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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in BOC Aviation Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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(Incorporated in the Republic of Singapore with limited liability)
Stock code: 2588

**RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A notice convening the extraordinary general meeting of BOC Aviation Limited to be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong Thursday, 30 May 2024 at 10:30 a.m., or immediately after the conclusion of the Company's annual general meeting to be held on the same day, is set out on pages 36 to 37 of this circular.

Whether or not you are able to attend the extraordinary general meeting, you are advised to read the notice and to complete and return the accompanying proxy form, in accordance with the instructions printed thereon, to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, either (i) by depositing it at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or (ii) sending it by email to bocaviation.proxy@computershare.com.hk, as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending the extraordinary general meeting and voting in person at the extraordinary general meeting (or any adjournment thereof) if you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

“associate”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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, the H-shares and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules
“BOC Deposit Framework Agreement”	a framework agreement dated 12 May 2016 entered into between the Company and BOC in relation to the bank deposits with the BOC Group (other than the BOCHK Holdings Group)
“BOC Group”	BOC and its subsidiaries (excluding the Group)
“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 Deposit Framework Agreement”	a framework agreement dated 12 May 2016 entered into between the Company and BOCHK Holdings in relation to the bank deposits with the BOCHK Holdings Group
“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
“Company”	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange

DEFINITIONS

“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Continuing Connected Transactions”	bank deposits placed by the Group with the BOC Group under the BOC Deposit Framework Agreement and/or the BOCHK Deposit Framework Agreement
“controlling shareholder”	has the same meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“EGM” or “Meeting”	the extraordinary general meeting of the Company to be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong Thursday, 30 May 2024 at 10:30 a.m., or immediately after the conclusion of the Company’s annual general meeting to be held on the same day, to consider and, if appropriate, to approve the resolutions contained in the notice of extraordinary general meeting set out on pages 36 to 37 of this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all four independent non-executive Directors established by the Board to consider the Continuing Connected Transactions and the Proposed Annual Caps and to advise the Independent Shareholders thereof
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions at the EGM
“IPO”	the initial public offering of the Company, the details of which are set out in the Prospectus
“Latest Practicable Date”	26 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Listing Date”	1 June 2016, the date on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Opus Capital” or “Independent Financial Adviser”	Opus Capital Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Proposed Annual Caps
“Proposed Annual Caps”	the annual caps for the deposits to be placed by the Group with the BOC Group (other than the BOCHK Holdings Group) pursuant to the BOC Deposit Framework Agreement or with the BOCHK Holdings Group pursuant to the BOCHK Deposit Framework Agreement, as the case may be, being US\$500 million for each of the three years ending 31 December 2025, 2026 and 2027
“Prospectus”	the prospectus issued by the Company on 19 May 2016
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“RSU”	the restricted share units granted under the RSU Plan
“RSU Plan”	collectively, the BOC Aviation Limited Restricted Share Unit Long Term Incentive Plans which were adopted by the Company on 18 December 2017, covering awards for the period from 2017 to 2021 (inclusive), and on 28 February 2023, covering awards for the period from 2022 to 2025 (inclusive)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“US\$”

United States dollars, the lawful currency of the United States of America

LETTER FROM THE BOARD



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

Vice Chairman and Non-executive Director:

ZHANG Xiaolu

Executive Director:

Steven Matthew TOWNEND

(Chief Executive Officer & Managing Director)

Non-executive Directors:

CHEN Jing

JIN Hongju

LI Ke

LIU Yunfei

Robert James MARTIN

Registered Office and Principal

Place of Business in Singapore:

79 Robinson Road

#15-01

Singapore 068897

Place of Business in Hong Kong:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

Independent Non-executive Directors:

DAI Deming

FU Shula

Antony Nigel TYLER

YEUNG Yin Bernard

3 May 2024

To the Shareholders

Dear Sir or Madam

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 30 April 2024 in relation to, among other things, the BOC Deposit Framework Agreement, the BOCHK Deposit Framework Agreement and the Continuing Connected Transactions.

* *For identification purpose only*

LETTER FROM THE BOARD

Reference is also made to the Prospectus and the circular of the Company dated 5 May 2021 disclosing, among others, the terms of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement. Pursuant to the terms of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement, such agreements came into effect on the Listing Date and shall continue up to and including 31 December 2021, and shall be renewed automatically for successive periods of three years thereafter, subject to the compliance with the then applicable provisions of the Listing Rules. Each of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement expired on 31 December 2021 and was automatically renewed for a term of three years ending 31 December 2024.

The Company intends to continue to enter into transactions of the same nature after 31 December 2024. The automatic renewal of the term of each of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement for the three years ending 31 December 2027 pursuant to the terms of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement shall take effect upon the approval of the respective Continuing Connected Transactions and the Proposed Annual Caps therefor having been obtained from the Independent Shareholders in accordance with the applicable Listing Rules.

The main purposes of this circular are:

- (a) to provide you with further details of the BOC Deposit Framework Agreement, the BOCHK Deposit Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps;
- (b) to set out the letter from Opus Capital to the Independent Board Committee and the Independent Shareholders;
- (c) to set out the recommendation of the Independent Board Committee to the Independent Shareholders; and
- (d) to provide you with the notice of the EGM and other information as required under the Listing Rules.

PARTICULARS OF THE CONTINUING CONNECTED TRANSACTIONS

1. Principal terms of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement

The Group has 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 the BOC Deposit Framework Agreement with BOC 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.

LETTER FROM THE BOARD

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

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.

2. Historical transaction amounts

The maximum daily balance of deposits placed by the Group with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group, including interest accrued thereon, for each of the past five years ended 31 December 2023 is as follows:

	Year ended 31 December				
	2019	2020	2021	2022	2023
	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>
BOC Group (other than the BOCHK Holdings Group) historical annual caps	500	500	500	500	500
Highest daily outstanding balance of the bank deposits on any given day during the year	113	494	78	67	115
Utilisation rate of annual caps ^(Note)	22.6%	98.8%	15.6%	13.4%	23.0%
BOCHK Holdings Group historical annual caps	500	500	500	500	500
Highest daily outstanding balance of the bank deposits on any given day during the year	209	493	185	495	390
Utilisation rate of annual caps	41.8%	98.6%	37.0%	99.0%	78.0%

None of the actual transaction amounts during the relevant periods exceeded the applicable annual caps.

Note: The utilisation rate based on historical maximum daily balance of deposits placed by the Group with the BOC Group (other than the BOCHK Holdings Group) for the years ended 31 December 2019, 2021, 2022 and 2023 was below 25% because the Company had placed deposits with other financial institutions which offered more competitive interest rates during these periods. This was in line with the Group's internal control procedures to place deposits with financial institutions which offered the most favourable interest rates.

LETTER FROM THE BOARD

3. Proposed Annual Caps and basis

The Company has proposed that the maximum daily balance of deposits placed by the Group with the BOC Group (other than the BOCHK Holdings Group) pursuant to the BOC Deposit Framework Agreement, representing the maximum daily balance of deposits (including the interest accrued thereon), for the three years ending 31 December 2025, 2026 and 2027 will each not exceed US\$500 million, thereby maintaining the current annual caps.

These caps were calculated by reference to (i) the maximum historical daily balance of the deposits of the Group with the BOC Group (other than the BOCHK Holdings Group) and other third party financial institutions (including interest accrued thereon), (ii) the expected financing needs of the Group over the next three years, (iii) the existing demand for deposit services of the Group and (iv) the cash amounts which the Group would receive from future sales of aircraft.

The Company has proposed that the maximum daily balance of deposits placed by the Group with the BOCHK Holdings Group pursuant to the BOCHK Deposit Framework Agreement, representing the maximum daily balance of deposits (including the interest accrued thereon), for the three years ending 31 December 2025, 2026 and 2027 will each not exceed US\$500 million, thereby maintaining the current annual caps.

These caps were calculated by reference to (i) the maximum historical daily balance of the deposits of the Group with the BOCHK Holdings Group and other third party financial institutions (including interest accrued thereon), (ii) the expected financing needs of the Group over the next three years, (iii) the existing demand for deposit services of the Group and (iv) the cash amounts which the Group would receive from future sales of aircraft.

Given the expected growth of the Group's business in view of the positive industry outlook and the financing needs of the Group over the next three years as elaborated in the section below, maintaining the current annual caps under the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement will give the Group flexibility to place its deposits with the BOC Group (other than the BOCHK Holdings Group) and BOCHK Holdings Group as and when required.

REASONS AND BASIS FOR THE PROPOSED ANNUAL CAPS

1. Our business

The Company is a leading global aircraft operating leasing company based in Singapore. Our core business model is focused on purchasing new, fuel-efficient, in-demand aircraft at competitive prices directly from aircraft manufacturers, financing those aircraft purchases efficiently, placing our aircraft on long-term operating leases with a globally diversified customer base and selling our aircraft to maintain a young fleet, to mitigate risks in our aircraft portfolio and to generate gains on sale, as well as reinvesting the sale proceeds in new aircraft investments.

LETTER FROM THE BOARD

2. Capital expenditure

Our business is capital intensive, requiring significant investments and borrowings in order to grow and to maintain a young aircraft fleet. As at 31 December 2023, the Company had a significant order book of 224 aircraft committed for purchase.

Our estimated cash outflows based on aircraft capital expenditure commitments as at 31 December 2023 are set out below:

	31 December 2023 <i>US\$b</i>
2024	2.5
2025	1.0
2026	1.4
2027	7.1
	<hr/>
Total	12.0
	<hr/> <hr/>

Since 31 December 2023, we have entered into commitments to purchase 10 additional aircraft in 2024. Please refer to the Company's two announcements dated 14 February 2024 on the websites of the Stock Exchange and the Company for more information.

3. Funding and liquidity

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

We benefit from our strong investment grade corporate credit ratings of A- from both Fitch Ratings and S&P Global Ratings and from our access to diverse debt funding sources. Our primary sources of debt funding are unsecured notes and unsecured loan facilities. We have been an issuer of notes since 2000 and continue to regularly issue notes under our US\$15 billion Global Medium Term Note Program.

LETTER FROM THE BOARD

In 2023, the Company issued (or in the case of bonds issued by its subsidiary, guaranteed) the following debentures to raise funds to fund capital expenditure and our general corporate expenses:

Class	Issuing entity	Amount issued	Term
Senior Unsecured Notes	BOC Aviation (USA) Corporation	US\$500,000,000	10 years
Senior Unsecured Notes	BOC Aviation Limited	US\$500,000,000	5 years
Senior Unsecured Notes	BOC Aviation (USA) Corporation	US\$650,000,000	5 years

We also enjoy access to and continued support from a large group of lenders comprising more than 50 financial institutions. As at 31 December 2023, we have US\$5.2 billion in undrawn committed unsecured credit facilities including a US\$3.5 billion facility from Bank of China which matures in December 2026.

As at 31 December 2023, our loans and borrowings increased by 9.2% to US\$16.5 billion from US\$15.1 billion as at 31 December 2022 mainly due to the issuance of US\$1.7 billion of notes under our Global Medium Term Note Program, utilisation of US\$1.7 billion in term loans and increase in borrowings of US\$0.5 billion from revolving credit facilities.

Accordingly, it is reasonable to expect that the Company would require bank deposit services as part of its normal business operations, upon receipt of proceeds from the issuance of notes or drawing down of financing facilities from time to time.

4. Aircraft sales

Selling aircraft is one of our core competencies. From our inception in 1993 to 31 December 2023, we have sold more than 430 owned and managed aircraft to a wide range of buyers including other leasing companies, airlines and financial investors. We have developed an extensive network of established aircraft investors and airline customers to whom we can sell aircraft, and our ability to implement successful sales programs throughout industry cycles is one of our competitive strengths.

In 2023, we sold 20 aircraft. Pre-tax profit from aircraft sales totalled US\$78 million, up 22% from 2022. Aircraft sales make an important contribution to our portfolio development strategy that enabled us to end 2023 with a weighted average aircraft age of 4.6 years and a weighted average lease term remaining of 8.1 years, amongst the youngest and longest, respectively, in the aircraft operating leasing industry. The Company will continue to sell aircraft as part of its business strategy in the years ending 31 December 2025, 2026 and 2027.

LETTER FROM THE BOARD

5. Deposits

The Group deposits funds with a number of financial institutions in the ordinary and usual course of its business. Our cash and short-term deposits, which were mainly denominated in US Dollar, was US\$392 million as at 31 December 2023 similar to US\$397 million as at 31 December 2022.

Each of BOC and BOCHK Holdings is a licensed and reputable commercial bank and deposit taking is part of its ordinary and usual course of business. In view of the historical maximum daily balance of deposits placed by the Group with the BOC Group during the three years ended 31 December 2023 and the existing and expected demand for deposit services of the Group arising out of the ordinary and usual course of business of the Group as described above, the Directors consider that it would be in the best interests of the Company and the Shareholders as a whole to maintain the annual caps under the BOC Deposit Framework Agreement and BOCHK Deposit Framework Agreement. This will allow the Group to have the flexibility and agility to place deposits with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group, provided the terms are competitive and in the best interests of the Company and the Shareholders.

INTERNAL CONTROL PROCEDURES

The Company has a system to monitor its connected transactions and the renewal of connected transactions, which includes maintaining and regularly updating the list of connected persons of the Company, maintaining a list of connected transactions including details in relation to their expiration dates, checking the contracting party in each transaction to confirm whether it is a connected person, monitoring the value of transactions that are identified as connected transactions (on an aggregated basis where applicable) against the thresholds for triggering disclosure and Shareholder approval requirements under the Listing Rules and ensuring that relevant business departments are regularly updated in relation to the renewal of connected transactions.

In relation to deposits under the BOC Deposit Framework Agreement or the BOCHK Deposit Framework Agreement, the Company has a system to ensure that the maximum daily balance of deposits (including the interest accrued thereon) does not exceed the relevant annual cap amount and regularly reviews the terms (including the interest rates) offered by the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group for the deposit of funds to ensure that such terms are no less favourable than those offered to it by independent financial institutions. In this regard, the Treasury Department has a policy of obtaining at least three competitive quotes to ensure that the deposit is placed with the institution providing the best quote. Before finalising the transaction, the Settlement Department checks and confirms the transaction details.

The Internal Audit Department undertakes audits for compliance with the Company's risk management and internal control systems.

LETTER FROM THE BOARD

The independent non-executive Directors will annually review the BOC Deposit Framework Agreement, the BOCHK Deposit Framework Agreement and the Continuing Connected Transactions and confirm to the Board as to whether the Continuing Connected Transactions are 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 as a whole. The Company's external auditor will also conduct an annual review of the Continuing Connected Transactions to confirm that nothing has come to their attention that cause them to believe that such transactions (i) have not been approved by the Board, (ii) are not, in all material respects, in accordance with the pricing policies of the Group, (iii) are 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.

LISTING RULES REQUIREMENTS

As at the Latest Practicable Date, (i) as BOC is indirectly interested in approximately 70% of the Company's Shares, BOC is a connected person of the Company by virtue of being a controlling shareholder of the Company, and (ii) as BOCHK Holdings is a subsidiary of BOC, BOCHK Holdings is 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 and the BOCHK Deposit Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the transactions under the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement are of the same nature and are entered into by the Group with parties who are connected with one another, they are required to be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Annual Caps would exceed 5% of applicable tests, Independent Shareholders' approval is required under Chapter 14A of the Listing Rules.

The Board has established the Independent Board Committee comprising all four independent non-executive Directors to review the Continuing Connected Transactions and the Proposed Annual Caps and to give recommendations to the Independent Shareholders in relation to the terms of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. The Company has appointed Opus Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders for the purpose of considering whether the Continuing Connected Transactions are entered into in the ordinary and usual course of the Group's business, on normal commercial terms, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and whether the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors who have taken into account the advice of Opus Capital) have confirmed that they are satisfied that the Continuing Connected Transactions are entered into in the ordinary and usual course of the Group's business, on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Continuing Connected Transactions must abstain from voting on the resolutions at the EGM. Sky Splendor Limited, a wholly-owned subsidiary of BOC who is interested in 485,807,334 Shares representing approximately 70% of the total number of issued Shares in the Company as at the Latest Practicable Date (as recorded in the register maintained by the Company pursuant to section 336 of the SFO), is therefore required to abstain from voting on the resolutions in respect of the Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

Five of the six non-executive Directors, namely Mdm. Zhang Xiaolu, Mdm. Chen Jing, Mr. Jin Hongju, Mdm. Li Ke and Mdm. Liu Yunfei, are employees of BOC. Therefore, they have a material interest and accordingly have abstained from voting on the Board resolutions in respect of the Continuing Connected Transactions and the Proposed Annual Caps.

EXTRAORDINARY GENERAL MEETING

The EGM will be held on Thursday, 30 May 2024. Please refer to the notice of the EGM set out on pages 36 to 37. Shareholders are encouraged to submit your proxy form and any questions to the Board as early as possible.

INFORMATION ON THE COMPANY

The Company is a leading global aircraft operating leasing company with a fleet of 688 aircraft owned, managed or on order as at 31 March 2024.

INFORMATION ON THE BOC GROUP

BOC is a joint stock limited company incorporated in the People's Republic of China, the H-shares and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively. The BOC Group provides a range of banking and related financial services, including commercial banking, investment banking, insurance, direct investment and investment management, fund management and aircraft leasing business. Its core business is commercial banking.

LETTER FROM THE BOARD

INFORMATION ON BOCHK HOLDINGS

BOCHK Holdings is a company incorporated in Hong Kong with limited liability on 12 September 2001, the shares of which are listed on the Stock Exchange and is a subsidiary of BOC. The principal activities of the BOCHK Holdings Group are the provision of banking and related financial services. BOCHK is wholly owned by BOCHK Holdings and is its principal operating subsidiary.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the Continuing Connected Transactions are entered into in the ordinary and usual course of the Group's business, on normal commercial terms, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and the Proposed Annual Caps.

ADDITIONAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 15 to 16 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from Opus Capital set out on pages 17 to 32 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
On behalf of the Board
BOC Aviation Limited
Zhang Xiaolu
*Vice Chairman and
Non-executive Director*



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

3 May 2024

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 3 May 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you as to whether, in our opinion, so far as the Independent Shareholders are concerned, the Continuing Connected Transactions are entered into in the ordinary and usual course of the Group’s business, on normal commercial terms, are fair and reasonable, are in the interests of the Company and the Shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Opus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Proposed Annual Caps.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular, and the letter from Opus Capital to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 16 of the Circular which contains its opinion in respect of the Continuing Connected Transactions and the Proposed Annual Caps.

Having reviewed (i) the Continuing Connected Transactions and the Proposed Annual Caps and (ii) the advice of Opus Capital and its recommendation in relation thereto, we believe that the Continuing Connected Transactions are entered into in the ordinary and usual course of the Group’s business, on normal commercial terms are fair and reasonable, are in the interests of the Company and the Shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,

Dai Deming

Fu Shula

Antony Nigel Tyler

Yeung Yin Bernard

Independent Board Committee

LETTER FROM OPUS CAPITAL

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and Proposed Annual Caps for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

3 May 2024

To: *The Independent Board Committee and the Independent Shareholders of BOC Aviation Limited*

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions and the Proposal Annual Caps for each of the three years ending 31 December 2025, 2026 and 2027, the details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 3 May 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 12 May 2016, the Company entered into (i) the BOC Deposit Framework Agreement with BOC; and (ii) the BOCHK Deposit Framework Agreement with BOCHK Holdings (collectively the “**Deposit Framework Agreements**”), to govern all existing and future deposits with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group, respectively with effect from the Listing Date. The Company intends to continue to enter into transactions of the same nature after 31 December 2024, when the current three-year term expires and therefore proposes to trigger the automatic renewal of the term in the Deposit Framework Agreements for a term of three years ending 31 December 2027, upon obtaining the approval from the Independent Shareholders in accordance with the applicable Listing Rules.

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As at the Latest Practicable Date, (i) as BOC is indirectly interested in approximately 70% of the Company's Shares, BOC is a connected person of the Company by virtue of being a controlling shareholder of the Company, and (ii) as BOCHK Holdings is a subsidiary of BOC, BOCHK Holdings is a connected person of the Company by virtue of being an associate of the Company's connected person. Accordingly, transactions under the Deposit Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the transactions under the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement are of the same nature and are entered into by the Group with parties who are connected with one another, they are required to be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Annual Caps would exceed 5% of applicable tests, Independent Shareholders' approval is required under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Dai Deming, Mr. Fu Shula, Mr. Antony Nigel Tyler and Dr. Yeung Yin Bernard, has been established by the Company to advise the Independent Shareholders in respect of the Deposit Framework Agreements, the Continuing Connected Transactions, and the Proposed Annual Caps. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Deposit Framework Agreements and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) whether the transactions contemplated thereunder (including the Proposed Annual Caps) are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the resolutions relating to the Deposit Framework Agreements and the Proposed Annual Caps at the EGM. Our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect has been approved by the Independent Board Committee.

As at the Latest Practicable Date, Sky Splendor Limited, a wholly-owned subsidiary of BOC, which is interested in 485,807,334 Shares, representing approximately 70% of the total number of issued Shares in the Company, has a material interest in the Continuing Connected Transactions and is therefore required to abstain from voting on the resolutions in respect of the Continuing Connected Transactions and Proposed Annual Caps at the EGM.

Five of the six non-executive Directors, namely Mdm. Zhang Xiaolu, Mdm. Chen Jing, Mr. Jin Hongju, Mdm. Li Ke and Mdm. Liu Yunfei, are employees of BOC. Therefore, they have a material interest and accordingly have abstained from voting on the Board resolutions in respect of the Continuing Connected Transactions and the Proposed Annual Caps.

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OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the BOC Group, the BOCHK Holdings Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements existed whereby we will receive any fees or benefits from the Group, the BOC Group, the BOCHK Holdings Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the BOC Deposit Framework Agreement;
- (ii) the BOCHK Deposit Framework Agreement;
- (iii) the Company's annual report for the financial year ended 31 December ("FY") 2022 ("**2022 Annual Report**");
- (iv) the Company's interim report for six months ended 30 June 2023 ("**2023 Interim Report**");
- (v) the Company's annual report for the financial year ended 31 December 2023 ("**2023 Annual Report**"); and
- (vi) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

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We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2025, 2026 and 2027, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company is incorporated in Singapore with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 2588). The Group is principally engaged in the aircraft operating leasing business, and is a leading global aircraft operating leasing company with a fleet of 688 aircraft owned, managed and on order as at 31 March 2024.

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Financial performance of the Group

Set out below is a summary of selected financial data of the Group for FY2021, FY2022 and FY2023, as extracted from the 2022 Annual Report and 2023 Annual Report:

	For the year ended 31 December		
	2021	2022	2023
	US\$'000	US\$'000	US\$'000
Net cash flows from operating activities	1,804,369	2,008,552	2,283,201
Net cash flows from/(used in) investing activities	(1,055,360)	193,036	(2,802,014)
Net cash flows (used in)/from financing activities	(671,680)	(2,294,560)	518,721

Source: 2022 Annual Report and 2023 Annual Report

The Group recorded net cash flows from operating activities of approximately US\$1.8 billion, US\$2.0 billion and US\$2.3 billion for FY2021, FY2022 and FY2023, respectively. The net cash flows used in financing activities of the Group increased significantly by more than two-fold from approximately US\$0.7 billion in FY2021 to approximately US\$2.3 billion in FY2022. This was mainly attributable to the huge increase in the loans and borrowings repayment from approximately US\$1.9 billion in FY2021 to approximately US\$3.1 billion in FY2022, representing a rise of approximately 63.2%. In FY2023, net cash flows from financing activities was approximately US\$0.5 billion. This was mainly attributable to net proceeds received from loans and borrowings. As such, it is considered fair and reasonable to anticipate that the fluctuations in the Group's net cash flows from operating and financing activities will impact its cash position periodically, consequently having an impact on the Group's deposit balance, regardless of whether the deposit is held with the BOC Group (excluding the BOCHK Holdings Group), the BOCHK Holdings Group, or other financial institutions. We note that the core business model of the Company is to purchase aircraft and place its aircraft on long-term operating leases, subsequently selling the aircraft to maintain a young fleet. This will require a significant amount of cash while generating a large amount of lease income and sale proceeds. Therefore, we consider that it is fair and reasonable for the Group to maintain the deposit services which is in the ordinary and usual course of business of the Group.

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Set out below is the cash balance of the Group as at 31 December 2021, 2022 and 2023, as extracted from the 2022 Annual Report and 2023 Annual Report:

	As at 31 December		
	2021	2022	2023
	US\$'000	US\$'000	US\$'000
Short-term deposits (unencumbered)	248,224	306,707	308,796
Cash and bank balances (unencumbered)	236,661	85,206	83,025
Cash and cash equivalents	484,885	391,913	391,821

Source: 2022 Annual Report and 2023 Annual Report

The Group maintained a healthy cash and cash equivalents balances of approximately US\$0.5 billion, US\$0.4 billion and US\$0.4 billion as at 31 December 2021, 2022 and 2023, respectively, and noted that the Group maintained stable and strong liquidity during such period. With such a vast amount of cash balances, placing deposits with trusted and reliable financial institutions is of utmost importance to the Group to safeguard its financial resources.

2. Information of BOC Group

BOC is a joint stock limited company incorporated in the People's Republic of China (the "PRC"), the H-shares and A-shares of which are listed on the Stock Exchange (stock code: 3988) and the Shanghai Stock Exchange (stock code: 601988) respectively. It is also the ultimate controlling shareholder of the Company. The BOC Group provides a range of banking and related financial services, including commercial banking, investment banking, insurance, direct investment and investment management, fund management and aircraft leasing business. Its core business is commercial banking.

We note from the annual report of BOC for the year ended 31 December 2023, it recorded total assets of approximately RMB32,432.2 billion (equivalent to approximately HK\$35,788.4 billion) and has capital and reserves attributable to equity holders totalling approximately RMB2,629.5 billion (equivalent to approximately HK\$2,901.6 billion). As at the Latest Practicable Date, the market capitalisation of the H-shares and A-shares of BOC was approximately HK\$289.3 billion and RMB961.1 billion (equivalent to approximately HK\$1,038.2 billion) respectively. Therefore it can be concluded that BOC is a company with strong financial capability and has a distinguished operating history.

We have reviewed the credit ratings of BOC of A and A-1, representing the long-term and short-term counterparty credit ratings respectively, with a stable outlook from S&P Global Ratings, and a credit rating of A and F1+, representing the long-term and short-term issuer default rating respectively, with a stable outlook from Fitch Ratings. However, on 16 April 2024, Fitch Ratings lowered its outlook for BOC from stable to negative, a change that followed its revision in the outlook on PRC's sovereign rating from stable to negative on 9 April 2024. Despite this change, we consider that BOC remains to have strong ability and is capable to honour its financial obligations towards the Group in terms of funds deposit and its credit risks are equally comparable with other financial institutions.

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3. Information of BOCHK Holdings

BOCHK is a company incorporated in Hong Kong with limited liability on 12 September 2010, the shares of which are listed on the Stock Exchange (stock code: 2388) and is a subsidiary of BOC. The principal activities of the BOCHK Holdings Group are the provision of banking and related financial services. BOCHK is wholly owned by BOCHK Holdings and is its principal operating subsidiary.

We note from the annual report of BOCHK Holdings for the year ended 31 December 2023, it recorded total assets of approximately HK\$3,868.8 billion and has capital and reserves attributable to equity holders totalling approximately HK\$320.1 billion. As at the Latest Practicable Date, the market capitalisation of BOCHK Holdings was approximately HK\$250.6 billion. Therefore it can be concluded that BOCHK Holdings is a company with strong financial capability and has a distinguished operating history.

We have reviewed the credit ratings of BOCHK Holdings of A+ and A-1, representing the long-term and short-term issuer credit ratings respectively, with a stable outlook from S&P Global Ratings, and a credit rating of A and F1+, representing the long-term and short-term foreign currency issuer default ratings respectively, with a stable outlook from Fitch Ratings. Accordingly, we consider that BOCHK has strong ability and is capable to honour its financial obligations towards the Group in terms of funds deposit and its credit risks are equally comparable with other financial institutions.

Based on the above, we concur with the Company that BOC and BOCHK are reputable and established licensed commercial banks, and deposit taking is part of the ordinary and usual course of their businesses.

4. Principal terms of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement

We have reviewed the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement, and noted that the principal terms of the two agreements are materially the same, details of which are set out below:

1. 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;

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- (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.
2. Each of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement will expire on 31 December 2024, and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the terms of the BOC Deposit Framework Agreement or the BOCHK Deposit Framework Agreement, as the case may be.
 3. The proposed renewal of each of the BOC Deposit Framework Agreement and the BOCHK Deposit Framework Agreement is for a term of three years with effect from 1 January 2025, pursuant to which the Group may separately place deposits with the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group during the three years ending 31 December 2027.

5. Reasons for and benefits of the renewal of the Continuing Connected Transactions and the Proposed Annual Caps

The business of the Group is capital intensive where the Group's core business model is focused on purchasing new aircraft, placing its aircraft on long-term operating leases and subsequently selling the aircraft to maintain a young fleet. Generally, the Group requires substantial amount of cash and borrowings for the investment in new aircraft, and generates significant amount of lease income from its aircraft leasing business. In addition, the Group receives substantial cash proceeds from the sale of aircraft. As such, bank deposit services are fundamental to the daily operations of the Group and depositing funds with numerous financial institutions is in the ordinary and usual course of business of the Group.

Each of BOC and BOCHK is a licensed and reputable commercial bank and deposit taking is part of its ordinary and usual course of business. Therefore, it is only reasonable for the Group to place deposits with BOC and/or BOCHK if the terms offered are competitive and more favourable than those provided by other financial institutions.

We take note that the deposits placed with BOC and BOCHK by the Group are on a voluntary and non-exclusive basis. Hence, the Group is not restricted under the Deposit Framework Agreements to approach, and in fact may choose, any bank or financial institution to satisfy its deposit placing needs. This gives the Group great flexibility to source and obtain different quotations from other financial institutions, and select the most competitive offer according to the interest rates offered.

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We take cognisance of the fact that given the close relationship between the Group and each of BOC and BOCHK by virtue they are owned by the same ultimate controlling shareholder, and both BOC and BOCHK have been providing good quality professional financial services to the Group for approximately 8 years, the Deposit Framework Agreements not only provide an alternative option for the Group to choose BOC and/or BOCHK over other independent financial institutions that will result in the Group getting the most competitive terms and services, it also enables the Group to use it as a leverage to bargain for better terms with other financial institutions, which will be beneficial to the Group.

In view of the above, we concur with the Directors that the Continuing Connected Transactions under the Deposit Framework Agreements are in the Company's ordinary and usual course of business, and in the interests of the Company and the Shareholders as a whole.

6. Proposed Annual Caps

The Company has proposed that the respective maximum daily balance of deposits (including the interest accrued thereon) to be placed by the Group with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group pursuant to the Deposit Framework Agreements, for each of the three years ending 31 December 2025, 2026 and 2027 will not exceed US\$500 million, thereby maintaining the current annual caps.

In formulating the Proposed Annual Caps, the Board had taken the following factors into consideration:

- (i) the maximum historical daily balance of deposits (including interest accrued thereon) of the Group with the BOC Group and the BOCHK Holdings Group (where applicable) and other third party financial institutions;
- (ii) the expected financing needs of the Group over the next three years;
- (iii) the existing demand for deposit services of the Group; and
- (iv) the cash amounts which the Group would receive from future sales of aircraft.

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Our assessment

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have considered the following factors:

(i) Historical annual caps and amounts and Proposed Annual Caps

Set out below is a summary of the historical figures of the maximum daily balance of deposits, (including interest accrued thereon) placed by the Group with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group, and the utilisation rate of the respective caps for each of the five years ended 31 December 2023:

	Year ended 31 December				
	2019	2020	2021	2022	2023
	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>
BOC Group (other than the BOCHK Holdings Group) historical annual caps	500	500	500	500	500
Highest daily outstanding balance of the bank deposits on any given day during the year	113	494	78	67	115
Utilisation rate of annual caps	22.6%	98.8%	15.6%	13.4%	23.0%
BOCHK Holdings Group historical annual caps	500	500	500	500	500
Highest daily outstanding balance of the bank deposits on any given day during the year	209	493	185	495	390
Utilisation rate of annual caps	41.8%	98.6%	37.0%	99.0%	78.0%

As shown in the above table, we note that the utilisation rate based on the historical maximum daily balance of deposits of the Group with the BOCHK Holdings Group for FY2020, FY2022 and FY2023 was well above 75% and close to the Proposed Annual Caps for 2 years. The highest daily outstanding balance with the BOCHK Holdings Group increased significantly by approximately 167.6% and 110.8% for FY2022 and FY2023 as compared to FY2021.

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We note that the utilisation rate based on historical maximum daily balance of deposits with the BOC Group (other than the BOCHK Holdings Group) for FY2020 was well above 95% and close to the Proposed Annual Caps. The utilisation rate based on historical maximum daily balance of deposits with the BOC Group (other than the BOCHK Holdings Group) for the subsequent years of FY2021, FY2022 and FY2023 was however relatively low at below 25%. As discussed with the Management, the Company had deposited its funds with other financial institutions that offered the most favourable interest rate, i.e. the highest interest rate, when compared to the BOC Group during the said period, which is in line with the Group's internal control procedures in selecting the most favourable interest rate offered by the financial institution in its deposits placing. Furthermore, with the expected growth of the Group's business and the financing needs of the Group over the next three years as elaborated in the section below, both the Group and the global airline industry experienced a strong recovery in 2023 and the outlook for 2024 is optimistic. This encouraging outlook is expected to boost the demand for acquiring new aircraft and generating the need for more aircraft operating leases. It will have a direct impact on the operating cash flows of the Group and positively increase the amount of cash available to deposit. Accordingly, maintaining the current annual caps for the BOC Group (other than the BOCHK Holdings Group) will give flexibility to the Group to manoeuvre its deposits when required. Taking into account of the factors discussed above, we consider that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

We have also cross checked all the daily deposit balances of the Group placed with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group, respectively against the existing annual caps set out in the Deposit Framework Agreements for the period from 1 January 2022 to 28 February 2024. We noted that daily deposit balance did not exceed the existing annual caps during such period.

(ii) the expected growth of the Group's business and the financing needs of the Group over the next three years

As discussed with the Management, a principal driver of the Group's business is growth in total global passenger traffic, which was at 98% of 2019 levels in December 2023, reflecting significant activity in most of the world's major markets. The "Air Passenger Market Analysis" in December 2023 and the "Annual Review 2023" published by the International Air Transport Association ("IATA") reported that there had been strong recovery of air passenger market in 2023, where the total revenue passenger-kilometres reached 88% of the record in 2019 by March 2023 and the international traffic greatly recovered in 2023 by reaching 88.6% of pre-covid levels. Furthermore, in the press release published by IATA on 6 December 2023, 4.7 billion people are expected to travel in 2024, representing a historic high that exceeds the pre-pandemic level of 4.5 billion recorded in 2019. IATA predicts that the revenues of airlines are expected to reach a historical high of US\$964 billion in 2024 and their operating profits are estimated to reach US\$49.3 billion in 2024 from US\$40.7 billion in 2023, representing an increase of approximately 21.1%. Together with strong recovery in 2023 and the financial projections in the airline industry, this translates to growing demand for new aircraft and lease extensions that augurs well for the business growth of the Group. Therefore the Company had acquired 65 aircraft during FY2023. We also note that the Company had made commitments to purchase 95 aircraft, carried out sales of 20 aircraft and one engine, and executed 142 lease commitments in FY2023 as stated in the 2023 Annual Report.

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The Company had also experienced a rebound in capital expenditure to US\$3.6 billion in FY2023. As at 31 December 2023, the Company had an order book of 224 aircraft which accounted for approximately US\$12.0 billion of future capital expenditure commitments, including the estimated contractual capital expenditure commitments of approximately US\$2.5 billion for FY2024; US\$1.0 billion for FY2025; US\$1.4 billion for FY2026; and US\$7.1 billion for FY2027 and beyond. The capital expenditure figures for each year include anticipated escalation and are net of advance payments made before 31 December 2023. Furthermore, the Company has entered into two finance lease agreements in February 2024 as follows:

- (i) on 12 February 2024, BOC Aviation (Ireland) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with InterGlobe Aviation Limited pursuant in which four Airbus A320NEO aircraft will be transferred to BOC Aviation (Ireland) Limited and leased back to InterGlobe Aviation Limited under finance leases; and
- (ii) on 13 February 2024, BOC Aviation (USA) Corporation, a wholly-owned subsidiary of the Company, entered into an agreement with JetBlue Airways Corporation for the finance leases of three Airbus A321NEO and three Airbus A220-300 aircraft.

As disclosed in the 2023 Annual Report, the Company's aircraft purchase commitments are expected to be financed through a range of funding sources, including (a) cash flows generated from the operating activities of the Group; (b) proceeds from notes issuance from debt capital markets; (c) amounts drawn down under various bank financing facilities; and (d) net proceeds from sale of aircraft. As at 31 December 2023, the Group's loans and borrowings amounted to approximately US\$16.5 billion, a 9.3% increase from US\$15.1 billion as at 31 December 2022 to finance the increase in capital expenditure. The Group also has US\$5.2 billion in undrawn committed unsecured credit facilities, including a US\$3.5 billion facility from BOC which matures in December 2026. As such, it is reasonable to expect that the Company will require substantial bank deposit services from time to time as part of its normal business operations, such as when it draws on its loans and borrowings or when it receives funds from the issuance of notes of its fund raising activities.

As stated in the 2023 Annual Report, we noted that the Company has been conducting major debt fund raising exercises in 2023 to raise funds to fund capital expenditure and general corporate expenses. Such fund-raising exercises include the issuance of US\$1.7 billion of five- and ten-year notes by the Company (or in the case of bonds issued by its subsidiary, guaranteed by the Company), and the Company also raised US\$2.5 billion of the new funding from banks. The proceeds from the fund-raising exercises could possibly be placed with the BOC Group and/or the BOCHK Holdings Group (subject to the quotation from the BOC Group and/or the BOCHK Holdings Group) before the Group actually utilises such proceeds, which in turn results in an increase in the balance of deposits.

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As part of the core business model of the Group, sale of aircraft is one of the Group's sources of income and customers' demand for purchasing leased aircraft is a primary driver of the Company's ability to generate gains on sale of aircraft. One of the key drivers of customers' demand is the availability and cost of financing, along with an assessment of the future residual value of aircraft. As stated in the 2023 Annual Report, net gain on sale of aircraft increased by approximately 21.9% to an estimated US\$78 million in 2023 compared with approximately US\$64 million in 2022. This was mainly attributable to higher profit recorded per aircraft from the sale of 20 aircraft in 2023 compared with 17 aircraft in 2022. In 2023, the Company sold 20 aircraft, representing a 22% increase in pre-tax profit from aircraft sales in 2022. Therefore, as cash is continuously generated from the sale of aircraft from time to time, the bank deposit services is essential to the Group as part of the normal business operations of the Group.

7. Internal control procedures of the Group

We have reviewed the corporate governance manual of the Company and noted that the Company has in place its internal control procedures in relation to the deposits under the Deposit Framework Agreements as follows:

- (i) the Settlement Department has a system to ensure that the maximum daily balance of deposits (including the interest accrued thereon) does not exceed relevant annual cap amount and regularly reviews the terms (including the interest rates) offered by the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group for the deposit of funds to ensure that such terms are no less favourable than those offered to it by independent financial institutions;
- (ii) the Treasury Department has a policy of obtaining at least three competitive quotes to ensure that the deposit is placed with the institution providing the best quote. Before finalising the transaction, the Settlement Department checks and confirms the transaction details; and
- (iii) the Internal Audit Department undertakes audits for compliance with the Company's risk management and internal control policies and procedures in accordance with their audit plan.

As part of our due diligence work, we have randomly selected and reviewed six samples from deposits transactions for FY2022, FY2023 and the first two months of 2024. Given that (i) the six samples from deposits transactions were selected on a random basis; and (ii) each of the six samples covered the period in which deposits services was provided by the BOC Group or the BOCHK Holdings Group (as the case may be) in FY2022, FY2023 and the first two months of 2024 under the Deposit Framework Agreements, we are of the view that the number of samples selected during our due diligence work is sufficient and representative. Based on the random samples obtained and in line with the Company's internal control procedures, we note that the Company had obtained three different competitive quotations and eventually selected to place their deposits with the BOC Group or the BOCHK Holdings Group (as the case may be), being the financial institution that offered the most competitive interest

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rate, i.e. the highest interest rate. The Company has ensured that the interest rates for bank deposits placed with the BOC Group (other than the BOCHK Holdings Group) and the BOCHK Holdings Group are no less favourable than those provided by independent financial institutions. In addition, we have reviewed the records by the Settlement Department in terms of their checking and confirming the details on placing of deposits, before finalising the transaction with the BOC Group (other than the BOCHK Holdings Group) or the BOCHK Holdings Group. Furthermore, we have reviewed the records from the Internal Audit Department on their internal audits conducted in relation to the compliance with the risk management and internal control policies and procedures for FY2021 and FY2022 and no negative finding was noted.

As stated in the Letter from the Board, the independent non-executive Directors will annually review the BOC Deposit Framework Agreement, the BOCHK Deposit Framework Agreement and the Continuing Connected Transactions and confirm to the Board as to whether the Continuing Connected Transactions are 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 as a whole. The Company's external auditor will also conduct an annual review of the Continuing Connected Transactions to confirm that nothing has come to their attention that cause them to believe that such transactions (i) have not been approved by the Board, (ii) are not, in all material respects, in accordance with the pricing policies of the Group, (iii) are 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.

We have reviewed the 2022 Annual Report and 2023 Annual Report and noted that the independent non-executive Directors and the auditor of the Company have reviewed the Continuing Connected Transactions contemplated under the Deposit Framework Agreements conducted during such periods, and provided the relevant confirmations. We have obtained executed board resolutions of the independent non-executive Directors' meetings regarding the Continuing Connected Transactions for FY2021, FY2022 and FY2023 and noted such matters were included. We have also reviewed the auditor reports in respect of the deposit transactions under the Deposit Framework Agreements for FY2021 and FY2022 prepared by the external auditor, and noted that the external auditor has expressed no particular findings that need to be brought to the attention of the Company in respect of the deposit transactions under the Deposit Framework Agreements for the two financial years.

As stated in the Letter from the Board, the Company has a system in place to monitor the Company's connected transactions and the renewal of connected transactions, which includes maintaining and regularly updating the list of connected persons of the Company, maintaining a list of connected transactions including details in relation to their expiration dates, checking the contracting party in each transaction to confirm whether it is a connected person, monitoring the value of transactions that are identified as connected transactions (on an aggregated basis where applicable) against the thresholds for triggering disclosure and Shareholders' approval requirements under the Listing Rules and ensuring that relevant

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business departments are regularly updated in relation to the renewal of connected transactions. We have obtained and reviewed the list of connected persons of the Company as well as the list of connected transactions during FY2021, FY2022 and FY2023, and noted that the Company had regularly updated the list of connected persons and connected transactions throughout the years.

Given that (i) the Company has a proper system to monitor the maximum daily balances of deposits to ensure it does not breach the annual caps; a check and balance system to obtain competitive quotes before the deposits are placed with the financial institution that offered the best rates; and an internal audit process for compliance with the Company's risk management and internal control policies and procedures vis-à-vis the Deposit Framework Agreements with respect to the BOC Group or the BOCHK Holdings Group; (ii) the independent non-executive Directors will, pursuant to Rule 14A.55 of the Listing Rules, review, among other things, whether the transactions contemplated under the Deposit Framework Agreements are conducted on normal commercial terms; and (iii) the auditor of the Company will, for the purpose of Rule 14A.56 of the Listing Rules, review, among other things, whether the transactions contemplated under the Deposit Framework Agreements are conducted in accordance with its terms, we are of the view that there is nothing material that led us to cast doubt on the effectiveness of the Company's internal control measures to ensure that the deposit transactions contemplated under the Deposit Framework Agreements are conducted in accordance with the terms stated in the Deposit Framework Agreements and on normal commercial terms.

OPINION AND RECOMMENDATION

In light of the above and having considered in particular that:

- (i) BOC and BOCHK are reputable and established commercial banks which are fully licensed and tightly regulated by the relevant regulatory authorities, possess strong financial ability and are capable to honour their financial obligations towards the Group whilst their credit risks are equally comparable with other financial institutions;
- (ii) the Proposed Annual Caps are identical to the current annual caps for FY2022, FY2023 and FY2024, and are close to the maximum utilisation rate for the BOCHK Holdings Group for FY2022;
- (iii) the Deposit Framework Agreements will be on a non-exclusive basis in which the Group is able to utilise such deposit services at its sole discretion when it is offered with the most competitive interest rates and the Proposed Annual Caps provide the Group the flexibility, but not the obligation, to utilise the deposit services; and
- (iv) the effective internal control measures adopted by the Group to comply with the requirements under the Listing Rules to supervise and monitor the Continuing Connected Transactions and the Proposed Annual Caps,

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we are of the view that the terms of the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable, the Continuing Connected Transactions are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the Continuing Connected Transactions and the Proposed Annual Caps are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Koh Kwai Yim
Managing Director

Ms. Koh Kwai Yim is the Managing Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Ms. Koh has over 20 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

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

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

Long position (ordinary Shares)

Name of Director	Number of underlying Shares held	Approximate percentage of total issued share capital (%)
Mr. Steven Matthew TOWNEND	286,313	0.04
Mdm. ZHANG Xiaolu	187,796	0.03
Mr. Robert James MARTIN	946,051	0.14

Note: As at the Latest Practicable Date, (a) Mr. Townend had a beneficial interest in a total of 286,313 Shares, which included 164,829 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan, (b) Mdm. Zhang had a beneficial interest in a total of 187,796 Shares, which included 143,387 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan, and (c) Mr. Martin had a beneficial interest in a total of 946,051 Shares, which included 248,397 Shares representing RSUs granted but which have not yet vested in accordance with the terms and conditions of the RSU Plan.

Save as disclosed above, none of the Directors has any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

4. EXPERT

The following is the qualification of the expert who has given its opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Opus Capital	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Opus Capital does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Opus Capital does not have any direct or indirect interest in any assets which had been, since 31 December 2023 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

6. MISCELLANEOUS

- (a) None of the Directors has entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the businesses of the Group.

- (c) None of the Directors had any direct or indirect interest in any asset which, since 31 December 2023 (the date to which the latest published audited accounts of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.bocaviation.com) for a period of 14 days from the date of this circular up to and including 17 May 2024 (both days inclusive):

- (a) the BOC Deposit Framework Agreement; and
- (b) the BOCHK Deposit Framework Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of shareholders of BOC Aviation Limited (the “**Company**”) will be held on Thursday, 30 May 2024 at 10:30 a.m., or immediately after the conclusion of the Company’s annual general meeting to be held on the same day, for the purpose of transacting the following business:

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

1. “THAT

- (a) the automatic renewal of the term of the BOC Deposit Framework Agreement (as defined in the circular of the Company dated 3 May 2024 (the “**Circular**”)) for the three years ending 31 December 2027 and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the Proposed Annual Cap (as defined in the Circular) in relation to the transactions contemplated under the BOC Deposit Framework Agreement for each of the three years ending 31 December 2027 as set out in the Circular be and are hereby confirmed and approved.”

2. “THAT

- (a) the automatic renewal of the term of the BOCHK Deposit Framework Agreement (as defined in the Circular) for the three years ending 31 December 2027 and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the Proposed Annual Cap (as defined in the Circular) in relation to the transactions contemplated under BOCHK Deposit Framework Agreement for each of the three years ending 31 December 2027 as set out in the Circular be and are hereby confirmed and approved.”

By Order of the Board
BOC Aviation Limited
Lim Zi Yuan
Company Secretary

Hong Kong, 3 May 2024

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Pursuant to the Listing Rules, any vote of members at the Meeting will be taken by poll. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. Any Shareholder which is not a clearing house or its nominee(s) entitled to attend the Meeting is entitled to appoint not more than two proxies to attend instead of him/her but the proportion of the shareholding to be represented by each proxy shall be specified in the form of proxy. Any Shareholder which is a clearing house or its nominee(s) entitled to attend the Meeting is entitled to appoint more than one proxy to attend the Meeting instead of it, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Shareholder which number of shares shall be specified in the form of proxy. A proxy need not be a shareholder of the Company, but must attend the meeting in person in order to represent the Shareholder. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. On a poll, every Shareholder present by proxy shall have one vote for each Share which he or she holds or represents.
3. In order to be valid, the form of proxy shall be signed by the appointor or by his attorney or authorised signatory, and if it is signed by an attorney or authorised signatory, the power of attorney or other authority, under which it is signed or a certified copy thereof must be registered with the Company or returned to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, either by (i) depositing it at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or (ii) sending it by email to bocaviation.eproxy@computershare.com.hk, not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a Shareholder of the Company from attending the Meeting.
4. The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the Meeting, from 27 May 2024 to 30 May 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend and vote at the Meeting, 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 24 May 2024.
5. The full text of all Resolutions and all relevant information is set out in the Notice of Extraordinary General Meeting which is included in the circular despatched to Shareholders of the Company on 3 May 2024 (the "Circular"). The Circular can also be viewed and downloaded from the website of the Company at www.bocaviation.com or the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.
6. In case of joint shareholding, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding. Accordingly, investors who wish to have joint shareholding in the Company should bear in mind the above provision when they decide the way in which their names being provided for share registration.
7. There will be no option for shareholders to participate virtually.