group and the Company.

	Group				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
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**
2019					
Medium term notes	1,129,788	1,185,873	3,788,011	2,859,310	8,962,982
Loans	650,273	790,682	3,098,745	10,594	4,550,294
Total gross loans and borrowings	1,780,061	1,976,555	6,886,756	2,869,904	13,513,276

	Company				
	One year or less	**One to two years**	**Two to five years**	**Over five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2020					
Medium term notes	**1,185,873**	**1,048,301**	**5,348,593**	**3,150,427**	**10,733,194**
Loans	**42,918**	**159,772**	**1,487,268**	**–**	**1,689,958**
Total gross loans and borrowings	**1,228,791**	**1,208,073**	**6,835,861**	**3,150,427**	**12,423,152**
2019					
Medium term notes	1,129,788	1,185,873	3,788,011	2,859,310	8,962,982
Loans	198,865	50,552	956,618	–	1,206,035
Total gross loans and borrowings	1,328,653	1,236,425	4,744,629	2,859,310	10,169,017

23. Loans and borrowings (cont'd)

As at 31 December 2020, secured loans amounted to US$942.4 million (2019: US$1,330.3 million) and US$370.0 million (2019: US$476.0 million) for the Group and the Company, respectively. These amounts are secured by the related aircraft (Note 13), certain cash and bank balances and designated bank accounts (Note 19) and/or a pledge of the shares in certain subsidiary companies (Note 35) that hold title to aircraft.

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

(a) Medium term notes

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

			Group and Company 2020		
		Maturity	Outstanding amounts	Amounts swapped to US$ and floating rates	Amounts swapped to US$ and fixed rates
		(Year)	US$'000	US$'000	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.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	**1,440,000**	**–**	**1,440,000**
			10,733,194	**283,884**	**1,849,310**

23. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

			Group and Company 2019		
		Maturity	Outstanding amounts	Amounts swapped to US$ and floating rates	Amounts swapped to US$ and fixed rates
		(Year)	US$'000	US$'000	US$'000
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	3.15% to 5.375%	2020 to 2029	514,083	373,493	140,590
Chinese Yuan	4.5% to 5.5%	2020 to 2024	290,179	250,179	40,000
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%	2020 to 2029	6,450,000	200,000	–
			7,522,982	823,672	449,310
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	1,440,000	–	1,440,000
			8,962,982	823,672	1,889,310

As at 31 December 2020, an amount of US$283.9 million (2019: US$823.7 million) in medium term notes of the Group and the Company has been swapped to floating rate liabilities and US Dollars (for non-US Dollar denominated notes) via interest rate swap and cross-currency interest rate swap contracts. The carrying amount of these medium term notes was US$252.3 million (2019: US$721.2 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 rate ranged from 0.9% to 4.4% (2019: 2.6% to 5.0%) per annum during the year.

Effects of fair value hedges on the notes in 2020 and 2019 were as follows:

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

23. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

	Group and Company 2019			
	Outstanding amounts US$'000	**Discount and deferred debt issue costs US$'000**	**Accumulated amount of fair value and revaluation adjustments US$'000**	**Carrying amounts of liabilities US$'000**
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	623,672	(278)	(101,908)	521,486
- Interest rate swaps	200,000	(105)	(194)	199,701
	823,672	(383)	(102,102)	721,187

As at 31 December 2020, an amount of US$409.3 million (2019: US$449.3 million) in medium term notes of the Group and the Company which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollars and at fixed rates via cross-currency interest rate swap contracts to hedge (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). The portion of the fair value change attributable to changes in the exchange rate are recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve. The net fair value gain of US$0.2 million (31 December 2019: loss of US$11.1 million) on these cross-currency interest rate swaps was recognised in hedging reserve while the balance amount was recognised in profit or loss.

As at 31 December 2020, an amount of US$1,440 million (2019: US$1,440 million) in medium term notes of the Group and the Company has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value loss of US$24.9 million (2019: US$32.5 million) on these financial instruments was recognised in hedging reserve.

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

23. Loans and borrowings (cont'd)

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 1.7% (2019: 3.4%) per annum. The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans are between 2021 and 2026 (2019: 2020 and 2025).

As at 31 December 2020, the loan due to the intermediate holding company for the Group and the Company amounted to US$1,545 million (2019: US$95 million) and US$695 million (2019: US$95 million), respectively and the loans due to other related parties for the Group and the Company amounted to US$1,256.9 million (2019: US$761.9 million) and US$300.3 million (2019: $127.6 million), respectively.

As at 31 December 2020, loans outstanding amounting to US$2,115 million (2019: US$2,255 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 loss of US$45.3 million (2019: US$58.5 million) was accounted for in hedging reserve.

As at 31 December 2020, the Group and the Company had unutilised unsecured committed revolving credit facilities of US$4,600 million (2019: US$3,655 million) and US$3,535 million (2019: US$2,640 million), respectively. These included US$2,650 million (2019: US$2,000 million) which was the unutilised portion of a committed revolving credit facility granted by the intermediate holding company and matures in 2026 (2019: 2022), and US$310.1 million (2019: US$248.0 million) in unutilised commitments provided by other related parties under committed syndicated revolving credit facilities which mature between 2021 and 2025 (2019: 2021 and 2024).

As at 31 December 2020, committed unutilised unsecured term loan facilities available to the Group totalled US$50 million (2019: US$700 million) and available to the Company amounted to nil (2019: US$350 million). For the Group and the Company, none of these facilities (2019: US$337 million and US$200 million respectively) were provided by other related parties. As at 31 December 2020, the Group had a committed unutilised secured term loan facility of US$80 million (2019: nil).

24. Lease liabilities

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**10,568**	–	**7,919**	–
Adoption of IFRS 16/SFRS(I) 16	**–**	9,899	**–**	9,198
Additions	**617**	2,278	**222**	–
Disposals	**–**	(12)	**–**	–
Accretion of interest	**311**	322	**241**	287
Payments	**(2,289)**	(1,955)	**(1,634)**	(1,564)
Revaluation adjustments	**241**	36	**86**	(2)
At end of year	**9,448**	10,568	**6,834**	7,919
Current	**2,209**	1,981	**1,520**	1,359
Non-current	**7,239**	8,587	**5,314**	6,560
	9,448	10,568	**6,834**	7,919

The following amounts were recognised in profit or loss:

	Group	
	2020	2019
	US$'000	US$'000
Depreciation expense of right-of-use assets	**2,148**	1,870
Interest expense on lease liabilities	**311**	322
Expense relating to short-term leases	**91**	213
Expense relating to leases of low-value assets	–	3
	2,550	2,408

Interest rates on the leases ranged from 2.0% to 3.4% (2019: 2.8% to 3.4%) per annum for the Group and 2.0% to 3.4% (2019: 3.3%) per annum for the Company.

25. Reconciliation of movement of financial liabilities to net cash flows from financing activities

	Group	
	2020	2019
Extract from Consolidated Statement of Cash Flows	**US$'000**	US$'000
Cash flows from financing activities:		
Proceeds from loans and borrowings	**4,550,000**	3,067,962
Repayment of loans and borrowings	**(1,757,668)**	(1,231,308)
Increase/(decrease) in borrowings from revolving credit facilities, net	**505,000**	(799,000)
Repayment of lease liabilities	**(2,289)**	(1,955)
Finance expenses paid	**(471,067)**	(442,665)
Debt issue costs paid	**(28,981)**	(38,325)
Total financial liabilities	**2,794,995**	554,709
Cash flows used in other financing activities	**(210,981)**	(239,587)
Net cash flows from financing activities in consolidated statement of cash flows	**2,584,014**	315,122

25. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

Group	Note	2019 US$'000	Cash flows US$'000	Non-cash changes: Fair value and revaluation adjustments US$'000	Non-cash changes: Future lease payments US$'000	Non-cash changes: Amortisation /accretion US$'000	Non-cash changes: Re-classification US$'000	2020 US$'000
Loans and borrowings								
Medium term notes								
- current		1,074,241	(1,129,788)	28,728	–	–	1,185,873	**1,159,054**
- non-current		7,779,632	2,900,000	61,745	–	–	(1,185,873)	**9,555,504**
Medium term notes discount (net of premium)								
- current		(213)	–	–	–	213	(400)	**(400)**
- non-current		(19,058)	(9,223)	–	–	4,999	400	**(22,882)**
Loans								
- current		650,273	(650,273)	–	–	–	595,371	**595,371**
- non-current		3,900,021	2,177,392	–	–	–	(595,371)	**5,482,042**
Deferred debt issue costs								
- current		(9,068)	–	–	–	9,068	(8,337)	**(8,337)**
- non-current		(69,893)	(19,757)	–	–	19,298	8,337	**(62,015)**
	23	13,305,935	3,268,351	90,473	–	33,578	–	**16,698,337**
Lease liabilities								
- current		1,981	(2,289)	–	269	311	1,937	**2,209**
- non-current		8,587	–	241	348	–	(1,937)	**7,239**
	24	10,568	(2,289)	241	617	311	–	**9,448**
Trade and other payables								
Accrued interest expenses		95,191	(471,067)	–	–	474,941	–	**99,065**
	21	95,191	(471,067)	–	–	474,941	–	**99,065**
Total		**13,411,694**	**2,794,995**	**90,714**	**617**	**508,830**	–	**16,806,850**

25. Reconciliation of movement of financial liabilities to net cash flows from financing activities (cont'd)

				Non-cash changes					
Group	**Note**	**2018 US$'000**	**Cash flows US$'000**	**Fair value and revaluation adjustments US$'000**	**Adoption of IFRS 16 /SFRS(I) 16 US$'000**	**Future lease payments US$'000**	**Amortisation /accretion US$'000**	**Re-classification and others US$'000**	**2019 US$'000**
Loans and borrowings									
Medium term notes									
- current		298,464	(300,000)	(54,011)	–	–	–	1,129,788	1,074,241
- non-current		6,758,521	2,097,963	52,936	–	–	–	(1,129,788)	7,779,632
Medium term notes discount (net of premium)									
- current		(241)	–	–	–	–	241	(213)	(213)
- non-current		(9,639)	(13,634)	–	–	–	4,002	213	(19,058)
Loans									
- current		1,150,566	(1,150,566)	–	–	–	–	650,273	650,273
- non-current		4,160,037	390,257	–	–	–	–	(650,273)	3,900,021
Deferred debt issue costs									
- current		(10,531)	–	–	–	–	10,531	(9,068)	(9,068)
- non-current		(68,450)	(24,691)	–	–	–	14,180	9,068	(69,893)
	23	12,278,727	999,329	(1,075)	–	–	28,954	–	13,305,935
Lease liabilities									
- current		–	(1,955)	38	1,641	353	322	1,582	1,981
- non-current		–	–	(2)	8,258	1,925	–	(1,594)	8,587
	24	–	(1,955)	36	9,899	2,278	322	(12)	10,568
Trade and other payables									
Accrued interest expenses		76,521	(442,665)	84	–	–	461,251	–	95,191
	21	76,521	(442,665)	84	–	–	461,251	–	95,191
Total		12,355,248	554,709	(955)	9,899	2,278	490,527	(12)	13,411,694

26. Security deposits

In addition to the cash security deposits recorded on the statement of financial position, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US$213.3 million (2019: US$245.1 million) and US$73.0 million (2019: US$77.7 million), respectively.

27. Maintenance reserves

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**592,549**	732,133	**273,529**	319,801
Contributions	**96,474**	203,954	**39,272**	93,750
Utilisation	**(1,791)**	(51,555)	**(1,700)**	(48,176)
Transfer to accrued maintenance reserve payables	**(25,578)**	(62,450)	**(12,129)**	(29,558)
Transfer to buyers	**(14,789)**	(28,632)	**(7,918)**	(11,498)
Transfer from/(to) liabilities associated with assets held for sale	**51,241**	(58,741)	**18,599**	(26,099)
Transfer from subsidiary companies	**–**	–	**18,104**	–
Release to profit or loss upon sale of aircraft	**(44)**	(142,160)	**–**	(24,691)
At end of year	**698,062**	592,549	**327,757**	273,529

Letters of credit received by the Group and the Company from certain lessees to cover all or a portion of their maintenance contribution payment obligations amounted to US$319.2 million (2019: US$280.2 million) and US$136.7 million (2019: US$124.5 million), respectively.

28. Deferred income tax assets and liabilities

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Deferred income tax liabilities, net	**464,947**	334,345	**129,325**	120,337
Deferred income tax assets, net	**(237)**	(169)	**–**	–
	464,710	334,176	**129,325**	120,337

Net deferred income tax assets and deferred income tax liabilities which arose in different taxable jurisdictions are grouped separately.

28. Deferred income tax assets and liabilities (cont'd)

Breakdown of deferred income tax assets and liabilities is as follows:

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	**867,223**	435,844	**151,269**	150,873
Gross deferred tax assets	**(402,513)**	(101,668)	**(21,944)**	(30,536)
Net deferred tax liabilities	**464,710**	334,176	**129,325**	120,337

The unrecognised deferred tax liabilities are as disclosed in Note 3.1(c).

Movements in the Group's and Company's deferred tax assets and liabilities during the year are as follows:

	Group			
	Differences in depreciation	**Unremitted overseas income**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax liabilities arising from:				
At 1 January 2019	391,397	6,055	1,660	399,112
Charged/(credited) to profit or loss	37,551	301	(1,120)	36,732
At 31 December 2019 and 1 January 2020	**428,948**	**6,356**	**540**	**435,844**
Charged/(credited) to profit or loss	**432,144**	**(538)**	**(227)**	**431,379**
At 31 December 2020	**861,092**	**5,818**	**313**	**867,223**

28. Deferred income tax assets and liabilities (cont'd)

	Group			
	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax assets arising from:				
At 1 January 2019	(83,770)	(7,396)	(3,292)	(94,458)
Charged to profit or loss	1,060	769	1,231	3,060
Credited to other comprehensive income	–	–	(10,270)	(10,270)
At 31 December 2019 and 1 January 2020	**(82,710)**	**(6,627)**	**(12,331)**	**(101,668)**
Credited to profit or loss	**(291,089)**	**(698)**	**(1,687)**	**(293,474)**
Credited to other comprehensive income	**–**	**–**	**(7,371)**	**(7,371)**
At 31 December 2020	**(373,799)**	**(7,325)**	**(21,389)**	**(402,513)**

	Company			
	Differences in depreciation US$'000	**Unremitted overseas income US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax liabilities arising from:				
At 1 January 2019	112,077	6,055	279	118,411
Charged to profit or loss	31,936	301	225	32,462
At 31 December 2019 and 1 January 2020	**144,013**	**6,356**	**504**	**150,873**
Charged/(credited) to profit or loss	**1,155**	**(538)**	**(221)**	**396**
At 31 December 2020	**145,168**	**5,818**	**283**	**151,269**

28. Deferred income tax assets and liabilities (cont'd)

	Company			
	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax assets arising from:				
At 1 January 2019	(20,161)	(4,727)	(458)	(25,346)
(Credited)/charged to profit or loss	(2,044)	431	(56)	(1,669)
Credited to other comprehensive income	–	–	(3,521)	(3,521)
At 31 December 2019 and 1 January 2020	**(22,205)**	**(4,296)**	**(4,035)**	**(30,536)**
Charged/(credited) to profit or loss	**11,391**	**(831)**	**(57)**	**10,503**
Credited to other comprehensive income	**–**	**–**	**(1,911)**	**(1,911)**
At 31 December 2020	**(10,814)**	**(5,127)**	**(6,003)**	**(21,944)**

29. Other non-current liabilities

Included in other non-current liabilities are the non-current portion of bonuses and related employers' contributions payable and provided for under the staff cash incentive plans. These bonuses are payable from 2022 to 2024 (2019: 2021 to 2023).

30. Share capital

	Group and Company			
	2020		2019	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of year	**694,010**	**1,157,791**	694,010	1,157,791

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

31. Hedging reserves

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

	Group		Company	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Interest rate and foreign currency risk:				
At beginning of year	**(100,744)**	1,343	**(55,160)**	(9,174)
Effective portion of changes in fair value of cash flow hedges, net of tax:				
- Interest rate swaps	**(127,133)**	(92,457)	**(63,298)**	(42,006)
- Cross-currency interest rate swaps	**(524)**	(12,063)	**(524)**	(12,063)
	(127,657)	(104,520)	**(63,822)**	(54,069)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:				
- Interest rate swaps	**56,878**	1,514	**33,146**	7,164
- Cross-currency interest rate swaps	**734**	919	**734**	919
	57,612	2,433	**33,880**	8,083
	(70,045)	(102,087)	**(29,942)**	(45,986)
At end of year	**(170,789)**	(100,744)	**(85,102)**	(55,160)

32. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

		Group	
	Note	**2020**	2019
		US$'000	US$'000
Short-term deposits	18	**181,242**	202,935
Cash and bank balances	19	**226,314**	48,728
		407,556	251,663

33. Lease liabilities to subsidiary companies

	Company	
	2020	2019
	US$'000	US$'000
Current:		
Lease liabilities to subsidiary companies	**82,079**	110,262
Deferred debt issue costs	**(3,523)**	(4,648)
Lease liabilities to subsidiary companies, net	**78,556**	105,614
Non-current:		
Lease liabilities to subsidiary companies	**183,648**	330,913
Deferred debt issue costs	**(7,938)**	(13,679)
Lease liabilities to subsidiary companies, net	**175,710**	317,234
Total lease liabilities to subsidiary companies, net	**254,266**	422,848

	Company	
	2020	2019
	US$'000	US$'000
At beginning of year	**422,848**	551,817
Accretion of interest	**15,669**	23,427
Payments	**(184,251)**	(152,396)
At end of year	**254,266**	422,848
Current	**78,556**	105,614
Non-current	**175,710**	317,234
	254,266	422,848

33. Lease liabilities to subsidiary companies (cont'd)

The lease liabilities to subsidiary companies are secured by a charge over leased assets (Note 13). Interest rates on the leases ranged from 0.4% to 3.2% (2019: 2.2% to 4.0%) per annum.

The deferred debt issue costs relating to lease liabilities to subsidiary companies are analysed as follows:

	Company	
	2020	2019
	US$'000	US$'000
Cost:		
At beginning of year	**55,242**	58,213
Fully amortised cost written off	**(12,510)**	(2,971)
At end of year	**42,732**	55,242
Accumulated amortisation:		
At beginning of year	**36,915**	34,128
Charge for the year	**6,866**	5,758
Fully amortised cost written off	**(12,510)**	(2,971)
At end of year	**31,271**	36,915
Net book value:		
At end of year	**11,461**	18,327
Deferred debt issue costs, net	**11,461**	18,327
Less: Current portion	**(3,523)**	(4,648)
Non-current portion	**7,938**	13,679

34. Amounts due from subsidiary companies

The amounts due from subsidiary companies of US$2,873.9 million (2019: US$1,424.6 million) are interest bearing, non-trade related and unsecured. The interest rate ranged from 1.0% to 3.4% (2019: 2.6% to 3.4%) per annum.

35. Investments in subsidiary companies

	Company	
	2020	2019
	US$'000	US$'000
Equity investments at cost:		
At beginning of year	**747,227**	747,427
Dissolutions	**(87)**	–
Redemption of preference shares	**–**	(200)
At end of year	**747,140**	747,227

35. Investments in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2020	Percentage of equity held	
					2020	2019
					%	%
1	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	US$75,000,000	**100**	100
1	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	US$250,000,000 + €5.08	**100**	100
1	BOC Aviation Leasing (Tianjin) Limited	People's Republic of China	Investment holding	US$1,800,000	**100**	100
1	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	US$186,400,000	**100**	100
2	BOC Aviation (Bermuda) Limited	Bermuda	Dissolved	–	**–**	100
2	BOC Aviation Capital Limited	Cayman Islands	Financing activities	US$10	**100**	100
2	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	US$100	**100**	100
2	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
2	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	US$100	**100**	100
2	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
2	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100

35. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2020	Percentage of equity held	
					2020	2019
					%	%
[2,3]	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2,3]	Vanda Leasing Eight Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[2]	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	US$10	**100**	100
[5]	BOC Aviation (Labuan) Pte. Ltd.	Malaysia	In dissolution process	–	**100**	100

35. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2020	Percentage of equity held	
					2020	2019
					%	%
	Consolidated structured entities*					
2,4	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Gawain Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Green Knight Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	US$250	**–**	–
1,4	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
1,4	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	US$1	**–**	–
2,4	Chilli Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
2,4	Laylya Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–
2,4	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	US$1,000	**–**	–

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

35. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2020	Percentage of equity held	
					2020	2019
					%	%
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
2,4	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by Pacific Triangle Holdings Pte. Ltd.:					
2,4	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
2,4	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	US$250	**–**	–
	Held by BOC Aviation (Ireland) Limited:					
2	BOC Aviation (France) SARL	France	Leasing of aircraft	€1,000	**100**	100
2	BOC Aviation (France) 2 SARL	France	Dissolved	–	**–**	100
2	BOC Aviation (France) 5 SARL	France	Dormant	€1,000	**100**	100
2	BOC Aviation (France) 6 SARL	France	Dormant	€1,000	**100**	100
2	BOC Aviation (France) 8 SARL	France	Dissolved	–	**–**	100
2	BOC Aviation (France) 9 SARL	France	Dissolved	–	**–**	100
2	BOC Aviation (France) 10 SARL	France	Dissolved	–	**–**	100
2	BOC Aviation (France) 11 SARL	France	Dissolved	–	**–**	100

* The companies are fully consolidated as structured entities of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

35. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation/ principal country of operation	Principal activities	Paid up capital as at 31 December 2020	Percentage of equity held	
					2020 %	2019 %
	Held by BOC Aviation Leasing (Tianjin) Limited:					
2	博加阿尔法航空租赁（天津）有限公司 (BOCA Alpha Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加布拉沃航空租赁（天津）有限公司 (BOCA Bravo Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加查理航空租赁（天津）有限公司 (BOCA Charlie Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加德达航空租赁（天津）有限公司 (BOCA Delta Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
2	博加易科航空租赁（天津）有限公司 (BOCA Echo Leasing (TJ) Limited)	People's Republic of China	Leasing of aircraft	CNY100,000	**100**	100
	Held by BOC Aviation (USA) Corporation:					
2	BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	US$100	**100**	100

All subsidiary companies, including all consolidated structured entities, are incorporated as limited liability entities.

[1] Audited by Ernst & Young LLP, Singapore or member firms of Ernst & Young.
[2] Not required to be audited by law in its country of incorporation.
[3] The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Note 23).
[4] The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.
[5] Subsequent to 31 December 2020, this company has completed its dissolution process.

36. Dividends

	Group and Company	
	2020	2019
	US$'000	US$'000
Declared and paid during the year:		
Final dividend for 2019: US$0.2153 (2018: US$0.1845) per share	**149,420**	128,045
Interim dividend for 2020: US$0.1398 (2019: US$0.1388) per share	**97,023**	96,329
	246,443	224,374
Proposed as at 31 December:		
Final dividend for 2020: US$0.1173 (2019: US$0.2153) per share	**81,407**	149,420

On 11 March 2021, the directors proposed to recommend in the Annual General Meeting on 3 June 2021 a final dividend of US$0.1173 per ordinary share for the year ended 31 December 2020 amounting to approximately US$81.4 million, bringing the total dividend for 2020 to US$178.4 million (2019: US$245.7 million) or US$0.2571 (2019: US$0.3541) per ordinary share. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

37. Loss on investment in equity instruments

During the year, the Group was issued quoted equity shares of Norwegian Air Shuttle ASA (“NAS”) as consideration for the cancellation of certain lease receivables under a corporate restructuring. The loss on investment in equity instruments was due to the difference in sales proceeds and the fair value at initial recognition of the equity instruments. All the shares have been sold as at 31 December 2020.

38. Related party transactions

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

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

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

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

	Group	
	2020	2019
	US$'000	US$'000
Costs and expenses		
(a) Intermediate holding company:		
Interest expense	**13,947**	1,753
Debt issue costs	**3,000**	475
(b) Other related parties:		
Interest expense	**21,528**	26,222
Debt issue costs	**3,218**	5,777

38. Related party transactions (cont'd)

	Group	
	2020	2019
	US$'000	US$'000
Directors' and key executives' remuneration paid during the year		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**7,924**	10,688
CPF and other defined contributions	**4**	4
	7,928	10,692
(b) Key executives (excluding executive directors):		
Salary, bonuses and other costs	**12,321**	16,158
CPF and other defined contributions	**345**	417
	12,666	16,575

During the year ended 31 December 2020, the share-based compensation expense for directors of the Company and key executives of the Group amounted to US$1.4 million (2019: US$1.3 million) and US$2.6 million (2019: US$1.9 million), respectively.

As at 31 December 2020, US$13.3 million (2019: US$19.2 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

During the year ended 31 December 2020, 501,002 (2019: nil) of RSUs granted in 2018 to the directors of the Company and key executives of the Group had vested.

As at 31 December 2020, 861,153 (2019: 1,007,748) of RSUs had been granted to directors of the Company and key executives of the Group but had not vested.

39. Commitments

(a) Operating lease commitments

Operating lease commitments - As lessor

Aircraft

The Group and the Company lease its aircraft under operating lease agreements that are non-cancellable.

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year for existing aircraft are as follows:

	Group		**Company**	
	2020	2019	**2020**	2019
	US$ million	US$ million	**US$ million**	US$ million
Within one year	**1,842**	1,740	**1,117**	1,160
Between one and two years	**1,835**	1,694	**1,149**	1,130
Between two and three years	**1,738**	1,625	**1,137**	1,090
Between three and four years	**1,647**	1,592	**1,095**	1,075
Between four and five years	**1,483**	1,499	**1,003**	1,036
After five years	**5,461**	5,591	**3,729**	4,328
	14,006	13,741	**9,230**	9,819

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

	Group		**Company**	
	2020	2019	**2020**	2019
	US$ million	US$ million	**US$ million**	US$ million
Within one year	**269**	87	**95**	40
Between one and two years	**410**	230	**136**	123
Between two and three years	**408**	242	**137**	123
Between three and four years	**424**	240	**157**	123
Between four and five years	**438**	240	**170**	123
After five years	**2,977**	1,689	**1,285**	854
	4,926	2,728	**1,980**	1,386

39. Commitments (cont'd)

(b) Finance lease commitments

Finance lease commitments - As lessor

	Group and Company			
	Minimum lease payments 2020 US$'000	**Present value of payments 2020 US$'000**	Minimum lease payments 2019 US$'000	Present value of payments 2019 US$'000
Within one year	**62,496**	**20,538**	–	–
Between one and two years	**672,884**	**664,953**	–	–
Total minimum lease payments	**735,380**	**685,491**	–	–
Less: Amounts representing finance charges	**(49,889)**	**–**	–	–
	685,491	**685,491**	–	–

The scheduled receivables of the finance lease are as follows:

	2020 US$'000	2019 US$'000
Finance lease receivables	**685,491**	–
Less: Current portion	**(20,538)**	–
Non-current portion	**664,953**	–

The effective interest rates on the finance lease receivables ranged from 6.1% to 6.3% per annum for the year ended 31 December 2020.

39. Commitments (cont'd)

(c) Capital expenditure commitments

As at 31 December 2020, 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$6.9 billion to the end of 2024 (2019: US$7.5 billion to the end of 2023). This includes all commitments to purchase aircraft, including those where an airline has a right to acquire the relevant aircraft on delivery.

During the year ended 31 December 2020, the Group (i) placed an order with Airbus SAS for 20 A320NEO family aircraft, (ii) entered into purchase and leaseback commitments with airlines for six Boeing 777-300ER aircraft, 28 Boeing 787 aircraft, 33 Boeing 737 MAX aircraft and 10 Airbus A321 aircraft, (iii) cancelled the purchase of 32 737 MAX aircraft from Boeing (including two aircraft where an airline had a right to acquire the relevant aircraft on delivery), 18 A320NEO family aircraft and two A330NEO family aircraft from Airbus and (iv) extended the delivery timeframe for certain other Airbus and Boeing aircraft.

Subsequent to 31 December 2020, the Group entered into an agreement with an airline on 26 February 2021 pursuant to which the Group agreed to purchase eight Airbus A320NEO aircraft from the airline and to lease the aircraft back to the airline.

40. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2020, the corporate guarantees for loans to subsidiary companies amounted to approximately US$4.4 billion (2019: US$3.3 billion).

41. Classification of financial instruments and their fair values

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

Financial assets measured at amortised cost comprise trade receivables (Note 15), other receivables (Note 16), short-term deposits (Note 18), cash and bank balances (Note 19), amounts due from subsidiary companies (Note 34) and finance lease receivables (Note 39(b)).

As at 31 December 2020, the financial assets measured at amortised cost for the Group and the Company were US$1,283.6 million (2019: US$413.4 million) and US$3,901.9 million (2019: US$1,722.9 million), respectively.

Financial liabilities measured at amortised cost comprise liabilities associated with assets held for sale (Note 20), trade and other payables (Note 21), loans and borrowings (Note 23), lease liabilities (Note 24), security deposits (Note 26), other non-current liabilities (Note 29) and lease liabilities to subsidiary companies (Note 33).

As at 31 December 2020, the financial liabilities measured at amortised cost for the Group and the Company were US$17,208.4 million (2019: US$13,915.6 million) and US$12,926.2 million (2019: US$10,815.2 million), respectively.

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 14).

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. Amounts due from subsidiary companies approximate their fair value because these are repriced frequently.

Non-current loans and borrowings and receivables from airlines (Note 16) reasonably approximate their fair values for those that are at floating rate and are re-priced to market interest rates on or near the end of each year for the respective financial year.

Non-current finance lease receivables, trade receivables, accrued receivables (Note 16) 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 year.

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

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

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

	Group and Company	
	2020	2019
	US$'000	US$'000
Medium term notes :		
Carrying amounts	**9,551,148**	6,661,979
Fair values	**9,451,428**	6,817,043

As at 31 December 2020, the fair value measurements of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$159.5 million (2019: US$159.5 million) with fair value of US$170.1 million (2019: US$158.7 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.

42. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's exposure to financial risks and the objectives, policies and processes for the management of these risks.

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.

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings and lease rental income.

The Group obtains financing through loans and capital market notes. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A portion of the Group's financial assets and liabilities are based on floating interest rates pegged to US Dollar LIBOR and are contractually repriced at intervals of less than 12 months from the end of each year. Interest rate exposure for the Group arises when the Group collects fixed rate rentals but pays floating interest rate under its borrowings.

The Group's policy is to hedge at least 50% of its mismatched interest rate exposure through appropriate interest rate derivative financial instruments and borrowing fixed rate debts. At the end of the year, the Group had hedged approximately 90% (2019: 90%) of the Group's mismatched interest rate exposure.

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

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

A sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of the year:

(i) Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include short-term deposits and floating rate loans.

(ii) Changes in interest rates affect the fair values of derivative financial instruments.

(iii) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of the year.

For a more meaningful analysis on the impact of a change in floating interest rates, the sensitivity analysis includes the effect of such a change on the lease rental income in order to determine the potential impact on the Group's net profit after tax.

Under these assumptions, an increase or decrease in US Dollar floating interest rates of 10 basis points (2019: 25 basis points) with all other variables held constant will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

		Group	
	Basis points	**Increase/ (decrease) on profit net of tax US$'000**	**Increase/ (decrease) on hedging reserve net of tax in equity US$'000**
2020			
Increase in interest rate	+10	**(1,321)**	**7,337**
Decrease in interest rate	-10	**1,321**	**(7,367)**
2019			
Increase in interest rate	+25	34	25,827
Decrease in interest rate	-25	(34)	(26,137)

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

(a) Interest rate risk (cont'd)

Interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. The Group has 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, the Group anticipates that IBOR reform may impact its risk management and hedge accounting.

As at 31 December 2020, the Group's exposure to US Dollar LIBOR designated in hedging relationships relates to the outstanding derivative financial instruments as disclosed in Note 14 and loans and borrowings as disclosed in Note 23 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 such, the Group applies the amendments to IFRS 9/SFRS(I) 9 to those hedging relationships affected directly by the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the reform. Accordingly, no changes were required to any of the amounts recognised in the current or prior years as a result of this relief.

The Group will be engaging with counterparties to include appropriate fall-back provisions in its floating rate liabilities and hedging derivatives.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

The Group's primary sources of liquidity have principally comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. The Group's business is capital intensive, requiring significant aircraft capital expenditures and borrowings to fund these expenditures in order to grow and to maintain a young aircraft fleet. The cash flows from operations, particularly revenues from operating leases of aircraft, have historically provided a significant portion of the liquidity for these investments.

To ensure that the Group is able to meet its financial obligations, the Group's policy is to have its loan repayment typically spread over substantial periods of up to 10 years, and also to have available committed credit facilities from banks.

As at 31 December 2020, the Group had unutilised unsecured committed revolving credit facilities of US$4,600 million (2019: US$3,655 million) and a committed unutilised unsecured term loan facility of US$50 million (2019: US$700 million).

As at 31 December 2020, approximately 11% (2019: 13%) of the Group's gross debt would have matured in less than one year.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the year based on contractual undiscounted repayment obligations.

	Group			
2020	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables	**186,966**	**–**	**–**	**186,966**
Loans and borrowings	**1,781,244**	**11,028,936**	**4,000,427**	**16,810,607**
Estimated interest and net swap payments	**449,830**	**1,094,182**	**267,874**	**1,811,886**
Lease liabilities	**2,479**	**7,633**	**–**	**10,112**
Security deposits	**50,608**	**41,957**	**226,100**	**318,665**
Other non-current liabilities	**–**	**36,612**	**–**	**36,612**
Total undiscounted financial liabilities	**2,471,127**	**12,209,320**	**4,494,401**	**19,174,848**

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

(b) Liquidity risk (cont'd)

	Group			
	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
2019				
Financial liabilities:				
Trade and other payables	206,298	–	–	206,298
Loans and borrowings	1,780,061	8,863,311	2,869,904	13,513,276
Estimated interest and net swap payments	423,129	1,065,008	261,121	1,749,258
Lease liabilities	2,293	8,087	1,150	11,530
Security deposits	34,375	41,253	265,147	340,775
Liabilities associated with assets held for sale	64,766	–	–	64,766
Other non-current liabilities	–	42,955	–	42,955
Total undiscounted financial liabilities	2,510,922	10,020,614	3,397,322	15,928,858

	Company			
2020	**One year or less US$'000**	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Financial liabilities:				
Trade and other payables	**155,744**	**–**	**–**	**155,744**
Loans and borrowings	**1,228,791**	**8,043,934**	**3,150,427**	**12,423,152**
Estimated interest and net swap payments	**413,261**	**1,033,162**	**267,874**	**1,714,297**
Security deposits	**3,773**	**20,211**	**139,539**	**163,523**
Lease liabilities	**1,723**	**5,635**	**–**	**7,358**
Lease liabilities to subsidiary companies	**82,079**	**183,648**	**–**	**265,727**
Other non-current liabilities	**–**	**29,505**	**–**	**29,505**
Total undiscounted financial liabilities	**1,885,371**	**9,316,095**	**3,557,840**	**14,759,306**

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

(b) Liquidity risk (cont'd)

Analysis of financial liabilities by remaining contractual maturities (cont'd)

	Company			
	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
2019				
Financial liabilities:				
Trade and other payables	146,778	–	–	146,778
Loans and borrowings	1,328,653	5,981,054	2,859,310	10,169,017
Estimated interest and net swap payments	348,177	918,422	261,121	1,527,720
Security deposits	11,647	24,804	161,914	198,365
Lease liabilities	1,602	6,287	786	8,675
Lease liabilities to subsidiary companies	110,262	320,320	10,593	441,175
Liabilities associated with assets held for sale	30,667	–	–	30,667
Other non-current liabilities	–	34,888	–	34,888
Total undiscounted financial liabilities	1,977,786	7,285,775	3,293,724	12,557,285

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, finance lease receivables, derivative financial instruments, short-term deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in certain cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long-term procurement contracts are being contemplated.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group's policy is to undertake deposit and derivative transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of S&P Global Ratings credit rating of "A-".

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

(c) Credit risk (cont'd)

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 of trade receivables when the overdue receivables of each lessee are in excess of the security deposit or the value of the collateral.

(i) Exposure to credit risk

At the end of the year, the Group's maximum exposure to credit risk was represented by:

- the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values; and
- corporate guarantees provided by the Group to the lenders on loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual debtor and regional exposure to its trade receivables and finance lease receivables, net of allowance for impairment losses, on an ongoing basis.

The credit risk concentration profile of the Group's trade receivables by debtor's geographic region based on the jurisdiction of each debtor under the relevant contracts was as follows:

	2020		2019	
	US$'000	**%**	US$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**65,468**	**42.3**	5,014	27.5
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**33,409**	**21.6**	11,599	63.6
Americas	**20,632**	**13.3**	460	2.5
Europe	**33,434**	**21.6**	1,159	6.4
Middle East and Africa	**1,830**	**1.2**	–	–
	154,773	**100.0**	18,232	100.0

The credit risk concentration profile of the Group's finance lease receivables was entirely from an airline customer in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan.

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

(c) Credit risk (cont'd)

(iii) Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired were either creditworthy receivables with good payment records with the Group or receivables which were contractually deferred by mutual agreement or were less than the security deposits held by the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that were either past due or impaired

Information regarding financial assets that were either past due or impaired was disclosed in Note 15.

(d) Foreign currency risk

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the functional currency of the Group.

All loans and borrowings which are denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar are swapped to United States Dollar. Foreign currency exposure arises as the Group's revenues and principal assets are denominated in United States Dollar. The Group primarily utilises cross-currency interest rate swap contracts to hedge its financial liabilities denominated in Australian Dollar, Chinese Yuan, Hong Kong Dollar and Singapore Dollar.

As a result of the Group's hedging as described above, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

43. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders.

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

There were no changes made in the objectives, policies and processes during the year ended 31 December 2020 and 2019.

43. Capital management (cont'd)

During the year ended 31 December 2020, the Group issued US$2,900 million (2019: US$2,098 million) of notes under its Global Medium Term Note Program and utilised US$1,650 million (2019: US$970 million) in term loans. As at 31 December 2020, the Group had utilised US$1,145 million (2019: US$640 million) under its committed revolving credit facilities. The Group's gross debt to equity as at 31 December 2020 compared with 31 December 2019 increased as set out in the table below.

	Group	
	2020	2019
	US$'000	US$'000
Gross debt	**16,810,607**	13,513,276
Total equity	**4,776,800**	4,580,914
Gross debt to equity (times)	**3.5**	2.9

44. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 31 December 2020 and 31 December 2019.

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

	Group	
	2020	2019
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the year attributable to owners of the Company) (US$'000)	**509,841**	702,259
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	**694,010**	694,010
Basic earnings per share (US$)	**0.73**	1.01
Diluted earnings per share (US$)	**0.73**	1.01

45. 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:

	2020		2019	
	US$ million	**%**	US$ million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**411**	**23.0**	404	23.7
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**516**	**28.9**	501	29.4
Americas	**185**	**10.4**	153	9.0
Europe	**471**	**26.4**	457	26.8
Middle East and Africa	**201**	**11.3**	189	11.1
	1,784	**100.0**	1,704	100.0

Other than the lease rental income attributable to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 28.9% of the total lease rental income for the year ended 31 December 2020 (2019: 29.4%), there was no other country concentration in excess of 10% of the total lease rental income in either 2020 or 2019.

45. 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:

	2020		2019	
	US$ million	**%**	US$ million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**4,117**	**21.9**	3,858	23.0
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan*	**5,036**	**26.7**	5,136	30.6
Americas	**2,856**	**15.1**	1,152	6.9
Europe	**4,574**	**24.3**	4,534	27.1
Middle East and Africa	**2,268**	**12.0**	2,080	12.4
	18,851	**100.0**	16,760	100.0

	Group	
Represented by:	**2020**	2019
	US$ million	US$ million
Property, plant and equipment (Note 13)	**18,851**	16,436
Assets held for sale (Note 20)	**–**	324
	18,851	16,760

* One single-aisle aircraft was off-lease at 31 December 2020 following the termination of lease with an airline in the Americas region. The aircraft was delivered on lease to an airline in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan region in January 2021.

The net book value of aircraft leased to airline customers in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 26.7% and United States of America accounted for 15.1% of the total net book value as at 31 December 2020 (2019: Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan accounted for 30.6% and Qatar accounted for 10.4%). Other than as disclosed above, there was no other country concentration in excess of 10% of total net book value in either 2020 or 2019.

46. 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 negatively affected the Group's cash flow and results of operations for the year ended 31 December 2020.

The Covid-19 pandemic is continuing to affect air travel and thus may affect the ability of the Group's airline customers to satisfy their lease obligations to the Group. It could also result in an increase in airline customer defaults and reduced demand for aircraft which could result in lower lease rentals or lower market values for aircraft. However, the Group resculpted its aircraft orderbook in 2020, reducing net orders by 32 aircraft and deferring 74 orderbook positions. Following these changes, the Group has no unplaced orderbook positions until 2023.

The future financial impact on the Group arising from the inability of certain of its airline customers to satisfy their lease obligations and the potential reduction in lease rentals or market values of aircraft cannot be measured with a high degree of certainty at present. Management is closely monitoring the situation.

47. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors passed on 11 March 2021.