

BOC AVIATION

BOC Aviation Limited

(Incorporated in the Republic of Singapore with limited liability)

STOCK CODE: 2588

GLOBAL OFFERING

Sole Financial Adviser



Joint Sponsors



Joint Global Coordinators and Joint Bookrunners



Morgan Stanley

Joint Bookrunners



BNP PARIBAS



(in alphabetical order)

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



BOC AVIATION LIMITED

中銀航空租賃有限公司*

(Incorporated in the Republic of Singapore with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 208,203,000 Shares (comprising 104,101,500 New Shares and 104,101,500 Sale Shares and subject to the Over-allotment Option)

Number of Hong Kong Offer Shares : 15,615,400 New Shares (subject to reallocation)

Number of International Offer Shares : 192,587,600 Shares (comprising 88,486,100 New Shares and 104,101,500 Sale Shares and subject to reallocation and the Over-allotment Option)

Offer Price : HK\$42.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

Stock Code : 2588

Sole Financial Adviser



Joint Sponsors



**Goldman
Sachs**

Joint Global Coordinators and Joint Bookrunners



**Goldman
Sachs**

Morgan Stanley

Joint Bookrunners



BNP PARIBAS



(in alphabetical order)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, or (b) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting".

* For identification purpose only

19 May 2016

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at www.bocaviation.com and the Stock Exchange at www.hkexnews.hk under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 19 May 2016 until 12:00 noon on Tuesday, 24 May 2016 at the following locations:

1. any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island . . .	Bank of China Tower Branch	3/F, 1 Garden Road, Central
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	King’s Road Branch	131-133 King’s Road, North Point
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen, Mei Foo
New Territories.	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

2. any of the following offices of the Joint Global Coordinators:
 - (a) **BOCI Asia Limited**, at 26/F, Bank of China Tower, 1 Garden Road, Hong Kong;
 - (b) **Goldman Sachs (Asia) L.L.C.**, at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong;
 - (c) **Morgan Stanley Asia Limited**, at Level 46, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; and
3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, 19 May 2016 until 12:00 noon on Tuesday, 24 May 2016, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed, as set out in "*How to Apply for Hong Kong Offer Shares*".

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences and **WHITE**
and **YELLOW** Application Forms available from9:00 a.m. on Thursday, 19 May 2016

Latest time for completing electronic applications under
the **White Form eIPO** service through the designated
website at www.eipo.com.hk⁽²⁾11:30 a.m. on Tuesday, 24 May 2016

Application lists open⁽³⁾11:45 a.m. on Tuesday, 24 May 2016

Latest time for (a) lodging **WHITE** and **YELLOW**
Application Forms, (b) completing payment for
White Form eIPO applications by effecting
internet banking transfer(s) or PPS payment
transfer(s), and (c) giving **electronic application**
instructions to HKSCC12:00 noon on Tuesday, 24 May 2016

Application lists close⁽³⁾12:00 noon on Tuesday, 24 May 2016

(1) Announcement of the level of indications of interest
in the International Offering, the level of
applications in the Hong Kong Public Offering and
the basis of allocations of the Hong Kong Offer Shares
to be published in the South China Morning Post
(in English) and the Hong Kong Economic Times
(in Chinese) on or beforeTuesday, 31 May 2016

(2) Results of allocations in the Hong Kong Public Offering
to be available through a variety of channels as
described in “*How to Apply for Hong Kong Offer*
Shares — Publication of Results” fromTuesday, 31 May 2016

(3) Announcement containing (1) and (2) above to be
published on the websites of the Company and
the Stock Exchange at www.bocaviation.com and
www.hkexnews.hk fromTuesday, 31 May 2016

Despatch of Share certificates and e-Refund
payment instructions/refund cheques on or before⁽⁴⁾Tuesday, 31 May 2016

Dealings in the Shares on the Stock Exchange expected
to commence onWednesday, 1 June 2016

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All dates and times refer to Hong Kong dates and times.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 24 May 2016, the application lists will not open and close on that day. See “*How to Apply for Hong Kong Offer Shares*”.
- (4) The Share certificates are expected to be issued on the Listing Date, which is expected to be Wednesday, 1 June 2016 but will only become valid at 8:00 a.m. on that date, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see “*Structure of the Global Offering*” and “*How to Apply for Hong Kong Offer Shares*”, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus.

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SUMMARY

This summary is intended to provide you with an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide whether to invest in the Offer Shares. Some of the particular risks of investing in the Offer Shares are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading global aircraft operating leasing company. We are the largest aircraft operating leasing company headquartered in Asia, and the fifth largest global aircraft operating leasing company, in each case as measured by the value of owned aircraft as at 31 December 2015 (excluding aircraft ordered but undelivered).

Our business model is underpinned by strong global trends in the aviation industry. Our business benefits from (i) strong growth in travel volume and an increasing propensity to fly, particularly in the Asia Pacific region, driving the demand for new aircraft, and (ii) an increasing preference for many airlines to lease rather than to purchase aircraft. Our aircraft are mobile, can be redeployed throughout the world and have long economic lives. We also benefit from long-term, U.S. Dollar-denominated cash flows from a global customer base who lease our aircraft, and from owning assets with values denominated in U.S. Dollars, which enables us to operate a global business without exposing us to currency risk. We believe the scale of our business and our investment grade credit ratings make us an attractive counterparty to both aircraft manufacturers and airline customers, which further reinforces our competitiveness.

Our specialised aviation industry knowledge, our relationships with airline customers, aircraft manufacturers and other key aviation industry participants, together with the long-term experience and talent of our senior management team and other key employees, have enabled us to deliver strong operational and financial results through multiple industry cycles. In particular, we have delivered 22 years of unbroken profitability, with approximately US\$2.1 billion in cumulative profits from inception through 2015. Our average ROE post tax over the Track Record Period of 15.1% is amongst the highest for all listed aircraft operating leasing companies.

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. From our inception in 1993 to 31 December 2015, we have:

- purchased and committed to purchase more than 670 aircraft with an aggregate purchase price in excess of US\$32 billion;
- executed more than 590 leases with more than 120 airlines in 48 countries;

SUMMARY

- raised more than US\$16 billion in debt financing since 1 January 2007;
- sold more than 210 owned and managed aircraft; and
- transitioned more than 50 aircraft at lease end, and repossessed 29 aircraft from airline customers based in 11 jurisdictions.

We maintain a fleet of young, fuel-efficient, in-demand aircraft types. As at 31 December 2015, our aircraft fleet comprised 270 aircraft, of which 227 were owned aircraft and 43 were managed on behalf of third party customers, and these aircraft are on lease to 62 airlines in 30 countries. As at 31 December 2015, the average aircraft age of our owned aircraft fleet was 3.3 years weighted by net book value, making our owned fleet one of the youngest in the aircraft operating lease industry. We intend to sell all of our owned aircraft that are more than 10 years old and all aircraft that are out of production before 31 December 2016. The average remaining lease term of our owned aircraft operating leases as at 31 December 2015 was 7.4 years, which is one of the longest in the industry. Our typical lease terms are in the 10 to 12 year range for new aircraft and six years for used aircraft. We also have a significant order book of 241 aircraft as at 31 December 2015 with an average of 40 aircraft committed for delivery each year in the period from 2016 to 2021. Our order book comprises principally popular single-aisle aircraft, such as the Airbus A320 family and Boeing 737 family, including the A320NEO and 737 MAX 8 new technology models.

In addition to our core business, we also provide third party lease management services to aircraft owners in return for fees. See “*Business — Our Business Operations — Third Party Lease Management Services*” for further information.

We benefit from a low average cost of funds, which was 1.9%, 1.9% and 2.0% in 2013, 2014 and 2015, respectively, supported by our strong credit ratings (which, as at the Latest Practicable Date, were A- from both Standard & Poor’s and Fitch) and a diversified range of funding sources. Unsecured bonds and third-party commercial bank financing are our primary sources of debt funding.

We enjoy strong and committed support from Bank of China, a top 10 bank globally by market capitalisation as at the Latest Practicable Date and a Fortune Global 50 company. The Global Offering will result in the spin-off and separate listing of the Group from Bank of China. Following completion of the Global Offering, Bank of China will retain a substantial majority shareholding in the Company, and the Company will remain as a subsidiary of Bank of China and will continue to carry the BOC brand name. In addition, Bank of China has provided us with a US\$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. This facility remained undrawn as at the Latest Practicable Date. Notwithstanding that the BOC Group has provided certain credit facilities and loans to the Group, the Group is able to operate financially independently from the BOC Group. See “*Relationship with BOC*” for further details.

SUMMARY

Our senior management team is highly experienced and stable, with Mr. Robert Martin (our Chief Executive Officer) and Mr. Phang Thim Fatt (our Chief Financial Officer) having worked together at the Company since 1998. This team has successfully managed the Group through multiple industry cycles. They are key to the Group's historical performance in executing successfully our business strategy and, in particular, in overseeing and leading the Group's active approach to risk management and governance. In addition, many of our senior management have extensive experience working in the aviation industry across multiple jurisdictions.

OUR AIRCRAFT FLEET

Our core fleet comprises aircraft types that will appeal to a broad airline customer base over extended periods of time, that are fuel-efficient and technologically advanced, and that have broad appeal to aircraft investors. Our fleet portfolio strategy is determined and regularly reviewed by our management and Board.

As at 31 December 2015, our fleet and order book comprised the following aircraft types:

Aircraft type	Owned Aircraft ⁽¹⁾	Managed Aircraft	Aircraft on Order ⁽²⁾	Total Number of Aircraft
<i>Narrowbody Aircraft</i>				
Airbus A320CEO family	108	14	58	180
Airbus A320NEO family	0	0	64	64
Boeing 737NG family	78	12	54	144
Boeing 737 MAX 8	0	0	61	61
Embraer E190 family	11	2	0	13
<i>Narrowbody sub-total</i>	197	28	237	462
<i>Widebody Aircraft</i>				
Airbus A330-300	11	8	2	21
Boeing 777-300ER	13	2	2	17
Boeing 777-300	1	1	0	2
Boeing 787	2	0	0	2
<i>Widebody sub-total</i>	27	11	4	42
Freighters	3	4	0	7
Total	227⁽³⁾	43	241	511

Notes:

- (1) Includes (i) aircraft to which the Group holds the legal and/or beneficial title, and (ii) aircraft held by the Group through finance leases under which the Group has all the risks and rewards of ownership, and has recorded such aircraft on its balance sheet.
- (2) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at 31 December 2015 and as at the Latest Practicable Date, there were 14 and 11 aircraft, respectively.

SUMMARY

- (3) As at 31 December 2015, the Company had classified as assets held for sale seven aircraft, comprising six Airbus A320CEO family aircraft and one Boeing 737NG family aircraft, for which it had entered into agreements to sell in accordance with the Company's strategy of actively managing its aircraft portfolio.

As at 31 December 2015, of the 241 aircraft we had committed to purchase, 74 were committed for lease. As at the Latest Practicable Date, 19 of our scheduled aircraft deliveries for 2016 were delivered and all these aircraft were on-lease at delivery, other than three, which were acquired by airline customers. As at the Latest Practicable Date, of the 226 aircraft we had committed to purchase, 85 were committed for lease. All of the remaining scheduled deliveries in 2016 are committed for lease.

Our fleet has grown significantly since 2007. The following table sets out the growth of our owned and managed fleet over that period.

	As at 31 December								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of owned aircraft.	59	73	118	140	158	179	206	230	227
Number of managed aircraft . . .	17	19	24	26	25	24	20	20	43
Total aircraft	76	92	142	166	183	203	226	250	270

We principally enter into two types of aircraft purchase transactions: (i) aircraft purchases through our order book which involve us placing aircraft purchase orders with the aircraft original equipment manufacturers (or aircraft "OEMs") and securing an operating lease with an airline customer from delivery, and (ii) aircraft purchases in connection with purchase and leaseback transactions, which typically involve us taking over aircraft purchase commitment(s) an airline has with an aircraft OEM or, buying from the airline at delivery, and in either case leasing the aircraft back to a customer.

SUMMARY

As part of our future growth plans we had, as at the Latest Practicable Date, commitments to acquire 226 aircraft, either through our order book with the OEMs or pursuant to purchase and leaseback transactions with airline customers. As at 31 December 2015, our aircraft purchase commitments were to acquire 241 aircraft representing an average of 40 deliveries per year over the next six years — and comprised the following:

	Number of Aircraft Scheduled for Delivery During					
	Year Ended 31 December ⁽¹⁾					
	2016	2017	2018	2019	2020	2021
Aircraft type						
<i>Narrowbody Aircraft</i>						
Airbus A320CEO family . . .	41	17	0	0	0	0
Airbus A320NEO family . . .	0	10	24	27	3	0
Boeing 737NG family	18	23	13	0	0	0
Boeing 737 MAX 8	0	0	0	10	20	31
<i>Widebody Aircraft</i>						
Airbus A330-300	0	2	0	0	0	0
Boeing 777-300ER	0	2	0	0	0	0
Total	<u>59</u>	<u>54</u>	<u>37</u>	<u>37</u>	<u>23</u>	<u>31</u>

The aggregate amount of capital expenditure deployed (as well as the respective percentage of total Group capital expenditure during the relevant periods) in connection with aircraft purchases through our order book including pre-delivery payments and pursuant to aircraft purchase and leaseback transactions over the last three financial years, respectively, was as follows:

	Year ended 31 December					
	2013		2014		2015	
(in thousands of US\$, except for percentages)						
Order book aircraft purchases (including pre-delivery payments) . .	1,530,893	61.2%	2,185,789	69.6%	3,010,627	88.1%
Aircraft purchased pursuant to purchase and leaseback transactions	<u>969,600</u>	<u>38.8%</u>	<u>956,300</u>	<u>30.4%</u>	<u>406,700</u>	<u>11.9%</u>
Total	<u>2,500,493</u>	<u>100.0%</u>	<u>3,142,089</u>	<u>100.0%</u>	<u>3,417,327</u>	<u>100.0%</u>

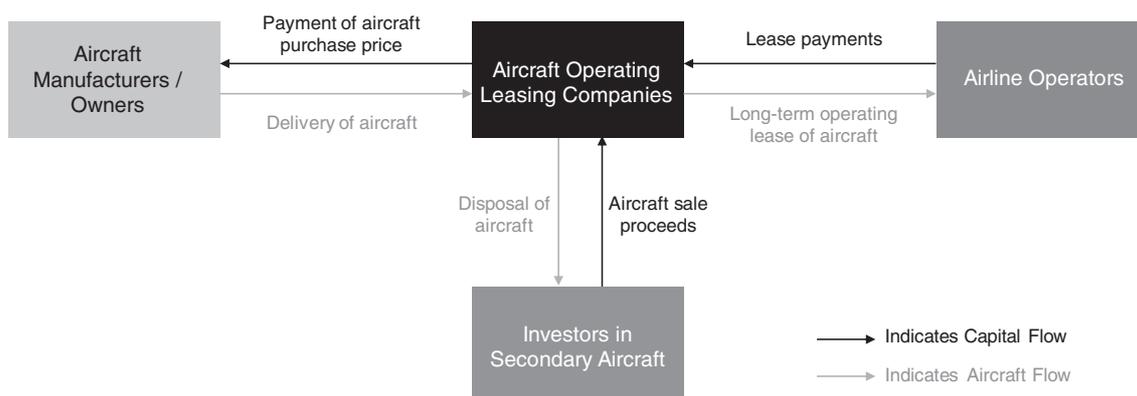
Note:

(1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at 31 December 2015 and as at the Latest Practicable Date, there were 14 and 11 aircraft, respectively.

SUMMARY

OUR BUSINESS OPERATIONS

Aircraft leasing is an important part of the global aviation supply chain. However, the characteristics of the aircraft operating lease industry are different from those of aircraft manufacturers and airline operators. In contrast to manufacturers and operators, who are subject to significant volatility in short-term demand and input costs, aircraft operating leasing companies have stable portfolios of long-term lease contracts that provide regular, predictable cash flows, and are typically funded by long-term debt. The following diagram highlights the position of the aircraft operating leasing companies in the aviation industry.



The key elements of our business model are:

- **acquiring aircraft:** acquiring, at competitive prices, aircraft that are expected to appeal to a broad range of airline customers and aircraft purchasers and investors, with strong anticipated residual value and transferability characteristics;
- **leasing aircraft to a geographically diverse group of airline customers on favourable lease terms:** maintaining and seeking to continually develop relationships with a geographically diversified group of airline customers for aircraft lease placements, with favourable lease pricing, tenure and other terms and conditions;
- **selling aircraft:** as part of our active portfolio management and risk management programme, regularly reviewing our portfolio to ensure aircraft are offered for sale at optimal times and to generate attractive returns on sale that can be reinvested in new aircraft; and
- **driving down funding costs:** continually seeking to obtain financing at the lowest available cost and most favourable terms, with a well-dispersed repayment profile.

We have strong and proven aircraft placement capabilities. Our aircraft are typically committed for lease well in advance of their delivery to us, and our aircraft utilisation rate (being the total number of on-lease days as a percentage of available lease days) was 99.8% between 1 January 2008 and 31 December 2015.

SUMMARY

Our airline customers are geographically diverse. As at 31 December 2015, our 227 owned aircraft were leased to 57 airlines in 29 countries. The following table highlights the geographical diversification of the lease rental income for our owned aircraft portfolio for the years ended 31 December 2013, 2014 and 2015:

Region	Percentage of Total Lease Rental Income For Year Ended 31 December		
	2013	2014	2015
Asia Pacific (excluding Chinese Mainland, Hong Kong, Macau and Taiwan)	28.4%	31.2%	33.2%
Chinese Mainland, Hong Kong, Macau and Taiwan	14.1%	12.5%	16.7%
Americas	24.2%	22.7%	19.5%
Europe	24.6%	26.0%	23.9%
Middle East & Africa	8.7%	7.6%	6.7%

In addition, our lease expirations are well-dispersed, with relatively few near-term expiries. The following table sets out the breakdown between fixed and floating rate rental terms, as well as the weighted average remaining lease term of our aircraft for each year during the Track Record Period.

	As at 31 December		
	2013	2014	2015
Owned aircraft	206 ⁽¹⁾	230	227
— Fixed rate rental terms	62	92	107
— Floating rate rental terms	143	138	120
Weighted average remaining lease term (years) ⁽²⁾	7.6	7.5	7.4

Notes:

- (1) Includes one aircraft on ground.
- (2) Weighted by net book value of owned aircraft.

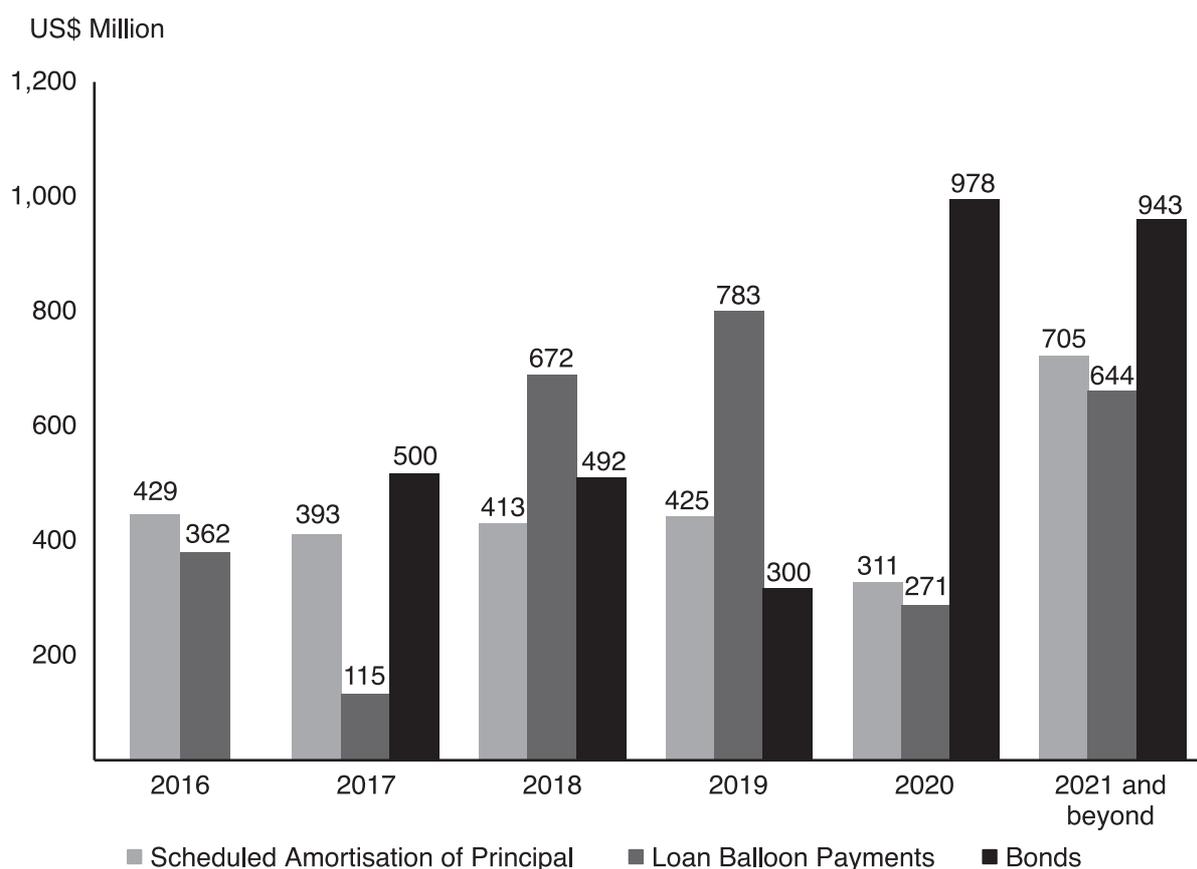
The Group's largest suppliers of aircraft are Airbus and Boeing. Aircraft purchases from Airbus and Boeing accounted for approximately 86%, 88% and 99% of the total capital expenditure (excluding purchase and leaseback transactions) of the Group for 2013, 2014 and 2015, respectively. These figures do not take into account amounts paid pursuant to purchase and leaseback transactions with airlines where the ultimate suppliers of the relevant aircraft were Airbus and Boeing. See "*Business — Our Business Operation — Aircraft purchasing — Key supplier relationships*" for further details.

SUMMARY

FINANCING

Financing cost is our second largest operating cost in the current low interest rate environment, after depreciation on our aircraft portfolio, and is our largest cash operating cost. We focus on maintaining a competitive debt funding cost, and we achieve this by adopting a proactive approach to debt financing and by maintaining a diverse range of financing sources. This has enabled us to achieve an average cost of funds of 2.0% in 2015, which we believe was one of the lowest amongst aircraft operating leasing companies. Our diverse sources of financing include: (i) loan financing, consisting of term loans, committed unsecured revolving credit facilities and finance lease payables, (ii) debt capital markets, consisting of medium term notes issuances, and (iii) U.S. Exim and European credit agency supported financing.

We carefully evaluate and monitor our debt repayment profile to ensure that our refinancing requirements are well-dispersed, without any debt repayment spike in any single year. The following graph details our debt repayment (including finance lease payments) profile as at 31 December 2015⁽¹⁾.



Note:

(1) Does not include outstanding amounts under our revolving credit facilities. At 31 December 2015, US\$220.0 million was outstanding.

SUMMARY

As at 31 December 2015, we had committed unsecured revolving credit facilities of US\$2,730.0 million, of which US\$2,510.0 million was undrawn. These facilities include a committed unsecured revolving credit facility of US\$2.0 billion, which matures in April 2022, obtained from the BOC Group on terms commensurate with the terms of other revolving committed unsecured credit facilities provided by third parties or better for the Company. This facility will remain in place following completion of the Global Offering. See “*Relationship with BOC*” for further details. This facility had not been drawn down during the Track Record Period or as at the Latest Practicable Date and serves as a source of temporary financing only rather than long-term financing.

COMPETITIVE STRENGTHS

Our competitive strengths include:

- A young aircraft fleet and an aircraft order book comprised primarily of fuel-efficient, in-demand aircraft
- Scale and well-established long-standing relationships with aircraft manufacturers, airline customers and aircraft investors
- Long-term contracted cash flows from a globally diversified customer base
- Disciplined and active aircraft portfolio management to ensure a high quality aircraft fleet
- Strong credit ratings and proven access to competitively priced debt funding
- Experienced senior management team with a proven track record through multiple industry cycles and a strong risk-aware culture

BUSINESS STRATEGIES

Our objective is to deliver attractive risk-adjusted returns to our Shareholders by pursuing the following strategies:

- Continue to grow our young, liquid aircraft portfolio with a disciplined approach and focus on in-demand aircraft
- Actively manage our existing aircraft portfolio to mitigate risk with a view to maximising long term value
- Continue to develop and grow our long-standing relationships with key industry participants
- Further diversify our financing sources to maintain our low cost of funding, financing flexibility and efficient capital structure

SUMMARY

See “*Business*” for further details.

KEY RISK FACTORS

Our business is subject to numerous risks and there are uncertainties relating to an investment in the Shares. These risks and uncertainties can be categorised as (i) risks relating to our business and operations and the aircraft operating lease industry, and (ii) risks relating to the Global Offering. The following highlights some of the key risks that affect our business:

- Our business is particularly exposed to the performance of the aviation industry.
- Our business model is dependent to a large extent on our ability to acquire aircraft at competitive prices or in a timely fashion.
- Our business model is dependent to a large extent on our ability to lease and re-lease aircraft.
- Our business model is dependent to a large extent on our ability to sell aircraft.
- The market value and/or market lease rates for aircraft could decline.
- Our ability to obtain financing on acceptable terms is critical to our ability to operate.
- If Bank of China ceases to maintain a controlling stake in us or otherwise reduces or ends its strategic relationship with the Group, our business could be adversely affected.
- The availability of funding and its cost and other terms are dependent in part upon the financial ratings assigned to us by lenders and rating agencies, and a downgrade of these ratings could adversely impact our business.
- Singapore tax laws may differ from tax laws of other jurisdictions, including Hong Kong. See “*Appendix III — Taxation and Regulatory Overview*” for further details.
- We are subject to various requirements and risks associated with transacting business in multiple countries which could have a material adverse effect on our business.

See “*Risk Factors*” for further details.

SUMMARY

THE CONTROLLING SHAREHOLDER

Immediately following the completion of the Global Offering, Bank of China (through its wholly-owned subsidiaries, BOCGI and the Selling Shareholder) will have an interest in approximately 65.5% of the Shares in issue (assuming the Over-allotment Option is exercised in full) and approximately 70% of the Shares in issue if the Over-allotment Option is not exercised. Accordingly, the Company will remain as a subsidiary of Bank of China and Bank of China, BOCGI and the Selling Shareholder will be the controlling shareholders of the Company. See “*History and Corporate Structure*” and “*Relationship with BOC*” for further details.

RECENT DEVELOPMENT OF OUR BUSINESS SUBSEQUENT TO THE TRACK RECORD PERIOD

Since 31 December 2015, we have purchased and taken delivery of aircraft, continued to secure additional leasing commitments from customers and continued to actively manage our aircraft portfolio. As at the Latest Practicable Date:

- our fleet comprised 231 owned aircraft and 39 managed aircraft, which reflects the purchase of 16 owned aircraft, the sale of 12 owned aircraft and the expiry of management contracts for four managed aircraft from 31 December 2015 up to the Latest Practicable Date;
- 19 of our scheduled aircraft deliveries for 2016 were delivered, and all these aircraft were on-lease at delivery, other than three, which were acquired by airline customers; and
- our order book comprised 226 aircraft, which reflects the commitments that we entered into since 31 December 2015 to purchase four new aircraft.

We have also continued to raise debt financing and repay our loans in the ordinary course of business.

As far as we are aware, while there have been recent fluctuations in general market conditions, there have not been any material changes in the general economic and market conditions in the regions or the industry in which we operate that materially and adversely affected our business operations or financial condition since 31 December 2015 and up to the date of this prospectus.

The Directors confirm that, having performed reasonable due diligence on the Group, there has been no material adverse change in the Group’s financial or trading position or prospects since 31 December 2015 up to the date of this prospectus.

SUMMARY

SUMMARY FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss

	Year ended 31 December					
	2013		2014		2015	
	Amount	% of revenues and other income	Amount	% of revenues and other income	Amount	% of revenues and other income
	US\$'000	%	US\$'000	%	US\$'000	%
Lease rental income	804,112	87.5	936,916	94.8	975,485	89.4
Interest and fee income . .	27,951	3.1	11,607	1.2	39,844	3.7
Other income						
Net gain on sale of aircraft	76,471	8.3	30,291	3.0	70,144	6.4
Others	10,127	1.1	9,619	1.0	5,249	0.5
Revenues and other income	918,661	100.0	988,433	100.0	1,090,722	100.0
Depreciation of plant and equipment	(336,346)	(36.6)	(381,247)	(38.6)	(381,951)	(35.0)
Finance expenses	(135,689)	(14.8)	(150,780)	(15.2)	(168,771)	(15.5)
Amortisation of deferred debt issue costs	(14,635)	(1.6)	(14,546)	(1.5)	(18,129)	(1.7)
Amortisation of lease transaction closing costs	(306)	(0.0)	(171)	(0.0)	(345)	(0.0)
Staff costs	(40,654)	(4.4)	(51,230)	(5.2)	(58,689)	(5.4)
Marketing and travelling expenses	(4,254)	(0.5)	(5,048)	(0.5)	(5,037)	(0.5)
Other operating expenses .	(28,310)	(3.1)	(9,545)	(1.0)	(12,467)	(1.1)
Impairment of aircraft	(42,800)	(4.7)	(23,100)	(2.3)	(43,900)	(4.0)
Bad debts written off	(4,736)	(0.5)	—	—	—	—
Costs and expenses	(607,730)	(66.2)	(635,667)	(64.3)	(689,289)	(63.2)
Profit before income tax .	310,931	33.8	352,766	35.7	401,433	36.8
Income tax expense	(33,870)	(3.7)	(44,192)	(4.5)	(58,126)	(5.3)
Profit for the year attributable to equity holder of the Company	277,061	30.2	308,574	31.2	343,307	31.5
Earnings per share attributed to ordinary equity holder of the Company						
Basic and diluted earnings per share (US\$)	0.47		0.52		0.58	

SUMMARY

Summary Consolidated Statements of Financial Position

	As at 31 December		
	2013	2014	2015
	US\$'000		
Current assets	552,982	385,729	753,809
Current liabilities	874,257	1,044,437	1,215,319
Net current liabilities	(321,275)	(658,708)	(461,510)
Non-current assets	9,595,678	11,017,445	11,720,096
Non-current liabilities	7,347,771	8,262,326	8,818,868
Total equity	1,926,632	2,096,411	2,439,718

We had net current liabilities during the Track Record Period, primarily due to significant levels of current liabilities related to our financing arrangements to fund our capital expenditure, as is common among capital-intensive companies. Due to the nature of our business, we have long-term contracted revenue and cash flows resulting from our operating leases, which we typically collect in advance on a monthly basis in accordance with the respective lease agreements, resulting in minimal trade receivables on our balance sheet. We also efficiently redeploy cash flow from lease rentals towards aircraft purchases and debt repayment obligations, resulting in a relatively low balance of cash on hand. Moreover, as we are primarily an operating lessor, the substantial majority of our assets are non-current assets (i.e. aircraft) held to generate recurring income rather than current assets held for sale. As a result of the foregoing, we believe that our net current liabilities position does not accurately reflect our liquidity position. See “*Financial Information — Liquidity and Capital Resources*” for further details.

Summary Consolidated Statements of Cash Flows

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Net cash provided by operating activities	838,655	961,669	1,112,433
Net cash used in investing activities	(1,589,285)	(1,826,914)	(1,317,602)
Net cash provided by financing activities	638,306	596,160	344,418
Net (decrease)/increase in cash and cash equivalents	(112,324)	(269,085)	139,249
Cash and cash equivalents at the beginning of the year	613,553	501,229	232,144
Cash and cash equivalents at the end of the year	501,229	232,144	371,393

SUMMARY

Key Financial Ratios

	As at or for the year ended 31 December		
	2013	2014	2015
Lease rate factor ⁽¹⁾	9.7%	9.8%	9.9%
Average cost of funds ⁽²⁾	1.9%	1.9%	2.0%
Net lease yield ⁽³⁾	8.1%	8.3%	8.2%
Pre-tax profit margin ⁽⁴⁾	33.8%	35.7%	36.8%
Return on assets ⁽⁵⁾	2.9%	2.9%	2.9%
Return on equity ⁽⁶⁾	15.0%	15.3%	15.1%
Debt-to-equity ⁽⁷⁾	3.9x	4.0x	3.7x

Notes:

- (1) Lease rate factor is calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%. Average net book value of aircraft equals the net book value of aircraft at the beginning of the year plus net book value of aircraft at the end of the year, divided by two.
- (2) Average cost of funds is calculated as the sum of finance expenses and capitalised interest, divided by average total indebtedness. Average total indebtedness equals the total indebtedness at the beginning of the year plus total indebtedness as at the end of the year, divided by two. Total indebtedness represents loans and borrowings and finance lease payables before fair value and discount/premium to medium term notes adjustments and deducting debt issue costs.
- (3) Net lease yield is calculated as the difference between lease rental income and finance expenses, divided by average net book value of aircraft and multiplied by 100%. Average net book value of aircraft equals the net book value of aircraft at the beginning of the year plus net book value of aircraft at the end of the year, divided by two.
- (4) Pre-tax profit margin is calculated as profit before income tax divided by total revenues and other income and multiplying the resulting value by 100%.
- (5) Return on assets is calculated by dividing profit after tax for the year by average total assets and multiplying the resulting value by 100%. Average total assets equal total assets at the beginning of the year plus total assets as at the end of the year, divided by two.
- (6) Return on equity is calculated by dividing profit after tax for the year by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the year plus total equity as at the end of the year, divided by two.
- (7) Debt-to-equity ratio is calculated as total indebtedness divided by total equity.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Unaudited pro forma : US\$4.30 (based on the Offer Price)
adjusted consolidated net
tangible assets per Share

See “Appendix II — Unaudited Pro Forma Financial Information” for further details.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

See “*Business — Business Strategies*” for a detailed description of our future plans and strategies.

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions and the estimated expenses in relation to the Global Offering payable by the Company and based on the Offer Price of HK\$42.00, will be approximately HK\$4,246 million.

The Company intends to use the entire net proceeds from the Global Offering to fund pre-delivery payments for and future purchases of aircraft to grow the Group’s owned aircraft portfolio.

Pending the deployment of the net proceeds from the Global Offering as described above, the Company currently intends to deposit such net proceeds into short-term interest bearing deposits and/or money market instruments.

The Company will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering. The net proceeds from the Global Offering which the Selling Shareholder will receive, after deducting the underwriting commissions and estimated expenses in relation to the Global Offering payable by the Selling Shareholder, based on the Offer Price of HK\$42.00, will be approximately HK\$4,246 million.

The Over-allotment Option will be granted by the Selling Shareholder. If the Over-allotment Option is exercised in full, after deducting the underwriting commissions and based on the Offer Price of HK\$42.00, the net proceeds which the Selling Shareholder will receive from such exercise of the Over-allotment Option will be approximately HK\$1,285 million.

See “*Future Plans and Use of Proceeds*” for further details.

DIVIDENDS AND DIVIDEND POLICY

In 2013, 2014 and 2015, we paid dividends of US\$113.0 million, US\$139.0 million and nil, respectively, to our sole Shareholder. Following the Listing, we intend to pay dividends of up to 30% of our net profit after tax. However, 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. The amount of any dividends to be declared or paid will depend on, amongst other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations.

LISTING EXPENSES

Total expenses (including underwriting commissions) expected to be incurred by the Company in relation to the Listing are approximately HK\$125.8 million, of which approximately HK\$27.7 million is expected to be charged to the profit or loss of the Group and approximately HK\$98.1 million is expected to be charged to share premium of the Group for the financial year ending 31 December 2016. Except for a minimal accrued amount, the Company did not incur any expenses relating to the Listing during the Track Record Period.

OVERVIEW OF THE GLOBAL OFFERING

Company	BOC Aviation Limited
Global Offering	Global offering of initially 208,203,000 Offer Shares (excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising the following:
Hong Kong Public Offering	15,615,400 New Shares (subject to reallocation).
International Offering	88,486,100 New Shares and 104,101,500 Sale Shares (subject to reallocation and the Over-allotment Option).
Over-allotment Option	Up to 31,230,400 additional Offer Shares, comprising 31,230,400 Sale Shares, representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering.
Offer Price	HK\$42.00
Lock-up Undertakings	<ul style="list-style-type: none">• The Company — six months from the Listing Date.• Bank of China, BOCGI and the Selling Shareholder — six months absolute lock-up and six months lock-up on disposal of Shares that would result in any of them ceasing to be a controlling shareholder of the Company.
Market Capitalisation at Listing	Expected to be HK\$29,148 million (based on the Offer Price).
Listing and Trading	Expected to commence on Wednesday, 1 June 2016.
Board Lot	100 Shares.

See “*Underwriting*” and “*Structure of the Global Offering*” for further details.

RESPONSIBILITY STATEMENT AND FORWARD-LOOKING STATEMENTS

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

INFORMATION AND REPRESENTATION

The Company has issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. No representation is made that there has been no change or development reasonably likely to involve a change in the Group's affairs since the date of this prospectus or that the information contained in this prospectus is correct as at any date subsequent to its date.

RESPONSIBILITY STATEMENT AND FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation:

- (a) the discussions of our business strategies, objectives and expectations regarding our future operations, margins, profitability, liquidity and capital resources;
- (b) any statements concerning the future development of, and trends and conditions in, the aircraft operating lease industry and the general economy of the countries in which we operate or plan to operate;
- (c) any statements concerning our ability to control costs;
- (d) any statements concerning the nature of, and potential for, the future development of our business; and
- (e) any statements preceded by, followed by or that include words and expressions such as “expect”, “believe”, “plan”, “intend”, “estimate”, “forecast”, “project”, “anticipate”, “seek”, “may”, “will”, “ought to”, “would”, “should” and “could” or similar words or statements,

as they relate to the Group or our management, are forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in “*Risk Factors*”. Important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements include, amongst other things, the following:

- the availability of capital to us and to our customers and changes in interest rates;
- the ability of our airline customers and potential airline customers to make operating lease rental and other payments to us and to fulfil their other obligations to us;
- our ability to successfully negotiate aircraft purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;
- decreases in the overall demand for aircraft operating lease services;
- the economic condition of the aircraft operating lease industry;

RESPONSIBILITY STATEMENT AND FORWARD-LOOKING STATEMENTS

- changes in management;
- competitive pressures within the aircraft operating lease industry; and
- regulatory changes affecting airlines and other aircraft operators, aircraft maintenance, accounting standards and taxes.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of, or references to, our intentions or that of any of the Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

RISK FACTORS

An investment in the Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in the prospectus, before deciding whether to invest in the Shares. If any of the following events occur or if these risks or any additional risks not currently known to the Group or which it now deems immaterial risks materialise, the business, financial condition, results of operation and/or the Group's ability to meet its financial obligations could be materially and adversely affected. The market price of the Shares could fall significantly due to any of these events or risks (or such additional risks) and you may lose your investment.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS AND THE AIRCRAFT OPERATING LEASE INDUSTRY

The risks related to our business and operations and the aircraft operating lease industry generally can be categorised into four broad areas, namely (i) risks directly relating to our business and operations, (ii) risks related to the aviation industry which affect the Group, (iii) risks related to, and which are associated with, our financing arrangements, and (iv) other external risks related to our business and operations. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations, our ability to meet our financial obligations and/or the value of the Shares.

(i) Risks Directly Relating to Our Business and Operations

Our business is particularly exposed to the performance of the aviation industry

Our principal business objective is to purchase and own a portfolio of aircraft which are placed on operating leases with airline customers. We are particularly susceptible to downturns, disruptions or weaknesses in the aviation industry since our business depends almost entirely on the willingness and/or ability of our airline customers to enter into new aircraft operating leases and to perform their payment and other obligations under their existing or future operating leases.

If general geopolitical, economic, financial market and/or business conditions worsen, this may have a material adverse effect on the demand from our airline customers for leased aircraft, including particular types of aircraft in our fleet, which could in turn have a material adverse effect on our business, financial condition, results of operations and our ability to meet our financial obligations as well as the value of the Shares. See “— *We are exposed to regional economic and political conditions that affect our airline customers*” below.

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The ability of each airline customer to perform its obligations under a lease will depend primarily on its financial condition, available liquidity, cash flow generating capacity and access to capital, which are also affected to a significant extent by general geopolitical, economic, financial market and business conditions beyond our control. We enter into contractual commitments to deliver multiple on-lease aircraft to airline customers over periods of several years. Customer exposure as represented by the percentage of total lease rental income as set forth in this prospectus may not be representative of our airline customer counterparty risk based on contractual commitments. See “— *Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs*” below.

General geopolitical, economic, financial market and business conditions that could affect demand from our airline customers for leased aircraft and/or the ability of each airline customer to perform its obligations under a lease entered into with us, and which could therefore in turn affect us, include:

- regional or country-specific political instability, social unrest and civil war. See “— *We are exposed to regional economic and political conditions that affect our airline customers*” below;
- volatility or increases in interest rates;
- recession or slowing economic growth;
- sudden increases in inflation or deflation;
- financial system distress or any other event or circumstance which may lead to a reduction in available financial liquidity;
- oil or other commodity market volatility;
- the availability and price of jet fuel. See “— *Increases in jet fuel costs may impact our airline customers, which could in turn negatively impact our business*” below;
- margin calls or losses under fuel hedging contracts or other derivative instruments;
- foreign exchange rate fluctuations, particularly for airlines with a high proportion of revenues in currencies other than U.S. Dollars;
- aircraft accidents, acts of terrorism, wars, epidemics, or other natural or man-made calamities. See “— *Aircraft accidents, acts of terrorism, wars, epidemics or other natural or man-made calamities may negatively affect our airline customers and the airline industry and therefore may also adversely affect our business*” below;
- adverse changes in industry regulations or taxation;

RISK FACTORS

- regulatory and operating conditions or constraints at airports and related infrastructure; and
- any other event or circumstance that could adversely affect general geopolitical stability, the general economy, financial markets and/or general business conditions or the demand for air travel or air cargo transportation services.

The airline industry is cyclical. Demand for passenger travel and air cargo transportation services — and therefore also the demand for passenger and cargo aircraft (as well as the leasing of these aircraft) — has a strong positive correlation with economic activity. Growth or decline in economic activity, including as a result of the implementation or removal of trade barriers or other operating constraints which may impede or stimulate economic activity may directly affect demand for passenger travel and air cargo transportation services. A severe or prolonged recession, either regionally or globally, could result in lower demand for passenger travel and air cargo transportation services, lower lease rates for our aircraft (or certain types of our aircraft) and a decline in the asset value of our aircraft portfolio. Our business, financial condition and results of operations are dependent on the performance of our airline customers and their ability to manage these risks effectively.

To the extent that the airline industry or our airline customers experience negative effects from these or any other risk factors, we may experience:

- a reduced demand for our aircraft (or certain types of our aircraft);
- impairment charges and lower aircraft sale prices, resulting from, amongst other factors, lower appraised values for our aircraft;
- a higher incidence of lease defaults resulting in lost revenue from a delay or interruption in payments and/or termination of leases and higher legal, technical and other costs associated with the repossession and redeployment of aircraft, as well as lower future rentals when aircraft are redeployed;
- a need to restructure lease payments for delinquent airlines or airlines in financial difficulty which may result in lower lease revenue, increased provisions for rental amounts in arrears and losses if we fail to collect such rentals and/or maintenance payments at lease-end. See “— *Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs*” below; and
- an inability to place available aircraft on lease on acceptable terms, which could result in our incurring financing costs while not collecting revenue in relation to the relevant aircraft and incurring storage, insurance, maintenance and modification costs resulting from the grounding, repossession and preparation for re-lease of the aircraft (and at potentially lower lease rates than the original lease in the case of re-leases following a default or in the midst of such negative effects).

RISK FACTORS

The occurrence of one or more of these events could result in a material adverse effect on our business, financial condition, results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Our business model is dependent to a large extent on our ability to acquire aircraft at competitive prices or in a timely fashion.

Our business model depends to a large extent on acquiring at competitive prices those models of passenger aircraft with more than 100 seats and freighters which we believe will generate sufficient revenues to finance our operations, service our debt and other financing obligations, and provide an acceptable return on our invested capital. Our ability to acquire aircraft also depends to a large extent on our ability to access financing. See “— *Risks Related to Our Financing Arrangements*” below.

We are primarily focused on the passenger aircraft market. The supply of new aircraft with more than 100 seats is presently dominated by two aircraft manufacturers, namely Airbus and Boeing, a small number of engine manufacturers and a number of suppliers of avionics, aircraft interiors, spares and other equipment (including seats and galleys) fitted to aircraft. In addition, we seek to source and enter into aircraft purchase and leaseback transactions with a variety of diverse potential airline counterparties. Should we experience any material deterioration in our relationships with Airbus or Boeing, engine manufacturers, other suppliers and/or those counterparties with whom we seek to enter into aircraft purchase and leaseback transactions or if we are unable to source and execute appropriate aircraft purchase and leaseback transactions, we may experience difficulty in purchasing aircraft at competitive prices and/or in acquiring those models of aircraft which we believe to be most beneficial to our business strategy. This may in turn materially and adversely affect our business, growth prospects, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

The ability of aircraft manufacturers and their suppliers to remain financially viable and produce aircraft and related components that meet airlines’ requirements has an impact on us. Should a manufacturer or any of their suppliers fail to respond appropriately to changes in the market environment (due to, amongst other matters, changes in technology or their financial viability), experience delays and/or technical or other problems associated with the roll out or entry into service of new technology or fail to fulfil its or their respective contractual obligations to us, we may experience:

- an adverse impact on demand for leased aircraft, market lease rates and aircraft values resulting from an oversupply or undersupply of aircraft due to changes in the production rates of manufacturers;
- failure to deliver or delayed delivery of aircraft we have ordered, resulting in our inability to fulfil our contractual obligations to our airline customers, which could in turn result in lost or delayed revenues, lower revenue growth rates and strained airline customer relationships;

RISK FACTORS

- delays in certifications or deliveries of new aircraft types, to which many new aircraft programmes have been subject. Significant delays could result in failure to obtain aircraft to lease and a change in the market perception for the delayed aircraft type;
- delays in import or other authorisations which may be required for our customers to take delivery of our aircraft, which could cause delays to our receipt of revenues;
- poor manufacturer support for the aircraft and/or components from a particular manufacturer which could affect the demand, market lease rates and/or residual values for certain aircraft in our fleet; and/or
- direct losses as a result of their failure to fulfil their contractual obligations to us, for example in connection with aircraft pre-delivery payments.

Airbus and Boeing have indicated publicly that they intend to increase production rates for certain aircraft. Historically there have been periods of oversupply which have resulted in lower lease rates and aircraft values. Should global financial turmoil or uncertainty result in a recession there can be no assurance that the airlines who originally ordered these aircraft will be in a position to take delivery of them or that these firm order positions will not be deferred or cancelled. Should manufacturers experience significant deferrals or cancellations, there can be no assurance that they will not seek to lower sales prices of new aircraft in order to maintain production levels. This could in turn result in lower lease rates for new aircraft we lease and/or lower re-lease or sales prices for used aircraft as a result of a surplus of new aircraft, thus materially and adversely affecting our business, financial condition and results of operations as well as the value of the Shares.

Our business model is dependent to a large extent on our ability to lease and re-lease aircraft.

Our business model depends to a large extent on the leasing and re-leasing of aircraft in order to generate sufficient revenues and cashflows to finance our operations and service our debt financing and other financial obligations. We bear the risk of leasing aircraft which we commit to purchase and the risk of re-leasing aircraft in our portfolio prior to or at the time when leases expire or when aircraft are returned to us prior to the expiration of a lease. We commit to purchase certain types of new aircraft through our orders with the aircraft manufacturers, relying on our ability to place those aircraft on lease at or prior to delivery in order to generate future revenues. We evaluate the creditworthiness of a prospective airline customer when agreeing to a lease and, if our assessment is incorrect or subsequent adverse events affect the airline customer, we are at risk of financial loss in the event that the airline customer fails to perform all of their obligations under the lease. In addition, because we enter into operating leases, only a portion of an aircraft's value is covered by revenues generated from the lease and we may not be able to realise the aircraft's residual value after expiration of the initial lease.

RISK FACTORS

Our ability to lease and re-lease aircraft depends on the conditions in the aviation industry and general market and competitive conditions at the time each operating lease is entered into or, as relevant, expires or otherwise terminates. In addition, our ability to lease and re-lease our aircraft will be affected by the particular configuration, range or payload capabilities, maintenance history and condition, damage (whether or not repaired) and technical operating history reflected in the maintenance records of each aircraft and its engines. Furthermore, we may not be able to avoid significant off-lease time for any of our aircraft if, amongst other things, the cost of jet fuel increases or remains volatile, the financial condition of particular airlines or demand for air travel deteriorates, or an airline customer is bankrupt or in significant financial distress, large numbers of repossessed aircraft are placed on the market or stored pending re-lease for sale or are sold, newer or improved models of aircraft are introduced or other factors that lead to oversupply of aircraft, including increased manufacturer production rates, or political or economic uncertainties or other adverse events occur.

Any adverse impact on our ability to lease and re-lease aircraft and/or the rental rates we can realise could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Our business model is dependent to a large extent on our ability to sell aircraft.

Our business model depends to a large extent on our ability to sell aircraft. Aircraft sales allow us to maintain a young fleet, reduce portfolio concentration risk, maintain aircraft purchasing pricing discipline, exit from non-core aircraft types and generate gains on sale. In addition, the proceeds of aircraft sales represent a significant part of our cash flow from operations, which we use to invest in new aircraft and to service our debt financing and other financial obligations. We sell aircraft with leases attached and without leases attached, for instance when leases expire or when aircraft are returned to us prior to the expiration of a lease.

As we predominantly sell aircraft with a lease attached, and also from time to time sell aircraft to airlines, our ability to sell aircraft depends on the overall market condition, the level of demand for additional aircraft from our airline customers and the supply of competing aircraft available in the marketplace for lease or sale. In particular, the ability of potential buyers of our aircraft to access financing has a material impact on our ability to sell aircraft. Potential buyers' access to financing depends on a number of factors including their historical and expected performance, the type and availability of financing sought, their compliance with the terms of their existing debt agreements, credit standing, general market conditions (including, for example, market disruptions and the cyclicity of the aviation industry), interest rate fluctuations and the relative attractiveness of alternative investments. If the conditions in the aviation industry, general market or competitive conditions deteriorate, our ability to sell aircraft at all and/or at acceptable prices may be adversely affected.

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In addition, our ability to sell our aircraft will be affected by the particular configuration, range or payload capabilities, maintenance history and condition, damage (whether or not repaired) and technical operating history reflected in the maintenance records of each aircraft and its engines, as well as prevailing jet fuel prices at the time of any sale (which may in turn influence the appetite of potential airline or other aircraft operators for acquiring new fuel-efficient technology aircraft as compared with older, less fuel-efficient aircraft). If we fail to purchase aircraft with appropriate or suitably popular configurations or capabilities, or our aircraft and their engines are not adequately maintained by their lessees, our ability to sell aircraft at all and/or at acceptable prices may be adversely affected.

There is no assurance that we will be able to continue to sell our aircraft at all times during the business cycle or that we will be able to continue to sell aircraft at prices that generate revenue or that do not result in a loss on sale. See “*Business — Our Business Operations*”.

Any adverse impact on our ability to sell aircraft at all and/or at acceptable prices could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

The market value and/or market lease rates for aircraft could decline.

The respective values of aircraft and market lease rates have at various times experienced sharp declines due to a number of factors including, but not limited to, decreases in demand for passenger travel and air cargo transportation services, sudden increases in jet fuel costs, changes in or new government and supra-national regulation, changes in interest rates, acts of terrorism, wars, epidemics and other natural or man-made calamities and/or sudden deteriorations in the global economy. In addition, the aviation industry has experienced periods of aircraft oversupply and undersupply. Since only a portion of an aircraft’s value is covered by the contracted cash flows payable by the airline customer under a lease, aircraft operating leases place the risk of realising the residual value of an aircraft upon the sale or partout of the aircraft with the operating lessor. In addition, factors linked to the airline industry generally, along with many other factors, may affect the value of our aircraft and the market rates for our leases, including:

- manufacturer, type and model of aircraft or engines, including the number and geographical profile of operators using that type of aircraft;
- whether the aircraft is subject to a lease, and if so, whether the lease terms are advantageous for the lessor;
- decreases in the creditworthiness of the relevant airline leasing customer;
- aircraft age;
- the production of newer models of such aircraft or aircraft types competing with such aircraft;

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- the regulatory authority under which the aircraft is operated and regulatory actions, including mandatory grounding of the aircraft;
- the particular maintenance, damage, technical operating history and inadequate or incomplete documentary records for the aircraft and its engines;
- any renegotiation of an existing lease on less favourable terms;
- any tax, customs, regulatory and/or legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased; and
- compatibility of aircraft configurations or specifications with other aircraft in the airline customer's existing or anticipated prospective fleet.

In addition, aircraft appraisers play a significant role in shaping market perception of aircraft market values. Each appraiser's valuation is based on that appraiser's professional opinion. Appraisals are subjective to the extent they are based on various assumptions with regard to the specific aircraft appraised, an assessment of general macroeconomic conditions and outlooks, as well as an assessment of conditions affecting the airline industry generally, and the appraisal data may not accurately reflect values available in the market. A decrease in the valuation of our aircraft by independent appraisers could adversely affect our ability to sell our aircraft on favourable terms, or at all, or could decrease amounts available to us or to our prospective aircraft buyers under existing and future debt financing arrangements in respect of which such aircraft serve as collateral. In addition, we may be required to incur impairment charges or fair value adjustments to the extent that the appraiser's valuation of our aircraft is less than the depreciated book value of the aircraft on our balance sheet.

Any or all of these factors could also materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

The loss of key personnel could adversely affect our reputation and relationships with stakeholders including airline customers, manufacturers, buyers and financiers of aircraft, which are critical elements to our performance.

Our historical success is substantially attributable to the contributions of our senior management team and key employees. These individuals have the ability to successfully execute our business strategy and many of them have extensive experience working in the aviation industry in many jurisdictions. Our future success depends significantly on the continued services of these key executives and employees and our ability to retain and recruit senior personnel. We may not be able to locate suitable or qualified replacements for such personnel and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and growth. Furthermore, we face significant competition in recruiting and retaining quality professionals. Such competition may require us to offer higher compensation and other benefits, which could result in additional costs.

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Our inability to retain key executives and employees or hire qualified new executives and employees could adversely affect our ability to achieve our objectives and business strategy and could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Our growth prospects may be limited if we do not successfully implement our business plan and growth strategies.

We plan our growth by reference to global financial market and business conditions and possible future developments within the commercial airline and aerospace manufacturing industries, amongst other things. This strategy is subject to risks and uncertainties at different stages of implementation. Our growth is based on assumptions of future events which include, without limitation, our ability to access financing and the cost of financing, the residual value of our aircraft, lease rates and terms, our ability to purchase and to sell aircraft at favourable prices, competitive pressures and on business relationships with our airline customers. If the assumptions which underpin our strategy prove to be incorrect, whether due to global financial market and/or business conditions or otherwise, we may need to alter our strategy, which may have a material adverse impact on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

In particular, we cannot assure you that we will continue to be able to execute suitable aircraft acquisitions, successfully maintain a high aircraft utilisation rate and/or maintain a young fleet and diverse customer base and/or be able to sell our aircraft. In addition, our failure to effectively manage business growth may lead to increased costs, reduced competitiveness and decreased profitability or even to our incurring losses.

Any or all of these factors could adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

(ii) Risks Related to the Aviation Industry Which Affect the Group

Competition may have an adverse effect on our business.

We face competition from various competitors and/or owners of aircraft in our business of purchasing, leasing, re-leasing, and selling aircraft and of providing related services, including:

- other aircraft leasing companies,
- aircraft manufacturers, including their vendor financing divisions or subsidiaries,
- financial investors, including banks, hedge funds and other funds, private equity firms and tax lessors, and

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- airlines, both as potential purchasers of aircraft and, where relevant, through their own captive aircraft leasing operations as lessors,

in all cases from both existing and potential new market participants.

In each potential lease transaction, we may compete with others on the overall economic attributes of the transaction, the availability, specification and delivery dates of the aircraft types that meet a customer's needs, lease rates, terms and conditions of the lease and security deposits, maintenance reserves, delivery and redelivery conditions and technical conditions, amongst other factors. Our revenue and our growth are affected by these competitive factors and our success is dependent on our ability to react to the dynamic business environment posed by these and other factors.

In addition, some competing aircraft lessors may provide inducements to potential airline customers that we cannot match. Certain of our competitors, including new entrants to the market, may have significantly greater financial resources than us and/or a lower overall cost of capital or other competitive advantages or may be able to provide other inducements to potential airline customers that could place us at a cost and/or price disadvantage. Our failure to effectively compete and the strategy of some of our competitors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares. See "*Business — Competition*".

Sustained periods of financial strength and stability for certain airline customers may result in their purchasing their own aircraft or future aircraft deliveries, entering into fewer aircraft leases with us and/or competing with us, which may have an adverse effect on our business.

In addition to facing competition from other aircraft operating leasing companies, aircraft manufacturers, financial investors (including hedge funds and other funds and private equity firms), tax lessors and airlines, we are also exposed to the risk that, during periods of strong demand for passenger travel and air cargo transportation services which typically lead to sustained periods of financial strength and stability for certain airline customers, we may face a reduction in demand for leasing of our aircraft as certain airline customers seek to purchase their own aircraft rather than entering into aircraft leasing arrangements. In addition, airline consolidation, sustained low interest rates, low jet fuel prices, industry liberalisation or deregulation, removal of visa or travel restrictions and growth in new airline business models may also lead to periods of stronger financial performance by our airline customers. Airlines or other aircraft owners may also seek to lease out their own aircraft, thereby leading to increased competition for our aircraft.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

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Any change to our ability to continue to benefit from Singapore's Aircraft Leasing Scheme or any change in the number of aircraft we acquire or sell may adversely affect our tax position.

We benefit from a concessionary tax rate in Singapore. Singapore's Aircraft Leasing Scheme (the "ALS") is an incentive scheme under which income derived from aircraft leasing operations is taxed at a concessionary tax rate rather than the prevailing corporate tax rate in Singapore of 17%. The Company has been granted a concessionary tax rate under the ALS and is also eligible to apply for certain exemptions. The ALS was most recently renewed in July 2012 for five years up to June 2017, and may be further extended subject to approval from the Ministry of Finance of Singapore. If we are unable to meet the terms and conditions stipulated under the ALS incentive or if the ALS incentive is not renewed or extended upon its expiry in June 2017, we may become subject to tax on our income in Singapore at the then prevailing corporate tax rate which is presently 17%. See note 3(e) to the Accountants' Report in Appendix I to this prospectus for further details.

In addition, it is typical in the aircraft operating lease industry for companies that frequently acquire aircraft to incur significant tax depreciation or capital allowances, which offsets taxable income. During the Track Record Period we have not paid any material cash tax due to capital allowances/tax depreciation being sufficient to offset taxable income. The deferred tax liability on the Company's balance sheet is attributable to the excess of the depreciation claimed for tax purposes over the depreciation deducted from accounting profits. The deferral of tax liability may reverse into a tax payable position if we sell a substantial part of our assets and are unable or elect not to acquire additional aircraft at a sufficient pace. This would result in the cash payment of tax.

The occurrence of any or all of these events or circumstances could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

We are exposed to regional economic and political conditions that affect our airline customers.

We are exposed to regional economic and political conditions that can influence the financial performance of airline customers located in a particular country or region. The effect of these conditions on our airline customers and, in turn, on payments from them to us will be more or less pronounced depending on the concentration of airline customers in any country or region experiencing particularly adverse conditions. As explained in "*— Our business is particularly exposed to the performance of the aviation industry*" above, the aviation industry is highly sensitive to general economic and political conditions.

Lease rental income from airline customers based in the Asia Pacific (excluding Chinese Mainland, Hong Kong, Macau and Taiwan) region accounted for 33.2% of our total lease rental income for the year ended 31 December 2015. Incumbent carriers in this region have faced increased competition from low cost carriers in domestic and regional markets, and from Middle East-based carriers on long haul international routes. If lower levels of economic growth in the region and/or globally were to persist, then slower passenger and air cargo

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growth rates within the Asia Pacific region and between the Asia Pacific region and other regions could adversely impact aircraft demand, or lead to an oversupply of aircraft in the region that could adversely impact lease rates and our ability to lease and re-lease or sell the affected aircraft.

Lease rental income from airline customers based in Chinese Mainland, Hong Kong, Macau and Taiwan accounted for 16.7% of our total lease rental income for the year ended 31 December 2015. Increased competition from low cost carriers in Chinese Mainland, Hong Kong, Macau and Taiwan and a soft air cargo market are impacting the financial performance of the airline industry in the region. Moreover, if lower levels of economic growth in China or in the region were to persist, demand for leased aircraft in the region could be adversely impacted, with a consequent adverse impact on lease rates and our ability to lease, re-lease or sell our aircraft.

Lease rental income from airline customers based in the Americas accounted for 19.5% of our total lease rental income for the year ended 31 December 2015. While consolidation amongst the major airlines has helped drive capacity and pricing discipline in the U.S., one or more of these airlines or new entrants could add capacity and adversely impact load factors and yields, in turn adversely impacting financial results. Interest rate rises in the U.S. could also have an adverse impact on economic conditions in the U.S. and elsewhere in the region. In addition, volatility in commodities pricing and in currency exchange rates, as well as lower growth and/or political instability in the largest economies in South America, may have an adverse impact on demand for air travel in South America, including Brazil where two of our airline customers operate. Also, if the recent lower levels of global economic growth persist or any pandemic, including the Zika virus, affects air traffic volumes, then economies in the Americas could be adversely impacted. These factors could adversely affect the financial condition of airlines in the Americas, including our airline customers, which would adversely impact aircraft demand and lease rates and our ability to lease and re-lease our aircraft.

Lease rental income from airline customers based in Europe accounted for 23.9% of our total lease rental income for the year ended 31 December 2015. Commercial airlines in Europe face, and can be expected to continue to face, increased competition, which could adversely impact aircraft demand and could adversely impact lease rates. In addition, recent events in Sharm el Sheikh (Egypt), Brussels (Belgium), Paris (France) (amongst others) and across the Middle East, as well as the annexation of the territory of Crimea by Russia and the imposition of sanctions by the U.S. and the EU against Russia, volatility in commodities prices, weak local currencies, and the continuation or escalation of conflict in Ukraine may have a material adverse effect on the creditworthiness of airlines in the region, particularly those based in Russia, including our airline customers, which may impact their ability to meet their financial and other obligations under their leases.

Lease rental income from airline customers based in the Middle East and Africa accounted for 6.7% of our total lease rental income for the year ended 31 December 2015. Due to the Middle East's substantial aircraft order backlog, continued high rates of growth in travel demand in the Middle East and Africa are required to prevent overcapacity. In addition, the scheduled capacity growth committed by airlines in this region could have an adverse impact on the financial health of some Middle Eastern airlines, including our airline customers, and

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airlines in other regions. Sharply lower commodity prices, as well as continued unrest and instability in parts of North Africa and the Middle East, including in particular in Syria, wars and terrorist attacks, and regional pandemics such as MERS and Ebola could adversely affect some of the major Middle East and African economies or the demand for air travel in the affected countries and have a material adverse effect on the financial performance of airlines, including our airline customers, in the regions and could adversely impact aircraft demand and lease rates. See “*Business — Our Airline Customers*”.

The occurrence of any or all of these events or circumstances could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

The aviation industry has experienced periods of aircraft oversupply during which lease rates and aircraft values have declined, and any future oversupply could have a material adverse effect on our business.

Historically, the aviation industry has experienced periods of aircraft oversupply. The oversupply of a specific type of aircraft is likely to depress the lease rates for, and the market and appraised value of, that type of aircraft. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are outside of our control, including for example demand for passenger travel and air cargo transportation services, operating costs (including jet fuel costs), the availability of credit, geopolitical events, manufacturer production levels and technological innovation and the reintroduction into service of parked aircraft.

During recent years, the aviation industry has ordered a significant number of aircraft from the manufacturers. Airbus and Boeing have publicly indicated that they intend to increase production rates for single-aisle aircraft. The increase in these production levels could result in an oversupply of aircraft if growth in demand for passenger travel and air cargo transportation services does not meet industry expectations. An oversupply of new aircraft could also adversely affect the lease rates for, and market values of, used aircraft.

In addition, many airlines have eliminated certain types of aircraft from their fleets. The elimination of certain aircraft types results in increased availability of those aircraft types or competing aircraft types in the market, a decrease in lease rates for those aircraft types and a decrease in relevant market values. We cannot assure you that airlines will continue to acquire or operate the same types of aircraft, or that our aircraft will continue to be in demand by our existing and potential airline customers.

Any or all of these factors may produce sharp and prolonged decreases in aircraft lease rates and values, or may have a negative effect on our ability to lease, re-lease or sell the aircraft in our fleet and/or in our order book. Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

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Aircraft accidents, acts of terrorism, wars, epidemics or other natural or man-made calamities may negatively affect our airline customers and the airline industry and therefore may also adversely affect our business.

Aircraft accidents, acts of terrorism and war such as the recent events relating to a flight from Sharm el Sheikh (Egypt), a flight over Ukraine in 2015, the recent attacks in Brussels (Belgium), Jakarta (Indonesia) and Paris (France) and the ongoing conflicts across the Middle East, or threats of terrorism and war, or military action or other responses to acts of terrorism, and civil or political strife may lead to a fear of travel to particular countries or regions, resulting in a reduction in demand for air travel. In addition, concerns regarding acts of terrorism and war could continue to adversely affect our airline customers as a result of various factors, including higher costs due to increased security measures, operational disruption due to flight or security-related delays, significantly higher costs or the lack of availability of insurance coverage for future claims caused by acts of war or terrorism or specific charges and costs incurred by airlines due to the grounding of aircraft as a result of terrorist attacks.

Cyber-attacks on IT systems that affect the operations of our airline customers or the airline industry more generally, including IT systems used or operated by global distribution services providers, online reservation agents, credit card processors, airports and immigration authorities, amongst others, could have a materially adverse effect on the operations of our airline customers and in turn our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

The outbreak of any contagious disease such as SARS, MERS, Ebola or Zika that escalates into a regional or global pandemic, or the fear of such events, may also have an adverse impact on airlines that operate to or from affected areas or regions. Travel bans could be imposed or air travel may be severely reduced even though international and national response plans to address such events have been developed or are in development. Other natural calamities such as earthquakes, floods or tsunamis may devastate popular business or tourist travel destinations and significantly reduce travel to affected areas for a period of time.

The occurrence of any one or more of such events could materially and adversely affect the airline industry, the economies where our airline customers operate and the operations, revenue and profitability of airlines, which may in turn affect the financial condition and cash flows of our airline customers and their ability to perform their obligations under their leases entered into with us. Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Increases in jet fuel costs may impact our airline customers, which could in turn negatively impact our business.

Jet fuel costs represent a major operating expense to airlines. Jet fuel prices can fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and regulation, natural disasters, conflicts, wars, regulatory changes and foreign exchange rates. As a result, jet fuel prices are not within the control of our airline

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customers and significant changes in jet fuel prices, which in turn impact gains or losses in any fuel hedging position held by our airline customers, could materially and adversely affect their operating results. Other factors and events can also significantly affect jet fuel availability and prices, including the availability of sufficient global refining capacity, natural disasters, decisions made by leading oil producers regarding their production output, changes in oil exploration and production techniques and changes in global demand for oil from emerging economies.

Historically, high or volatile jet fuel costs have had a material adverse impact on airline profitability, including the profitability of our airline customers. Due to the competitive nature of the airline industry, airlines may not be able to fully pass on increases in jet fuel prices to their customers by increasing fares or surcharges. In addition, airlines may not be able to adequately manage this risk due to inadequate hedging their exposure to jet fuel price fluctuations, or no hedging at all. For these reasons, if jet fuel prices increase in the future due to adverse supply and demand conditions, future terrorist attacks, acts of war, armed hostilities or natural disasters or for any other reason, our airline customers may incur higher costs and generate lower revenues, which would adversely impact their financial positions. Consequently, these conditions may:

- affect our airline customers' ability to make rental and other payments under their leases;
- result in lease restructurings and aircraft repossessions;
- result in us having to service and market aircraft, which in turn would involve us incurring additional costs;
- impair our ability to re-lease or otherwise dispose of aircraft on a timely basis and/or at acceptable rates; and/or
- reduce the value received for aircraft upon disposal.

Jet fuel prices over recent months have remained relatively low. A sustained period of lower fuel costs may:

- cause our airline customers to seek to continue to operate older, less fuel-efficient aircraft (which do not form a significant part of our aircraft fleet) either for extended periods of time or as an alternative to new fuel-efficient technology aircraft;
- reduce the premium that our airline customers are willing to pay for new fuel-efficient technology aircraft; and/or
- adversely affect our ability to lease or dispose of our fleet of newer more fuel-efficient technology aircraft.

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Any or all of these conditions could reduce airlines' desire to lease our aircraft, a significant portion of which comprise young, fuel-efficient aircraft, and could impact our ability to lease on attractive terms the significant number of new technology aircraft which we currently have on order.

These factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs.

Delayed, reduced or missed payments from an airline customer decreases our revenues and cash flow and adversely impacts our ability to sell the affected aircraft with a lease. An airline customer may also fail to perform its aircraft maintenance obligations under the lease under the terms of which it is primarily responsible for maintaining the aircraft and its records in accordance with the manufacturers' and governmental regulatory standards, or it may otherwise fail to operate the aircraft in accordance with all applicable laws and regulations.

The standard of maintenance adopted by the airline customer during the lease term and the condition of the aircraft at lease maturity or upon early return of the aircraft to us may affect the future rental or sales value of the aircraft. If an airline customer fails to return an aircraft on the redelivery date or in the condition specified in a lease, we may not be able to re-lease or sell the aircraft in a timely manner or obtain the benefits we expect to obtain from the re-lease or sale transaction(s). Any or all of the foregoing may result in us incurring additional costs, which could be substantial, to restore the aircraft to an acceptable condition prior to sale or re-lease.

All of our aircraft are required to be registered at all times with, and to maintain airworthiness certification from, appropriate governmental authorities and to be operated in accordance with all applicable laws and regulations. Failure by an airline customer to maintain the registration and/or airworthiness of a leased aircraft typically would be a default under the applicable lease, entitling us to exercise our rights and remedies thereunder. If an aircraft were to be operated without a valid registration or airworthiness certification, the airline customer or, in some cases, the owner or lessor might be subject to penalties, which could result in a security interest being placed on such aircraft. Lack of registration or certification could have other adverse effects, including inability to operate the aircraft and loss of insurance. In addition, notwithstanding the obligations on our airline customers under our lease terms to operate aircraft in accordance with all applicable laws and regulations, we may suffer losses and incur costs and damages as a result of, or arising from, claims asserted in relation to the alleged operation of our aircraft by our airline customers in breach of applicable laws and regulations.

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The occurrence of any or all of these events or circumstances could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Airline bankruptcy, liquidations or reorganisations could impair our airline customers' ability to comply with their lease payment obligations to us.

Following the global financial crisis of 2008 and 2009, several airlines around the world filed for protection under bankruptcy and insolvency laws and certain airlines went into liquidation. Any future bankruptcies, liquidations or reorganisations may result in aircraft on operating lease becoming available for lease or purchase in a short period of time at reduced lease rates or acquisition prices and reduce the number of potential airline customers and operators of particular models of aircraft, either of which could result in inflated supply levels and consequently decreased aircraft values for any such models and lease rates in general.

Historically, some airlines involved in reorganisations have undertaken substantial fare discounting to maintain cash flows and encourage continued customer loyalty. Bankruptcies, liquidations and reorganisations may lead to the grounding or abandonment of significant numbers of aircraft, rejection or other termination of leases and negotiated reductions in aircraft lease rates, with the effect of depressing aircraft market values. In addition, requests for labour concessions may result in significant labour disputes involving strikes or slowdowns or may otherwise adversely affect labour relations, thereby worsening the financial condition of the airline industry and the ability of our airline customers to meet their lease obligations.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

We may incur costs and suffer negative consequences resulting from repossession of, or attempts to repossess, aircraft.

If we are required to repossess an aircraft following a default by an airline customer, we may be required to incur significant costs. Those costs may include legal and other expenses of court or other judicial and/or governmental proceedings, including the cost of posting security bonds or letters of credit necessary to effect repossession of the aircraft. These costs may be particularly high if the airline customer contests the proceedings or is in bankruptcy or some other analogous position or proceedings. In addition, during these proceedings the relevant aircraft may not be generating revenue for us and its physical condition and value may decline as a consequence of its continued lack of utilisation or inadequate maintenance by a defaulting airline customer. We may also incur other costs in connection with the physical repossession of the aircraft, including:

- paying amounts claimed by third parties such as airport operators, including amounts which may have been incurred by the airline customer;

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- amounts necessary to perform maintenance on an aircraft, or to prepare it for re-lease or sale;
- the costs of casualty, liability or war risk insurance and the liability costs or losses when insurance coverage has not been or cannot be obtained as required or is insufficient in amount or scope;
- the costs of licensing, exporting or importing an aircraft, costs of storing and operating an aircraft, airport taxes, custom duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions; and
- penalties and costs associated with the failure of airline customers to keep the aircraft registered under all appropriate local requirements or obtain required governmental licences, consents and approvals.

In addition, in the normal course of business, security interests that secure the payment of airport fees and taxes, custom duties, air navigation charges, landing charges, crew wages, repairers' charges, salvage or other obligations are likely, depending on the laws of the jurisdiction where the aircraft operates, to attach to the aircraft or its engines if these charges, wages, fees, duties and/or taxes are unpaid by the airline customer. The security interests may secure substantial sums that may, in certain jurisdictions or for limited types of security interests (or "liens"), particularly so-called "fleet liens", exceed the amounts incurred with respect to an individual aircraft, or in particularly acute circumstances exceed the value of the particular aircraft to which the liens have attached. In some jurisdictions, aircraft security interests or separate security interests on engines and/or parts may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft, engine or parts. We may, in some cases, be obliged or find it necessary to pay the claims secured by such security interests in order to repossess the aircraft. Until they are discharged, such security interests could impair our ability to repossess, re-lease or sell the aircraft and the cost of discharging these security interests could be substantial. The failure to pay some of these costs may result in security interests on the aircraft or a loss of insurance.

Any of the above events could result in the grounding of the aircraft and could prevent the re-lease, sale or other use of the aircraft until the problem is resolved, which could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Additionally, certain of our airline customers are owned, in whole or in part, by government-related entities, which could complicate efforts to repossess aircraft leased by them. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in repossessing, re-leasing or selling affected aircraft. If we repossess an aircraft, we may not necessarily be able to export or deregister and profitably redeploy the aircraft. For instance, where an airline customer flies only domestic routes in the jurisdiction in which the aircraft is registered, repossession may be more difficult, especially if the

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jurisdiction permits the airline customer to resist deregistration. We may also incur significant costs in retrieving maintenance records and may be obliged to perform maintenance work required to recreate maintenance records necessary to transition the aircraft to another airline customer or purchaser.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

The operation of aircraft is subject to various laws and regulations, which may in turn adversely affect our business.

The operation of aircraft and the airline industry are subject to international regulatory controls as well as additional laws and regulations that the various national or federal civil aviation authorities may impose within the local jurisdiction, which include the introduction of “Airworthiness Directives” on aircraft operated by airlines within the jurisdiction of such authorities. Regulatory authorities are entitled to suspend or revoke the airworthiness certification for any of our aircraft or the licence granted to our airline customers to operate any aircraft for failure to comply with these regulations, resulting in the grounding of aircraft. If the business activities of our airline customers are disrupted by a failure to meet regulatory requirements, the ability of such airline customers to meet their lease obligations towards us may be materially and adversely affected.

Many jurisdictions also require regulatory approvals for the import, re-export, deregistration or registration of aircraft from various jurisdictions. In certain jurisdictions, there are regulations as to the maximum age of aircraft which may be imported and registered. Subsequent changes in applicable laws may modify such requirements or approvals previously granted may be withdrawn. These regulations and any modifications may adversely affect our ability to lease, repossess, re-lease or sell these aircraft and may impair the values of these aircraft and thus have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares. See “*Business — Regulation, Licences and Permits*”.

The operation of aircraft is subject to environmental laws and regulations, which may in turn adversely affect our business.

Concerns regarding global warming and the environment generally have resulted in many countries and supra-national organisations enacting legislation to impose stricter limits on emissions of carbon dioxide, carbon monoxide and nitrogen oxide from aircraft and their engines. For example, as at 1 January 2012, aviation has been included in the EU’s Emissions Trading System (“**ETS**”). The requirements apply to all flights taking off or landing in the EU, regardless of the origin or destination of flights. In November 2012, the EU proposed to temporarily exempt from enforcement flights into and out of Europe operated in 2010, 2011 and 2012 from ETS in order to allow time for a global solution to be reached at the International Civil Aviation Organisation (“**ICAO**”) General Assembly in late 2013.

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Following agreement by the ICAO General Assembly in October 2013 to develop a global market-based mechanism addressing international aviation emissions by 2016 for implementation by 2020, the relevant legislation was subsequently amended by the EU to limit the aviation coverage of the ETS to emissions from flights within the European Economic Area for the period from 2013 to 2016. This applies to all airlines, including non-EU airlines. Absent any further agreement, EU ETS legislation could be enforced in full again from 2016 on all flights to and from European airports. The inclusion of aviation within the ETS or any other supra-national global market-based mechanisms or other regulations concerning aircraft or aviation emissions and the costs related to airlines' compliance with environmental regulation in other jurisdictions could result in higher ticket prices, resultant lower demand, and lower airline profitability, which may have an adverse impact on the financial condition of airlines and their ability to make lease payments, and/or reduce the sales proceeds received by us upon disposition of any aircraft, depending on the aircraft's compliance status as regards emissions standards then in effect, in particular aircraft types which might subject operators to a higher cost of complying with environmental regulations. While the airline is primarily responsible for these charges, in the event of the insolvency of the airline, a security interest affecting a leased aircraft could require the lessor to settle unpaid charges in order to recover possession of the leased aircraft.

More recently, in February 2016 the ICAO Committee on Aviation Environmental Protection ("**CAEP**") unanimously proposed an aircraft CO₂ emissions standard, paving the way for its ultimate adoption by the UN agency's Governing Council. Under the CAEP recommendations, the new standard would apply to (i) the designs of new aircraft starting from 2020, (ii) new deliveries of current in-production aircraft types starting from 2023, and (iii) all aircraft produced from 2028. The standards will not apply retrospectively to aircraft currently in operation. The proposed standard is particularly stringent regarding aircraft weighing over 60 tonnes but its scope encompasses the full range of sizes and types of aircraft in use in the international airline industry. Over time, it is possible that governments will adopt additional regulatory requirements, taxes, duties, levies and/or market-based policies that are intended to reduce energy usage, emissions, and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts, or other factors, and may also impact the global market for certain aircraft. Compliance with current or future regulations, taxes, duties or levies could cause our airline customers to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel, lower aircraft residual values and adverse impacts on the financial condition of our airline customers and/or could render certain aircraft types less popular which could in turn adversely impact our ability to lease our owned aircraft at all or at favourable rates.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

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We may be subject to liability relating to the operation of our aircraft, and our aircraft may not at all times be adequately insured either as a result of our airline customers failing to maintain sufficient insurance during the course of a lease or insurers not being willing to cover certain risks.

Although under the terms of our leases we do not control the operation of our leased aircraft, our ownership of the aircraft could give rise, in some jurisdictions, to strict liability for damage caused by their operation. We are also exposed to the risk of loss of the value of the aircraft and the risk of liability for damages associated with the operation of the aircraft, including in connection with an aircraft accident. Airline customers are required under the terms of our leases to indemnify us for, and insure against, amongst other contingencies, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Our airline customers are also required to maintain public liability, property damage and hull all risks and hull war risks insurance on the aircraft at agreed-upon levels under the terms of our leases.

There can be no assurance that the airline customer's insurance, or the contingent insurance obtained by us, will be adequate or sufficient to, and/or will in fact (given its or their respective coverage levels) cover all types of claims that may be asserted against us or be adequate to cover the value of the relevant aircraft against loss or damage. Any insurance coverage shortfall or default by airline customers to fulfil their indemnification or insurance obligations, as well as the lack of available insurance (whether generally in respect of particular types of loss or damage or for specific circumstances or events) and any shortfall under our own insurance, could reduce the proceeds upon an event of loss and could subject us to uninsured liabilities, any or all of which could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares. See "*Business — Insurance*".

Aircraft have finite economic useful lives, depreciate over time and become more expensive to operate as they age, all of which could adversely affect our business.

Aircraft are long-life assets requiring long lead times to develop and manufacture, with particular types and models becoming obsolete and suffering reduced demand over time when newer, more advanced aircraft enter into service with airline customers. As aircraft age, their value depreciates and, typically, they generate lower revenues and cash flows and their value may be more susceptible to risk of impairment. Our existing fleet, as well as the aircraft that we have ordered, have exposure to obsolescence, particularly if unanticipated events occur that shorten the life cycle of such aircraft types. These events include but are not limited to government regulation or changes in our airline customers' preferences, new technology, aircraft redesign and/or upgrading by their manufacturers and aircraft technical, safety or environmental problems. These events may shorten the life cycle for aircraft types in our fleet and, accordingly, may negatively impact lease rates, trigger impairment charges or increase depreciation expense.

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If we are unable to replace older aircraft with newer aircraft, our ability to maintain or increase our revenues and cash flow will decline. In addition, if we sell an aircraft for a price that is less than the depreciated book value of the aircraft on our balance sheet, we may recognise a loss on the sale, which could materially and adversely affect our results of operations for the period in which we recognise such loss.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

The advent of superior aircraft technology and/or the introduction of new models of aircraft could cause our fleet of aircraft to become outdated and therefore less desirable for airline customers and potential buyers, which may adversely affect our business.

Over time, when new and more advanced aircraft models are introduced, existing aircraft of a particular type may experience declining demand by airlines and investors or a reduction in economic viability due to government regulation, introduction of more fuel-efficient technology and/or lighter and stronger construction materials, increased range and payload capabilities, technological obsolescence, changing airline preferences or a combination of these or other factors. For example, the demand for a particular aircraft type may be affected by the expected introduction of a new aircraft type using new technology to lower direct operating costs such as the availability of new engine variants for the Airbus A320 family of aircraft (known as the A320NEO or “New Engine Option”), the new engine variant of the Boeing 737 family (known as the 737 MAX 8), the new engine variant of the A330-300 (known as the A330 NEO) and by a completely new aircraft family, such as the 787 or A350. These particular new-technology models are expected to deliver improvements in fuel efficiency, airframe maintenance costs, emissions and external noise, amongst other benefits, and the introduction of these models may have an adverse impact on demand for, and the value of, the aircraft models they replace. Demand for certain aircraft types may also be adversely affected by the introduction of more stringent regulations such as noise or emissions standards. In addition, demand for existing aircraft types may be impacted by the development of new aircraft programmes by new market entrants. Such factors may have a negative impact on the demand and lease rates for certain aircraft types and the value of such aircraft may be permanently impaired.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

We focus on acquiring a high concentration of particular models of aircraft and so our business and financial condition may be adversely affected by circumstances affecting the demand for or the viability of such models.

Since we acquire a high concentration of particular models of aircraft, in particular the A320 and Boeing 737 families, our business and financial results could be adversely affected if market demand for those models declines or if those models experience design or technical

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problems. A significant technical problem with a specific type of aircraft could result in the grounding of the aircraft. If we acquire a high concentration of a particular aircraft model and such model encounters technical or other problems, or is no longer suited to the operational needs of our airline customers, the value and lease rates of such aircraft will likely decline and we may be unable to lease or sell such aircraft on favourable terms, if at all. In addition, as aircraft manufacturers continue to introduce technological innovations and new models of aircraft with improved fuel efficiency, range and payload capabilities, some of the aircraft in our fleet could become less desirable to potential airline customers and/or to potential purchasers of those aircraft. Such technological innovations may also accelerate the rate of obsolescence of certain models comprising our aircraft fleet. See “— *The advent of superior aircraft technology and/or the introduction of new models of aircraft could cause our fleet of aircraft to become outdated and therefore less desirable for airline customers and potential buyers, which may adversely affect our business*” above for further details.

Any decrease in the value and lease rates of our aircraft could have a material adverse effect on our growth prospects and on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares. See “*Business — Our Aircraft Fleet*”.

(iii) Risks Related to Our Financing Arrangements

Our ability to obtain financing on acceptable terms is critical to our ability to operate.

Our ability to finance the acquisition of aircraft and to refinance our existing debt and maintain optimum levels of working capital depends to a significant degree on our ability to access financing. Our access to debt and equity financing, whether generally and/or on cost and other terms which are acceptable to us, depends on a number of factors including our historical and expected performance, compliance with the terms of our debt agreements (including our debt covenant ratios), maintaining our credit ratings and credit standing with credit rating agencies, our lenders and other credit providers, general market conditions (including, for example, market disruptions, the availability of particular sources of financing and the cyclical nature of the aviation industry), the value of our aircraft portfolio, interest rate fluctuations and the relative attractiveness of alternative investments.

Volatility or disruption in the financing markets could adversely affect banks and financial institutions, causing lenders to increase the costs of such financing, to be reluctant or unable to provide us with financing on terms acceptable to us and/or to reduce the amount of financing available to us. The global financial crisis of 2008 and 2009 and the more recent financial problems arising out of the European sovereign debt crisis and slow economic growth in major economies have had an adverse impact on availability and cost of funding and hence may also hinder our ability to obtain additional financing or increase the cost of financing we raise. Further financial crises, instability and/or other events and factors resulting in volatility in the capital markets may result in a similar adverse impact, as could further consolidation in the banking industry, new global and national capital adequacy or other rules for financial institutions and/or changes to export credit schemes.

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In the event our ability to access the financing markets is adversely affected and/or if the various conditions to our existing aircraft acquisition commitments are not satisfied, we may experience:

- difficulty in satisfying or being unable to satisfy our aircraft acquisition commitments. This could in turn result in:
 - o lost revenue;
 - o forfeiting deposits and pre-delivery payments and our being required to pay and expense certain significant costs relating to terminating or renegotiating these commitments, such as actual damages, and legal, accounting and financial advisory expenses, and not realising any of the benefits of completing the affected transactions;
 - o defaulting on lease commitments, which could result in monetary damages and damage to our reputation and relationships with manufacturers and airline customers; and
 - o failing to capitalise on growth opportunities that would not be pursued due to our management's focus on these commitments;
- a loss of our investment grade credit ratings, which could adversely affect the Group's access to liquidity and its competitive position; and/or
- an inability to meet our debt obligations leading to repayment defaults or non-compliance with debt covenants.

We compete with other lessors and airlines, amongst other market participants, when acquiring aircraft. Our ability to maintain and grow our portfolio on a basis which is consistent with our business strategy, and our ability to maintain or grow our profitability, is dependent on our ability to access financing on acceptable cost and other relevant terms and, in particular, on cost terms which are consistent with our business strategy and financial condition. If we are unable to access financing on such terms, we may not be able to acquire aircraft at optimum times, or at all.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations and the value of the Shares.

Our substantial indebtedness requires significant debt service payments.

As at 31 December 2015, our total drawn indebtedness was US\$9.0 billion and we also had US\$2.5 billion available for drawing under our committed, unsecured revolving credit facilities, which totalled US\$2.7 billion. Due to the capital-intensive nature of our business, the need to refinance maturing debt and our strategy of expanding our aircraft portfolio, we expect that we will incur significant additional indebtedness in the future and continue to maintain high

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levels of indebtedness. The terms of our financing agreements also allow us to incur substantial amounts of additional debt, subject to certain limitations. We regularly consider market conditions and our ability to incur indebtedness to either refinance existing indebtedness and/or for working capital purposes.

Our significant level of indebtedness:

- may cause a substantial portion of our cash flows from operations to be dedicated to interest and principal payments and therefore is not available to fund our operations, working capital, capital expenditures, expansion, acquisitions, dividend payments or general corporate or other purposes;
- may impair our ability to obtain additional financing in the future;
- may limit our flexibility in planning for, or reacting to, changes in our business and aircraft operating lease industry; and
- may make us more vulnerable to downturns in our business, the aviation industry, the financial markets or the economy in general.

If market conditions worsen and precipitate declines in demand for aircraft or commercial airline related markets, our operations may not generate sufficient cash to service our debt. In addition, we may need to incur additional debt over and above our current debt levels.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

We had net current liabilities during the Track Record Period, which may expose us to liquidity risk.

We had net current liabilities of US\$321.3 million, US\$658.7 million and US\$461.5 million as at 31 December 2013, 2014 and 2015, respectively. As a capital intensive business, our net current liabilities position primarily reflects the current portion of our indebtedness, which we raise to finance our capital expenditure and requires regular payments to service. At the same time, our cash inflow mainly relies on collecting recurring lease rental income from airline customers. We cannot assure you that cash inflow from our lease rental income will be consistently sufficient to meet our ongoing cash needs. See “— *Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs*” for further details. If we are unable to match the maturities of our debt financing with cash inflow from our aircraft operating leases, we may face shortfalls in liquidity, which would require us to seek adequate financing from other sources, such as raising additional debt. To manage potential cash flow mismatch, we have maintained financing channels with various lenders, including a US\$2.0 billion committed unsecured revolving credit facility with BOC, which remained undrawn as at the Latest Practicable Date. However, we cannot assure you that our lenders will not

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prematurely terminate our financing channels, or that we will be able to renew our existing credit facilities on commercially acceptable terms or at all. See “— *Our ability to obtain financing on acceptable terms is critical to our ability to operate*” for further details. If we are unable to manage our liquidity position in the future and are unable to obtain sufficient capital sources to offset any liquidity gap, our business, financial condition and results of operations may be materially and adversely affected.

The availability of funding and its cost and other terms are dependent in part upon the financial ratings assigned to us by lenders and rating agencies, and a downgrade of these ratings could adversely impact our business.

Our ability to obtain debt financing, and our cost of debt financing, are dependent, in part, on the financial ratings assigned to us by lenders and rating agencies. Maintaining these ratings depends in part on our strong financial condition and results of operations and in part on other factors, some or all of which are not within our control, including the outlook of lenders and rating agencies on the airline sector, the aircraft operating lease industry and the market generally, and also to a certain extent on the shareholding of, co-branding with, and other support from our controlling Shareholder, Bank of China.

As at the Latest Practicable Date, the Group had corporate credit ratings of A- from Standard & Poor’s and A- from Fitch Ratings. Since the credit ratings ascribed to the Group by each of Standard & Poor’s and Fitch Ratings, respectively, are independently determined and assessed by each agency, they are outside of the Group’s control.

Our credit ratings are significantly dependent on the ratings of our controlling shareholder. A downgrade in the credit ratings of Bank of China would likely impact our credit ratings. Additionally, any downgrade to the sovereign credit rating of China may impact the credit ratings of Bank of China, which would likely impact our credit ratings. A downgrade in our credit ratings by lenders or by rating agencies may result in higher pricing or less favourable terms of our financings, significantly increase the Group’s borrowing costs and limit its access to the capital markets. Rating downgrades could adversely affect the Group’s access to liquidity and its competitive position and may make it more difficult for us to satisfy our funding requirements, any or all of which may materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares. Furthermore, we expect that our credit ratings would be negatively impacted if BOC substantially reduces its shareholding to have less than a controlling stake in the Group or if we are no longer viewed as strategically important to BOC.

Interest rate and exchange rate fluctuations may adversely affect our business.

Interest rate fluctuations may adversely affect our financial performance. Any changes in interest rates will impact both our borrowing costs as well as lease rental income, as a sizeable portion of our debt funding and a sizeable portion of our lease rental income is priced on a floating rate basis. We may be susceptible to interest rate volatility if we are unable to maintain a balance between fixed and floating rate debts and match the floating/fixed lease rental income and lease maturities with financing on a similar basis or secure appropriate hedges for

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the same. While the exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest rate caps, the magnitude of the final exposure depends on the effectiveness of the hedge. Moreover, the potential for low or negative interest rates in the United States and on U.S. Dollar-denominated financial instruments could adversely impact our revenues, including lease rental and interest on our cash and bank balances, and could reduce the attractiveness of our aircraft.

In addition, while we make certain assumptions as to the proportion of debt required to fund our fixed rate lease assets and, based on these assumptions, assess our corresponding hedging requirements, we may not put in place hedging arrangements for all of this potential exposure nor for the full tenor of the underlying leases. We also remain exposed to changes in interest rates to the extent that our derivative financial instruments are not correlated to our financial liabilities. In addition, we are exposed to the credit risk that the counterparties to our derivative financial instruments will default in their obligations. If we incur significant fixed rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence or refinancing of such debt will also increase our interest expense. See “*Financial Information*”.

Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Our ability to access financing could be adversely affected by PRC regulations.

The Company is a subsidiary of Bank of China so relevant laws, regulations and policies issued in the PRC may apply to the Company. For example, the PRC National Development and Reform Commission (“**NDRC**”) issued the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances on 14 September 2015 (“**NDRC Notice**”). Pursuant to the NDRC Notice, PRC entities such as BOC (and their offshore branches and subsidiaries) seeking to incur “offshore debt” (e.g. bonds issued to investors outside the PRC or loans from banks and other financing entities outside the PRC) with a maturity of more than one year are required to provide the NDRC with (i) an application for registration of such offshore debt before its issuance, and (ii) particulars of the debt issuance within ten business days after completion of the relevant debt issuance. The NDRC’s acceptance of any application for registration is subject to the availability of a sufficient amount within the NDRC’s stipulated annual national quota (the “**Annual Quota**”). The Annual Quota is to be determined by the NDRC from time to time, and as at the Latest Practicable Date, the NDRC had not published the Annual Quota for 2016. The NDRC Notice is relatively new and subject to varying interpretations. Registrations for financing may not be accepted by the NDRC for either administrative reasons or due to the Annual Quota having been fully utilised at the time of filing. The NDRC Notice, therefore, could restrict our ability to raise debt financing and could also impose registration and reporting requirements which could affect our ability to raise debt financing in a timely manner.

Our ability to raise financing on acceptable pricing terms is critical to our business model. See “— *Our ability to obtain financing on acceptable terms is critical to our ability to operate*” above. The application of relevant laws, regulations and policies issued in the PRC could have

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a material adverse effect on our ability to raise additional financing and, as a consequence, the Group may not be able to execute financing during optimal market conditions, in particular to take advantage of fast-moving market dynamics and conditions. The requirement to pre-register debt before issuance means that we will bear additional market risk in relation to our debt financing including medium term note financing activities during the period between submission of an application and pricing of an actual issuance.

In addition, Bank of China is classified as a Bucket 1 Global Systematically Important Bank by the Financial Stability Board and consequently is subject to increased capital and liquidity requirements in addition to the Basel III regulations. As a consequence, Bank of China may have increased incentives to maintain its own capital within its own business, which could potentially reduce its willingness to lend to its subsidiaries, including members of the Group.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

(iv) Other External Risks Related to Our Business and Operations

If Bank of China ceases to maintain a controlling stake in us or otherwise reduces or ends its strategic relationship with the Group, our business could be adversely affected.

Bank of China provides us with a licence to use its brand, and we benefit from other advantages associated with the Company remaining a subsidiary of Bank of China. Our corporate credit ratings of A- from Standard & Poor's and A- from Fitch Ratings, while not guaranteed by Bank of China, are partly dependent on the fact that we are a subsidiary of Bank of China and on the perception that Bank of China will continue to support us. Our corporate credit ratings have a significant impact on the cost at which we are able to secure funding.

If Bank of China ceases to maintain a controlling stake in us or otherwise changes important elements of its strategic relationship with us, we may lose the advantages associated with the Company remaining a subsidiary of Bank of China and our corporate investment grade credit ratings, as well as the ratings for debt issued under our Global Medium Term Note Program may be adversely affected, any or all of which could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Bank of China may have interests or goals that are inconsistent with ours which could cause it to direct our business in a manner that is not in the best interests of other Shareholders.

Bank of China, as our majority shareholder, is able to direct our corporate policies and nominate directors and officers. Bank of China may have economic or business interests or goals that are inconsistent with ours and/or our Shareholders' and could take actions that could adversely affect our business, financial condition and results of operations as well as the value of the Shares.

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A new standard for lease accounting which may impact our airline customers was issued on 13 January 2016, effective from financial reporting periods beginning on or after 1 January 2019.

Following a detailed consultation period which ultimately began in July 2006 the International Accounting Standards Board (“IASB”) released on 13 January 2016 a new standard (“IFRS 16 ‘Leases’”) on lease accounting which will replace IAS 17 ‘Leases’ and which will, broadly, bring the majority of leases on balance sheet for airline customers. The IASB has confirmed that IFRS 16 ‘Leases’ will be effective from financial reporting periods beginning on or after 1 January 2019. Early adoption of this new leases standard will be permitted, provided a reporting company has adopted IFRS 15 ‘Revenue from Contracts with Customers’.

It is anticipated that IFRS 16 ‘Leases’ will not have a significant impact upon the way in which lessors account for the leases, using IAS 17’s dual classification approach. The main changes reflected in IFRS 16 ‘Leases’ will affect our airline customers. Under IFRS 16 ‘Leases’ an airline customer will be required to recognise a “right-of-use” asset and a lease liability. The “right-of-use” asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest.

Adoption of IFRS 16 ‘Leases’ may require certain airline customers to alter the way in which their operating leases are treated in their accounting records, requiring them to recognise the financial impact (both in terms of a “right-of-use” asset, on the asset side, and a lease liability, on the liability side, of their balance sheets) of operating leases entered into with the Group. The application of this new accounting standard may adversely affect the demand from airline customers for aircraft operating leases and their desire to enter into mid-to longer- term leases. This could in turn materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Our exposure to counterparty risk may adversely affect our business.

In addition to the credit risk taken on airline customer counterparties, we take counterparty risk on a range of financial institutions and corporates, including deposit-taking and letter of credit-issuing banks, issuers of financial instruments, counterparties to interest rate and foreign exchange derivatives and other financial instruments as well as on aircraft and engine manufacturers to which pre-delivery payments are made. We may incur losses as a result of our failure to recover amounts payable to us by a counterparty due to the default and/or bankruptcy of that counterparty or due to unforeseen or other adverse events occurring, as a result of which we are required to incur additional costs or charges. Such an event could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

Conflicts of interest may arise between us and clients who utilise our lease management services, which could have a material adverse effect on our business.

Conflicts of interest may arise between us and third-party aircraft owners who engage us to perform lease management services and to manage their leasing, re-leasing and sale

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arrangements on their behalf. Our service contracts generally require that we treat our owned and managed aircraft equally and that we do not discriminate against serviced aircraft in favour of our owned aircraft. These conflicts could have a material adverse effect on our business and operations.

Our failure to obtain, renew or retain certain required licences and approvals or our failure to comply with applicable laws and regulations could adversely affect our business.

Certain entities within our Group are subject to a number of regulations including under the laws of China and Malaysia. For instance, our subsidiary incorporated in Tianjin (PRC) is required under the laws of the PRC to maintain a relevant business licence in order to be able to continue to conduct its aircraft leasing and other business activities. If, for whatever reason, we are not able to obtain or renew any of these licences, our ability to lease, re-lease or sell aircraft through these entities may be adversely affected. The occurrence of one or more of these events could result in a material adverse effect on our business, financial condition, results of operations and our ability to meet our financial obligations as well as the value of the Shares.

We are subject to various requirements and risks associated with transacting business in multiple countries which could have a material adverse effect on our business.

The scope of our international operations may require us in certain situations to comply with trade and economic sanctions and other restrictions imposed by the United States, the European Union, Singapore, China and other governments or organisations. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act (the “FCPA”), and other federal statutes and regulations, including those established by the Office of Foreign Assets Control (“OFAC”). In addition, the UK Bribery Act of 2010 (the “Bribery Act”) prohibits both domestic and international bribery, as well as bribery in both private and public sectors. Under these and other laws and regulations, various government agencies may require export licences, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact our business, financial condition and results of operations.

Following Russia’s military intervention in 2014, the United States, the European Union and Australia put in place Ukraine-related sanctions. According to our sanctions legal advisers, the Ukraine-related sanctions concern mainly (i) the blocking of assets of named individuals and entities being identified as “undermining or threatening the territorial integrity, sovereignty and independence of Ukraine” or as providing “material support” to such persons, (ii) restrictions on the extension of credit to and dealing in the equity of specified financial institutions, defence firms and energy companies, and (iii) restrictions on the disputed territory

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of Crimea. Moreover, according to our sanctions legal advisers, the United States, the European Union, the United Nations and Australia had not imposed any country-wide sanctions against Russia as at the Latest Practicable Date. According to our sanctions legal advisers, there were no Ukraine-related sanctions imposed by the United Nations as at the Latest Practicable Date.

Our leases to Russian airline customers do not involve sanctioned activities. Whilst for the year ended 31 December 2015 6.6% of our total lease rental revenue income was attributable to operating leases entered into with airline customers based in Russia and the aggregate net book value of the aircraft subject to these operating leases was approximately US\$601 million (representing approximately 6.2% of our aggregate net book value of aircraft) as at 31 December 2015, none of these customers were at any time during the Track Record Period, and were not as at the Latest Practicable Date, the subject of any such U.S., European Union, United Nations or Australian sanctions. As at 31 December 2015, 17 of our owned aircraft were leased to Russian airline customers, none of which were the subject of such sanctions as at the time of entry into the lease, as at 31 December 2015, or as at the Latest Practicable Date. We plan to continue to do business with these Russian airline customers, having generated approximately US\$50.4 million, US\$53.3 million and US\$64.4 million of our total lease rental income (representing approximately 6.3%, 5.7% and 6.6%, respectively, of our total lease rental income) from operating leases with Russian airlines in 2013, 2014 and 2015, respectively. We have no aircraft on operating lease to airline customers in countries which are subject to sanctions or to sanctioned persons. Moreover, the Company is not engaged in any prohibited activities under the relevant sanctions law of the United States, the European Union, the United Nations or Australia.

Based on the above and in light of the nature of our businesses, our sanctions legal advisers are of the view that Ukraine-related sanctions risk imposed by the United States, the European Union, the United Nations or Australia on the Company, our investors and Shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Shares (including the Stock Exchange and its related group companies) is low because as a lessor of aircraft to large and well-vetted airlines, there is only a low possibility that we might engage in business with companies that the United States or some other sanctions-implementing authorities would find to be acting as false-fronts for sanctioned entities or individuals. Furthermore, on the basis that the Company is not (i) owned or controlled by a designated person or entity under the Ukraine-related sanctions; or (ii) making an asset available, directly or indirectly to, or for the benefit of, a designated person or entity under the Ukraine-related sanctions, our Australian sanctions legal advisers are of the view that Australian sanctions laws as far as Ukraine-related sanctions are concerned do not subject the Company, our investors and Shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Shares (including the Stock Exchange and its related group companies) to Australian sanctions risks as far as Ukraine-related sanctions are concerned. However, we cannot assure you that the extension of current sanctions or any further sanctions imposed by the European Union, the United States, the United Nations or Australia or other international interests on us, our customers or other persons will not materially adversely affect our operations or result in restrictions, penalties or fines.

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We have implemented and maintain policies and procedures that are designed to monitor and ensure compliance by us and our directors, officers, employees with international sanctions and other applicable laws and regulations. For example, our operating lease agreements allow us to terminate the lease if it becomes unlawful to continue to lease the aircraft to the lessee, such as in the case of sanctions being imposed that prohibit dealings with the lessee. If a lessee were to become subject to such sanctions before delivery or during the term of an operating lease, we would seek to exercise our rights to terminate the relevant lease, following which we would seek to re-lease the relevant aircraft to an alternative customer in the same way as we would seek to re-lease an aircraft following a lessee default. Our Internal Control Committee is responsible for oversight of the Group's sanctions policies and also evaluates new regulatory and other compliance issues affecting the Group's business. Please see "*Business — Our Business Operations — Aircraft Leasing*" and "*Business — Risk Management*". We cannot guarantee, however, that none of our business partners or third parties with whom we transact will engage in conduct which could materially affect their ability or willingness to perform their contractual obligations to us or even result in our being held liable for such conduct. Violations of such laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, including commercial losses, which could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

We have undertaken to the Stock Exchange that (i) we will not use the proceeds from the Global Offering or other funds raised through the Stock Exchange, (a) to finance or facilitate, directly or indirectly, any projects or businesses in countries which are subject to sanctions (which countries are, as at the Latest Practicable Date, Iran, Syria, Sudan, Cuba, North Korea and the territory of Crimea) ("**Sanctioned Countries**") or with persons located in other countries who are subject to sanctions or (b) to pay any damages for terminating or transferring contracts relating to Sanctioned Countries or persons subject to sanctions (if any), to the extent that the Company is party to such contracts in the future (whether by reason of a change in sanctions law or otherwise), (ii) we will not enter into any transaction that, at the time of entry into such transaction, is prohibited by applicable sanctions law, and (iii) if we believe that the transactions we have entered into will put the Company and our investors and Shareholders at the risk of violating sanctions, we will disclose on the Stock Exchange's website, on our website, and in our annual and interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in Sanctioned Countries and our business intention relating to such Sanctioned Countries. If we are in breach of such undertaking to the Stock Exchange, we risk the possible delisting of the Shares from the Stock Exchange.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by employees (such as unauthorised business transactions and breaches of our internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent and could subject us to financial loss, sanctions imposed

RISK FACTORS

by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems, and internal control procedures are designed to monitor our operations and overall compliance. However, we may not be able to identify non-compliance matters in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. Consequently, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This could materially adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the Shares.

We use technology and advanced information systems, which may be subject to cyber-attack.

Various key processes in our business depend on the operation of our IT and related computer systems, including in particular in relation to the management, processing, storage and transmission of information associated with aircraft leasing, including financial records, data and analyses. Our IT and related computer systems may be damaged or interrupted by human error, unauthorised access such as a cyber-attack, natural hazards or disasters and similarly disruptive events. While we devote significant resources to maintaining adequate levels of physical and cyber-security in respect of our IT and related computer systems, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks or other disruptions or failures to our IT and related computer systems. A cyber-attack or IT and related computer systems failure could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. The Group has in place business continuity procedures, disaster recovery systems and security measures to protect against network or IT and computer systems failure or disruption. However, those procedures and measures may not be effective to ensure that the Group is able to carry on its business if they fail or are disrupted and they may not ensure the Group can anticipate, prevent or mitigate a material adverse effect on the Company's business, financial condition and results of operations as well as the value of the Shares.

Any or all of the above occurrences or events could harm our reputation and result in competitive disadvantages, litigation, lost revenues, additional costs and liability which could have a material adverse effect on our business, financial condition and results of operations as well as the value of the Shares.

We may not be able to pay dividends to Shareholders at all or the level of dividends may fall.

Our results of operations and financial condition are dependent on the financial performance of members of the Group other than the Company. If members of the Group do not generate sufficient profits, our cash flow and ability to pay dividends at the expected level or at all will be adversely affected.

RISK FACTORS

We rely on the receipt of dividends, distributions and other amounts from certain of our subsidiaries in order to pay dividends to Shareholders. There can be no assurance that our subsidiaries will have sufficient distributable profits or other distributable reserves in any future period to pay dividends or make other distributions to the Company or for the Company to pay dividends or make other distributions to Shareholders.

Our ability to pay dividends may be affected by a number of factors including:

- our business performance and the financial position of our subsidiaries;
- applicable laws and regulations, which may restrict the payment of dividends and other distributions;
- operating losses (if any) incurred by our subsidiaries in any financial year;
- changes in accounting standards and tax laws and regulations;
- the terms of the financing arrangements to which we are, or may become, party;
- compliance with financial covenants (including debt ratios) and undertakings under our financing arrangements; and
- funding requirements and other capital management considerations.

No assurance can be given as to our ability to pay or maintain dividends or other distributions in respect of the Shares or that the level of dividends or other distributions will increase over time.

RISKS RELATED TO THE GLOBAL OFFERING

An active trading market for the Shares may not develop.

Prior to the Global Offering, there has been no public market for the Shares and an active or liquid market for the Shares may never develop or be sustained after the Global Offering. The Offer Price may differ significantly from the market price for the Shares following the Global Offering. Listing and quotation does not guarantee that a trading market for the Shares will develop or, if a market does develop, the liquidity of that market.

The price and trading volume of the Shares may be volatile.

The trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including, but not limited to:

- variations in our operating results;
- material default by our airline customers;

RISK FACTORS

- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment;
- developments in our business sector or in the financial sector generally, including the effect of direct governmental action in the financial markets;
- changes in pricing made by us or our competitors;
- the operating and securities price performance of companies that investors consider to be comparable to us;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for the Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on the Shares;
- sales or anticipated sales of additional Shares;
- involvement in litigation; and
- changes in global financial and credit markets and global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of the Shares may decline significantly, and you may lose a significant value on your investment.

Investors will experience dilution in the pro forma adjusted consolidated net tangible asset value per Share because the Offer Price is higher than our net tangible asset value per Share.

Purchasers of the Shares in the Global Offering may experience an immediate dilution in pro forma net tangible assets value of US\$4.30 per Share (based on the Offer Price of HK\$42.00). In order to expand the Group's business, the Group may consider offering and

RISK FACTORS

issuing additional Shares in the future. You and other purchasers of the Shares may experience further dilution in the net tangible assets book value per Share if the Company issues additional Shares at a price lower than the net tangible assets book value per Share at the time of their issue.

The sale of a substantial number of the Shares in the public market could adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by the current Shareholder could negatively impact the market price in Hong Kong of the Shares and the Group's ability to raise equity capital in the future at a time and price that it deems appropriate. The Shares held by the Selling Shareholder are subject to certain restrictions regarding their disposal for a period of 12 months after the date on which trading in the Shares commences on the Stock Exchange. See "*Underwriting — Underwriting Arrangements and Expenses*" for further details. There is no assurance that the current Shareholder will not dispose of any Shares it owns now or may own in the future.

Singapore taxes may differ from tax laws of other jurisdictions, including Hong Kong

The Company is incorporated in Singapore. Prospective investors should consult their tax advisers concerning the overall tax consequences of acquiring, owning, or selling the Shares. Singapore tax law may differ from the tax laws of other jurisdictions, including Hong Kong. Please see "*Appendix III — Taxation and Regulatory Overview*" for further information.

Foreign investors may find it difficult to enforce foreign judgments obtained against the Company or the Directors

The Company is a holding company organised as a public limited company incorporated in Singapore with business operations conducted through various subsidiaries. All of the Directors and the officers of the Company reside outside of Hong Kong. In addition, substantially all of the assets of the Company and assets of its Directors and officers are located outside of Hong Kong.

As a result:

- it may not be possible for foreign investors to effect service of process within the relevant jurisdiction upon the Company or its Directors and officers located outside the relevant jurisdiction or to enforce, in foreign courts, judgments obtained against them in foreign courts, including judgments predicated upon the civil liability provisions of foreign securities laws; and
- it may not be possible for Hong Kong investors to effect service of process within Hong Kong upon the Company or its Directors and officers located outside Hong Kong or to enforce, in the Hong Kong courts or outside Hong Kong, judgments obtained against them in the Hong Kong courts or in courts outside Hong Kong, including judgments predicated upon the civil liability provisions of Hong Kong securities laws.

RISK FACTORS

You are cautioned not to place any reliance on any information in press articles or other publications or media regarding the Group or the Global Offering.

There has been, prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media, and/or research analyst coverage regarding the Group, its business, its industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Shares and the Group does not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Global Offering, the Group's business or the industry in which the Group operates.

The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, the Group disclaims them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

The industry statistics and forward-looking information contained in this prospectus may not be accurate, reliable or fair.

Statistics and other information relating to the aviation industry contained in “*Industry Overview*” in this prospectus have been compiled partly from various publicly available publications as well as the industry report we commissioned from independent industry consultants. We believe that the sources of such information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Company nor any of the Relevant Persons has independently verified such information, and makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled from other sources. Such information may not be complete or latest. As the way of collecting the information may contain faults or may not be effective, or there exist variations and other problems between information published and market practices, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon when making a decision on your investment in the Company or otherwise.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

The members of the Board are as follows:

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Chairman and Non-executive Director		
Chen Siqing (陳四清)	Room 1-601, No. 5 Weiyong Hutong Xicheng District Beijing People's Republic of China	Chinese
Managing Director, Chief Executive Officer and Executive Director		
Robert James Martin	33 Lily Avenue Singapore 277774	British
Executive Director		
Wang Genshan (王根山)	177 Tanjong Rhu Road #13-13 Water Place Singapore 436607	Chinese
Non-executive Directors		
Li Mang (李芒)	Room 304, Building 25 Xisanhuanbeilu No. 105 Beijing People's Republic of China	Chinese
Zhuo Chengwen (卓成文)	No. 17 Xi Jiao Min Xiang Beijing People's Republic of China	Chinese
Zhu Lin (朱林)	Room 1201, Building 1 Guanlan Garden Haidian District Beijing People's Republic of China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Independent Non-executive Directors		
Fu Shula (付舒拉)	204-1-902, Huizhongbeili Chaoyang District Beijing People's Republic of China	Chinese
Antony Nigel Tyler	Quai Gustave-Ador, 56 Geneva 1207 Switzerland	British
Dai Deming (戴德明)	Landianchang Shiyuyuan Block 2 Unit 2, Room 12D Haidian District Beijing People's Republic of China	Chinese

See *"Directors and Senior Management"* for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Financial Adviser

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Joint Sponsors

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

**Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers**

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

**Joint Bookrunners
and Joint Lead Managers
(in alphabetical order)**

BNP Paribas Securities (Asia) Limited
59/F-63/F, Two International Finance Center
8 Finance Street, Central
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50th Floor, Citibank Tower
Citibank Plaza
3 Garden Road, Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Manager	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place, Central Hong Kong
Legal Advisers to the Company	<i>As to Hong Kong and U.S. laws:</i> Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong <i>As to Singapore laws:</i> Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Advisers to the Joint Sponsors and the Underwriters	<i>As to Hong Kong and U.S. laws:</i> Linklaters 10/F, Alexandra House Chater Road Hong Kong
Legal Advisers to Bank of China Limited	<i>As to Hong Kong and U.S. laws:</i> Allen & Overy 9th Floor Three Exchange Square Central Hong Kong
Auditor and Reporting Accountants	Ernst & Young <i>Certified Public Accountants</i> 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Industry Consultant	Ascend Flightglobal Consultancy World Business Centre Two London Heathrow Airport TW6 2SF United Kingdom

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Foreign Exchange Adviser

DBS Bank Ltd
12 Marina Boulevard, Level 46
Marina Bay Financial Centre Tower 3
Singapore 018982

CORPORATE INFORMATION

Headquarters, Registered Office and Principal Place of Business in Singapore	8 Shenton Way, #18-01 Singapore 068811
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong
Company Secretary	Jonathan Mahony <i>LLB</i>
Authorised Representatives	Robert James Martin 8 Shenton Way, #18-01 Singapore 068811 Jonathan Mahony 8 Shenton Way, #18-01 Singapore 068811
Audit Committee	Dai Deming (<i>Chairman</i>) Zhuo Chengwen Zhu Lin Fu Shula Antony Nigel Tyler
Remuneration Committee	Fu Shula (<i>Chairman</i>) Li Mang Dai Deming
Nomination Committee	Chen Siqing (<i>Chairman</i>) Fu Shula Dai Deming
Risk Committee	Antony Nigel Tyler (<i>Chairman</i>) Robert Martin Zhu Lin
Strategy and Budget Committee	Zhuo Chengwen (<i>Chairman</i>) Robert Martin Li Mang Wang Genshan Antony Nigel Tyler
Compliance Adviser	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Principal Bankers

Citibank N.A., Singapore Branch
8 Marina View
#21-00 Asia Square Tower 1
Singapore 018960

DBS Bank Ltd
12 Marina Boulevard, Level 46
Marina Bay Financial Centre, Tower 3
Singapore 018982

The Hongkong and Shanghai Banking Corporation
Limited
21 Collyer Quay
#09-01 HSBC Building
Singapore 049320

Hong Kong Share Registrar

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

Company's Website

www.bocaviation.com

(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)

HISTORY AND CORPORATE STRUCTURE

OVERVIEW OF THE GROUP'S HISTORY

The Group's history dates back to 1993 when the Company was founded as Singapore Aircraft Leasing Enterprise Pte. Ltd. ("**SALE**") by Singapore Airlines Limited and Boullion Aviation Services Inc., a U.S.-based aircraft operating leasing company. In 1997, the Company's shareholder base was broadened when Temasek Holdings (Private) Limited and Government of Singapore Investment Corporation Private Limited joined the founders as investors.

In December 2006, the Company was acquired by, and became a wholly-owned subsidiary of, BOC. Following the acquisition, the Company's name was changed to BOC Aviation Pte. Ltd. in 2007. In preparation for the Global Offering, on 12 May 2016, the Company was converted to a public company limited by shares and the Company's name was changed to BOC Aviation Limited.

Since the Company's establishment in 1993, it has grown to become the largest aircraft operating leasing company headquartered in Asia and a top five global aircraft operating leasing company, in each case as measured by the value of owned aircraft. As at 31 December 2015, we had a total portfolio of 270 aircraft, 227 of which are owned, and 43 are managed.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of the Group's key corporate and business development milestones:

Year	Event
1993	SALE established
1995	Acquired first owned aircraft
1996	Placed first order with Airbus for 12 A320 aircraft
1997	Placed first order with Boeing for six B777 aircraft
	Temasek Holdings (Private) Limited and Government of Singapore Investment Corporation Private Limited each became a 14.5% shareholder of SALE
1998	Sold first owned aircraft
2000	Launched SALE's first bond issue
2001	First overseas office opened in London
2004	Owned fleet reached 50 aircraft
2006	BOC acquired 100% of SALE on 15 December 2006
	Office opened in Seattle
2007	Name of the Company changed to BOC Aviation Pte. Ltd.
2009	Owned fleet exceeded 100 aircraft
	Office opened in Dublin

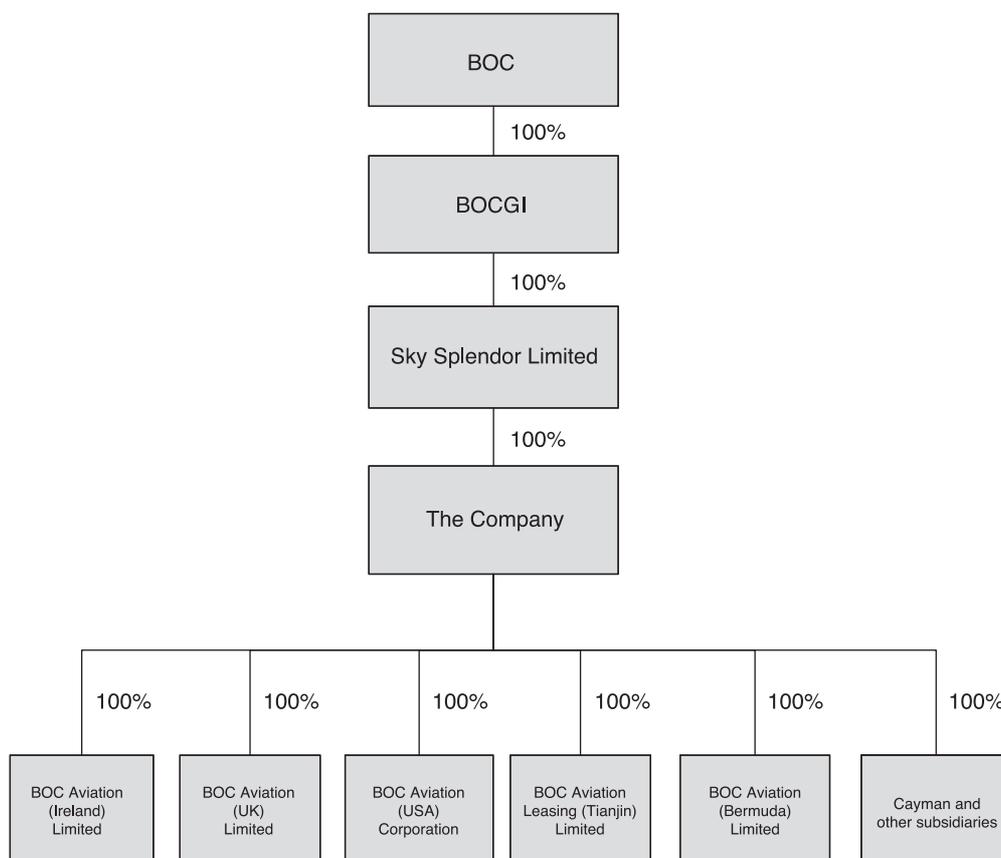
HISTORY AND CORPORATE STRUCTURE

Year	Event
2011	Owned fleet exceeded 150 aircraft Placed first order with Embraer for E190 family aircraft
2013	Owned fleet exceeded 200 aircraft
2014	Owned and managed fleet reached 250 aircraft Aircraft on order at the end of the year exceeded 200
2015 . . .	Office opened in Tianjin First portfolio sale of 24 aircraft to a special purpose purchaser funded by the capital markets
2016	The Company was converted to a public company limited by shares and changed its name to BOC Aviation Limited

CORPORATE STRUCTURE

Corporate Structure as at the date of this prospectus

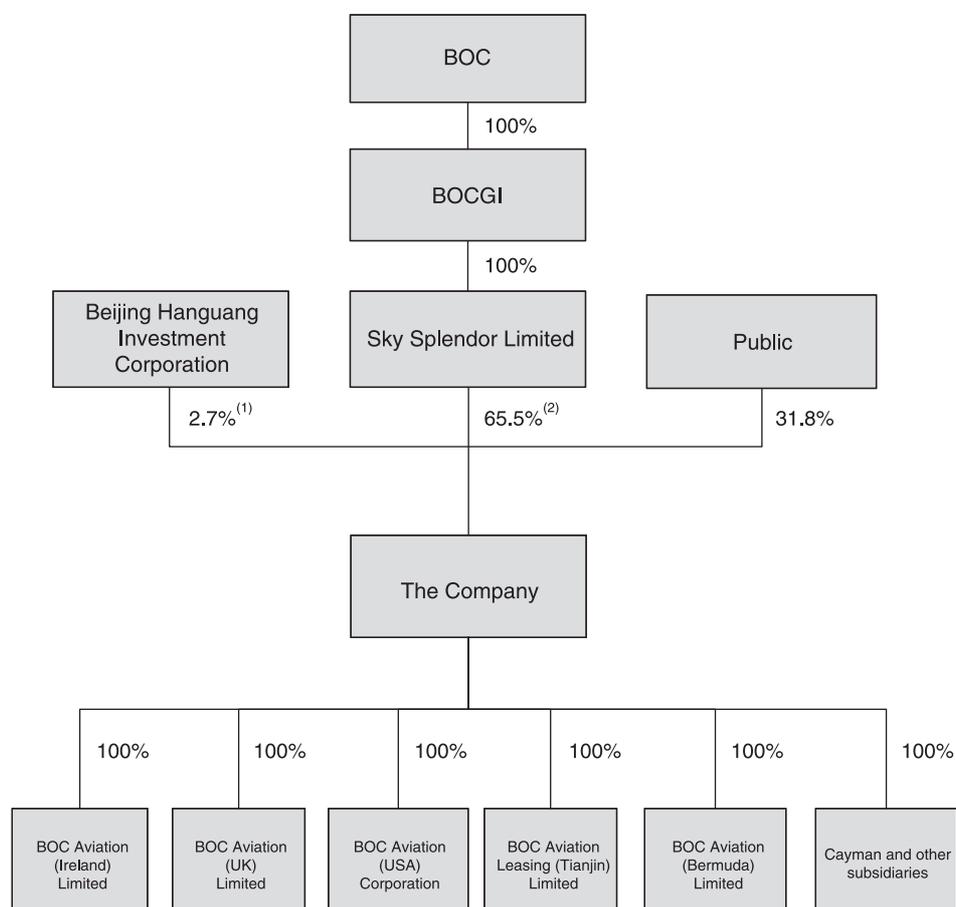
The simplified corporate structure of the Group as at the date of this prospectus is as follows:



HISTORY AND CORPORATE STRUCTURE

Corporate Structure Immediately following the Completion of the Global Offering

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full), the simplified corporate structure of the Group will be as follows:



Notes:

- (1) Beijing Hanguang Investment Corporation is a wholly-owned subsidiary of CIC Capital Corporation, which in turn is wholly-owned by China Investment Corporation (“CIC”). The Shares held by Beijing Hanguang Investment Corporation will not count towards the public float of the Shares. See “Cornerstone Investors” for further details.
- (2) Assumes the Over-allotment Option is exercised in full. If the Over-allotment Option is not exercised, Sky Splendor Limited’s shareholding will be 70% immediately following the Global Offering.

SPIN-OFF OF THE GROUP FROM BOC

The directors of BOC believe that the spin-off and separate listing of the Group from BOC (the “Spin-off”) will better position the BOC Group and the Group for growth in their respective businesses and deliver benefits to both groups. The Spin-off will provide investors with a clear indicator of the standalone valuation of the Group, which may enhance the overall value of BOC. Through the Spin-off, the Group is expected to further accelerate its development due

HISTORY AND CORPORATE STRUCTURE

to its enlarged capital base and its ability to raise additional funds through the Hong Kong equity market. The Group's revenues and profits will continue to be consolidated in the financial statements of BOC following the Spin-off, which will benefit the overall financial performance of BOC. In addition, the Spin-off will facilitate the strategic upgrade of BOC as well as further consolidate the core competitiveness of BOC and promote the sustainable development of BOC. The Spin-off will create a new investor base for the Group as it will be able to attract new investors who are seeking investments specifically in the aircraft operating leasing sector.

The Spin-off, if it proceeds, will not constitute a notifiable transaction for BOC under the Listing Rules. As required under applicable PRC laws and regulations, the approval of the shareholders of BOC for the Spin-off was obtained at the extraordinary general meeting of BOC held on 4 December 2015 (the "**BOC Shareholder Meeting**").

The proposal in relation to the Spin-off was submitted by BOC to the Stock Exchange for approval pursuant to Practice Note 15, and the Stock Exchange has confirmed that BOC may proceed with the proposed Spin-off. The Spin-off by BOC complies with the requirements of Practice Note 15 of the Listing Rules ("**Practice Note 15**"). Practice Note 15 requires BOC to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the Shares, either by way of a distribution *in specie* of existing Shares or by way of a preferred application in the offering of existing or new Shares (the "**Assured Entitlement**"). Practice Note 15 provides that the minority shareholders of BOC may by resolution in general meeting resolve to waive the Assured Entitlement.

At the BOC Shareholder Meeting, BOC put forward a proposal to the BOC shareholders' meeting, the BOC A shareholders' class meeting and the BOC H shareholders' class meeting to approve the provision of the Assured Entitlement to Shares to the BOC H shareholders only. This is because due to the provisions of certain PRC laws and regulations, BOC is restricted from providing the Assured Entitlement to all BOC A shareholders. In addition, due to the restrictions on profit distribution under PRC law and the articles of association of BOC, BOC will not be able to, by way of distribution *in specie*, distribute the Shares to the BOC shareholders in order to provide them with the Assured Entitlement.

At such BOC shareholders' class meetings, the resolution to approve the provision of the Assured Entitlement to the BOC H shareholders only was approved by the BOC shareholders and the BOC H shareholders but was not approved by the BOC A shareholders. As a result, the Assured Entitlement to the Shares in the Spin-off will not be provided to any BOC shareholders.

INDUSTRY OVERVIEW

This section contains information relating to the aviation industry. Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various publicly-available government and official sources, industry statistics and publications. We also commissioned an independent industry consultant, Ascend, to prepare a report on the global aviation industry. Ascend is an independent provider of information services on the aviation industry. We have been charged a total fee of GBP40,000 for the services provided by Ascend.

While we have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by us or the Joint Sponsors. Although we have no reason to believe that such information is false or misleading in any material respect, or that any fact has been omitted that would render such information false or misleading in any material respect, we also make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available. Accordingly, you should not place undue reliance on such information or statistics.

SOURCES OF INFORMATION

We engaged Ascend, an aviation industry consultant, to prepare the industry report for use in this prospectus. Ascend is an independent consultancy specialising in analysis of the global aviation industry. Ascend has produced reports of this and similar nature for many companies in the aviation industry previously. The data used in this report has been derived from Ascend's in-house aircraft fleet and values databases which have been developed over 45 years and contain details of over 100,000 aircraft. The data collected by Ascend was last updated in February 2016 based upon data available up to then. Ascend adopts a comprehensive data collection model, which includes primary research with the industry stakeholders, secondary research on government statistics and annual reports of listed companies, and data validation process with industry key opinion leaders. Ascend assumes that the interviewees are not providing wrong or misleading information and the government statistics do not contain errors. Ascend also assumes that no unexpected events such as wars or disasters occurred during the relevant forecasting period.

The Directors confirm that, so far as they are aware, there were no material adverse changes in the market information since the date of the industry report from Ascend which may qualify, contradict or have an impact on the information in this section.

1 INTRODUCTION TO THE AIRCRAFT OPERATING LEASE INDUSTRY

1.1. Background to Aircraft Operating Lease

1.1.1. What does an Aircraft Operating Lessor do?

In an aircraft operating lease, the risks and rewards of the aircraft ownership sit with the operating lessor and the risks and rewards of operation remain with the lessee or airline. In

INDUSTRY OVERVIEW

essence, the rights and obligations of each party in an aircraft operating lease are similar to any rental property contract. The lessee / airline operator pays the operating lessor for the benefit of operating the aircraft over an agreed fixed term in return for rental payments paid monthly in advance. At any time during the lease, the aircraft owner has the right to sell the aircraft with the lease attached to another owner. Throughout the lease term, the lessee is responsible for maintaining the aircraft in accordance with the lease requirements, but also local and internationally recognized aviation safety standards. To mitigate the financial risk associated with this maintenance work, the operating lessor may collect maintenance reserves, either in cash or other financial guarantee, which are returned to the lessee once the required maintenance work is complete. Like any rental contract, an aircraft operating lessor will additionally require the lessee to pay a security deposit in advance of the delivery of the aircraft. Aircraft owned by operating lessors are financed either on a secured (encumbered) or unsecured (unencumbered) basis. Aircraft and lease rental payments are denominated globally in US\$.

This contrasts with a finance lease where a financial lessor, often a special purpose company (SPC) or partnership, purchases an aircraft identified by the buyer through a combination of debt and equity financing and leases it to the airline operator. The airline has an option to purchase the aircraft at the expiration of the lease or may automatically become the owner of the aircraft at the expiration of the lease. Under a finance lease, the lessor does not intend to remain the owner of the aircraft after the lease expiry nor take on residual value risk. As a result, airlines account for finance leases on 'balance sheet'. Fundamentally, a finance lessor's primary role is simply to provide financing.

1.1.2. *Why do airlines take aircraft on operating lease?*

Airlines use diversified forms of funding for their aircraft fleet development plans. The mix of funding is dictated by their particular business models, operating environment and financial conditions. Operating leases are used by airlines in different stages of their history or development, such as:

- (i) More mature airlines or airlines with high credit quality seek financing flexibility for their aircraft fleet. It is common for airlines to have close to half of their fleet on operating leasing compared to other forms of 'on balance sheet' financing. An airline's decision to procure aircraft on operating lease is driven by its own capital management plans. The choice of funding for a particular aircraft will also be driven by the all-in cost of each alternate source of financing available at, or close to, the time of delivery. As part of this assessment, airlines will take into consideration the benefits of operating leasing through enhanced capacity management and the ability to mitigate residual value risk. Also, aircraft operating lessors may offer better availability options for the delivery of new aircraft. In contrast, airlines will be attracted to buying or finance leasing aircraft when they have large cash reserves or where airlines expect strong recurring profits for which owned, depreciable assets provide tax shelter. Airlines may also be able to access debt capital markets or bank debt at more competitive funding rates at certain times. Ultimately, a purchase decision will depend on the cost of each asset finance option, the airline's cost of capital, balance sheet strength, credit standing, prevailing debt interest rates and spreads as well as the accounting and tax treatment of each option.

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- (ii) Start-up airlines generally prefer to utilise their available resources to finance working capital, amongst other things. Operating leasing allows new airlines to use operating cash flows to secure capacity and retain capital to invest elsewhere in their business.

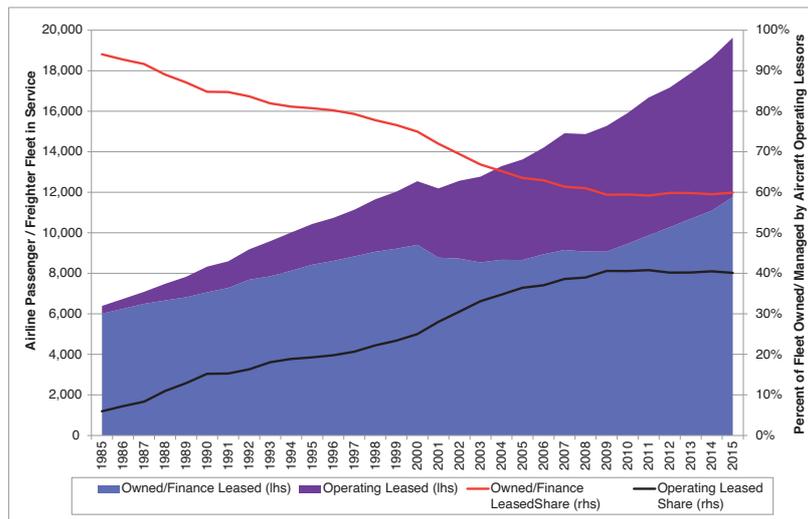
Airlines with at least 20 aircraft in their fleet, typically more mature companies, have some 39% of their total fleet on operating lease, while smaller airlines, which includes start-up operators, with less than 20 aircraft have some 48% on lease. Overall, aircraft operating lessors have placed 81% of their total fleet with larger airlines that operate at least 20 aircraft.

1.2. Historical Growth of Aircraft Operating Leasing

Since the start of the jet era in 1952, a confluence of events have resulted in airlines focussing on their core operating business and increasingly using alternative sources of funding, including aircraft operating leasing, for their existing and future aircraft fleet requirements.

Since the mid-1960s, the percentage of the global fleet of commercial passenger and cargo jets owned or managed by operating lessors has grown from zero to more than 40% of the total fleet of 100+ seat passenger jets and their freighter versions. At the start of January 2016, there were around 7,900 aircraft in service which were owned by aircraft operating lessors, representing an 11% CAGR over the past 30 years or double the rate of growth of the commercial jet airliner fleet in service.

Chart 1 — The Growth of Aircraft Operating Leasing



Source: *Flightglobal Fleets Analyzer*

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1.2.1. *What are the primary means for an aircraft operating lessor to grow?*

Aircraft operating lessors acquire aircraft through two primary channels:

- (i) Direct ordering — aircraft operating lessors have taken delivery of some 4,700 new jets from their own orders over the past thirty years, equating to around 20% of all OEM orders.
- (ii) Purchase from airlines and leaseback to the same airline operator (PLB deals) — a further 3,600 new aircraft have been acquired through purchase and leaseback transactions with airlines, otherwise known as “Purchase and Lease Back” or “PLB” deals. Operating lessors also acquire used aircraft through PLB deals with airlines, although this has been at lower levels with 2,500 used aircraft acquired. Airlines choose to finance aircraft via PLB deals when other funding options are expensive, unavailable or where an airline has a large number of deliveries in a short timeframe and wants to diversify their execution risk or mitigate residual value risk. The flow or amount of PLBs will vary year-to-year depending on airline balance sheet strength and funding options.

1.2.2. *Aircraft financing*

Demand for new commercial airliners is presently strong and the annual financing for new deliveries now exceeds US\$100 billion, excluding spare parts and services which airlines buy direct from aircraft manufacturers. Over the next five years, Ascend estimates the value of deliveries of new 100+ seater passenger jets and their freighter versions will total around US\$662 billion.

Airlines have typically used a variety of avenues to finance new aircraft deliveries. These have included export credit agencies (ECA), commercial banks, operating lessors, public debt/capital markets, private equity / hedge funds, cash / equity and manufacturer finance (both airframe and engine OEMs). In the most recent past, many new investors have recognised the investment potential offered by aircraft and a number of new players have entered the field recently.

Aircraft operating leasing is expected to continue to fulfil a significant element of this funding. The outlook for the aircraft operating lease industry is discussed in Section 1.6.

1.3. Aircraft Sales & Trading

For most operating lessors, apart from those specializing in mid-life or older assets, it is important to keep a young average fleet age, so they must sell older aircraft in their portfolios. Aircraft operating lessors prefer to sell aircraft with leases attached, whether to other operating lessors or investors, either in single units or in larger portfolios. In most cases, buyers need a lease rental or cash flow stream from the aircraft to fund their own asset financing arrangements.

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In the period immediately prior to the Global Financial Crisis (“GFC”), such sales increased as several new market entrants grew their portfolios through acquisition of aircraft with leases attached. Although the volume of such trading declined during the GFC in 2008 and 2009, it has since returned to pre-crisis levels with the market for aircraft sales with leases attached once again becoming liquid as more parties seek to acquire aircraft to facilitate growth and to diversify their portfolio (increased diversity in aircraft portfolios reduces overall risk for the investor or financier).

1.4. Differentiation Between Successful and Unsuccessful Aircraft Operating Lessors

1.4.1. How do aircraft operating lessors compete?

Aircraft operating leasing is essentially a business involving the investment in and trading of aircraft. Aircraft operating lessors compete on six key axes relevant to generate operating profits throughout the cycle, including (i) Purchasing, (ii) Financing, (iii) Leasing, (iv) Selling, (v) Transitioning and (vi) Repossessing.

Successful operating leasing requires expertise in all of the six core competencies mentioned above. Good management of the aircraft assets is vital to maintaining or maximising the operating lessor’s target return on capital.

1.4.2. What are the hallmarks of success for an aircraft operating lessor?

The hallmarks of a successful operating lessor include (i) a diversified portfolio of liquid aircraft types that are in constant revenue service; (ii) a broad geographical spread of airline lessees amongst the major traffic generating regions; (iii) strong relationships with the financing community, enabling long term access to cost effective commercial bank debt and debt capital markets through the demand cycle; (iv) strong relations with aircraft manufacturers and an ability to buy in bulk to secure favourable pricing; (v) an active aircraft portfolio management strategy that maximises residual value and rental income while minimizing risks through the use of security deposits, maintenance reserves and robust return conditions; (vi) a full-service management platform with knowledge and skill to financially and technically manage and monitor the portfolio and to respond quickly to changes in market dynamics or failing lessees; and (vii) a broad base of potential buyer relationships to maximise aircraft trading opportunities and returns.

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1.5. The Core Market for an Aircraft Operating Lessor

At 31 January 2016, the commercial aviation industry comprised 780 airlines in some 160 countries operating almost 20,000 passenger jets of 100+ seats and their freighter versions.

Table 1 below indicates that the core aircraft operating lease markets are in Asia-Pacific and Europe. The tax regime in North America encourages profitable airlines to own aircraft on their balance sheet. An aircraft operating lessor will achieve greatest efficiencies by focusing on the larger airlines, where multiple aircraft deals are possible. Today, there are 166 airlines with 20 or more aircraft, the core market for operating lessors.

Table 1 — Airline Current Fleet and Operating Leased Fleet by region

	Asia Pacific (including China)	Europe	North America	Latin America	Middle East	Africa
Airline operators (100+ seat aircraft)	234	235	68	89	54	100
Operators with >20 aircraft	58	52	18	16	15	7
Dedicated cargo operators	31	24	33	7	25	9
In service fleet	6,308	4,874	5,177	1,433	1,194	646
Aircraft on operating lease	2,674	2,478	1,346	756	422	196
Average fleet age (yrs)	7.5	11.0	14.2	10.1	9.5	13.4
Average age of operating lease fleet	6.5	10.3	12.5	9.3	8.0	11.6
5yr delivery total	2,934	1,310	943	567	489	166
20 yr forecast delivery total	13,908	6,490	6,484	3,002	2,757	903
2015 Operating revenues (US\$Bn)	202	198	204	31	59	18
2015 EBIT margin	6.6%	5.3%	14.3%	1.3%	2.9%	-1.7%
2015 Net margin	2.9%	3.5%	9.5%	-1.0%	2.4%	-1.7%

Note: Data are as at 31 December 2015; 2015 financial data are from IATA estimates

Source: Flightglobal Fleets Analyzer & Forecast, IATA

1.6. Outlook for the Aircraft Operating Lease Industry

The aircraft fleet is expected to continue its consistent long-term growth trend, with the global fleet predicted to grow to exceed 30,000 aircraft by 2024. As explained previously, operating leasing offers advantages of ownership for some airlines over alternative forms of finance, as well as providing operational advantages. Consequently, the fleet of aircraft owned by operating lessors is expected to grow in line with the global expanding aircraft fleet. In a scenario where the penetration of operating leasing remains at the same level as today, over the next ten years around 4,600 100+ seat commercial jets and freighter equivalents are expected to be added to today's operating leased fleet to facilitate this growth. There is potential for the penetration of operating leasing to resume the prior growth trend in market

INDUSTRY OVERVIEW

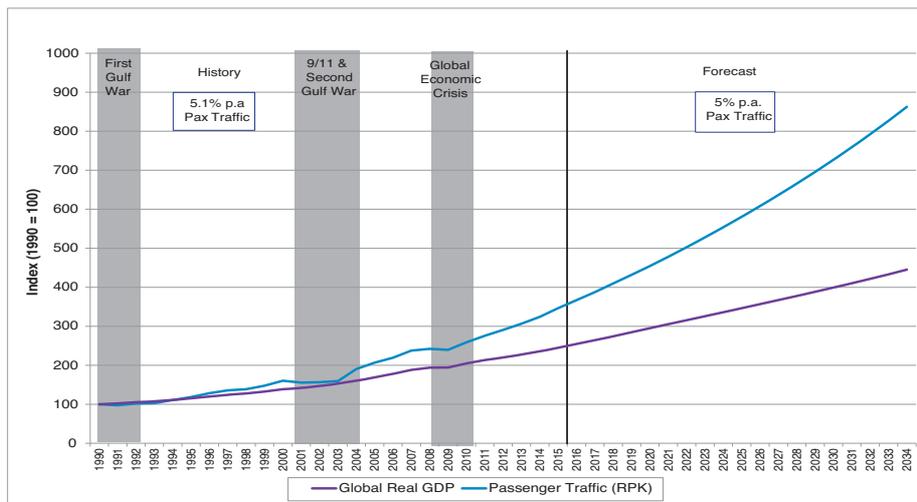
share, but this would require aircraft manufacturers to allow operating lessors to control a larger share of the backlog. Meanwhile, the supply of PLB deals is controlled by airline operators whose decisions are driven by internal or local issues, comparative funding costs, etc, as mentioned in section 1.2.1 (ii).

2. OPERATING LESSOR REVENUE DRIVERS

2.1. Global Air Traffic Demand Drives Airline Demand for Aircraft

The global airline industry is a long-term growth sector where passenger demand, measured in Revenue Passenger Kilometres (“RPKs”) has increased on average by 5.1% per annum since 1990, compared to 3.6% annual growth for GDP. In global average terms, traffic has typically grown by an average of 1.5 times the growth of GDP. As a result, global passenger traffic in 2015 was almost 3.5 times greater than that seen in 1990, exceeding global GDP growth of only 2.5 times.

Chart 2 — Indexed Air Transport and Global GDP Growth



Source: Ascend Flightglobal Fleet Forecast

Looking ahead, traffic growth should be increasingly driven by emerging markets. While Western Europe and North America are considered mature markets, with growth expectations of only 3.0-3.3% per annum, many markets in Asia, the Middle East, Africa and Latin America are forecast to grow at rates well above 5% per annum. This is underpinned by increasing disposable income and rapidly growing middle classes, especially in China and India. The market is also stimulated by expansion of low cost carriers in short haul markets and increasing connectivity by Gulf ‘hub carriers’ in long haul markets between Europe, Africa, the Americas and Asia-Pacific.

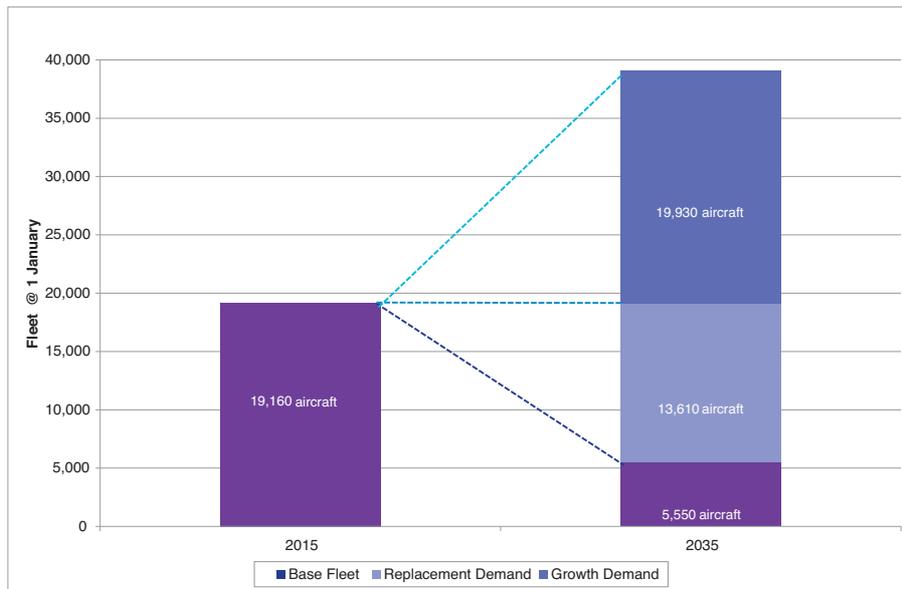
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2.2. New Aircraft Delivery Forecast 2015 — 2035

The current Ascend forecast — the 2015 Flightglobal Fleet Forecast — estimates that the global fleet of 100+ seater passenger jets and their freighter versions will increase from some 19,160 aircraft at the start of 2015 to over 39,000 by 2035. This is an annual increase of 2.8% — less than the rate of forecast traffic growth — with the balance (difference between 5.0% and 2.8%) made up from improved asset and labour productivity, increased seat densities, deployment of larger aircraft and other operational efficiencies.

Demand for new aircraft is driven by both industry growth accounting for 60% (19,930 aircraft) and also replacement of older aircraft comprising the remaining 40% of the forecast new deliveries (13,610 aircraft). This represents US\$2,600 billion worth of new aircraft deliveries in 2015 economic terms.

Chart 3 — Forecast Fleet Evolution

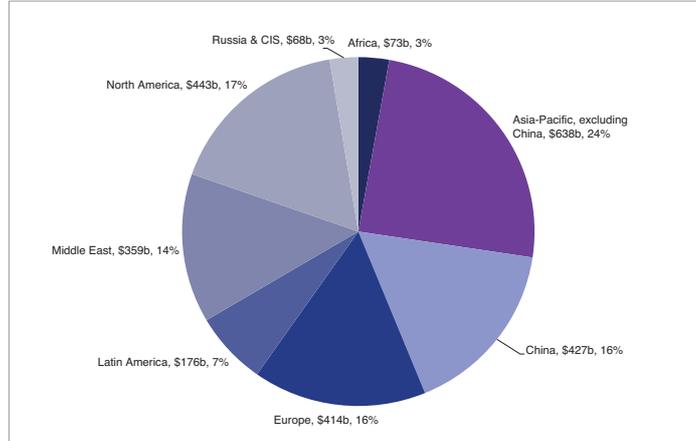


Source: Ascend Flightglobal Fleet Forecast 2015

INDUSTRY OVERVIEW

The regional breakdown of forecast aircraft deliveries is shown in chart 4 below.

Chart 4 — Forecast Delivery Value by Airline Region

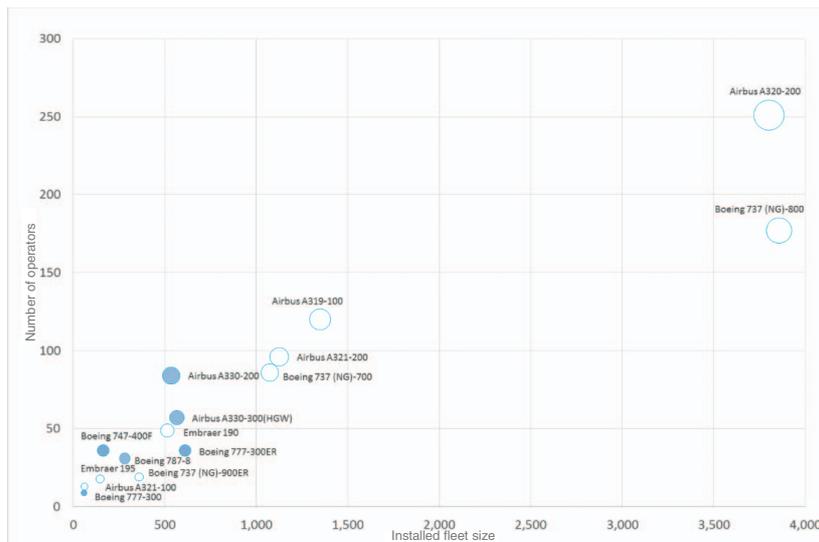


Source: Ascend Flightglobal Fleet Forecast 2015

2.2.1. Drivers of replacement demand

Ascend considers the production volume and operator concentration to be the key determinant of liquidity for a specific aircraft type. Single aisle passenger aircraft, which typically have the largest installed fleets and the biggest airline operator bases, are considered the most liquid types.

Chart 5 — Installed Fleet vs. Number of Operators per Aircraft Type, as at 31 December 2015



Source: Flightglobal Fleets Analyzer

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The decision to replace an existing or older generation aircraft can be driven by many factors. New aircraft offer (i) lower operating costs, especially improved fuel burn; (ii) improved payload and range capability; (iii) advanced cockpits and cabins, which allow weight savings. In some cases, airline industry regulations may drive replacement of an older aircraft.

2.2.2. Aircraft manufacturer supply

The aerospace manufacturing industry is cyclical. However, during the last economic downturn (i.e. 2008 - 2009), there was not a significant decline in production, as Airbus and Boeing, the two key OEMs today, managed their production rates more efficiently than in previous cycles. In addition, during this period, the OEMs benefited from the rise of new markets and strong oil economies that absorbed deliveries which were deferred by airlines in many developed markets.

The single-aisle and twin-aisle aircraft manufacturing landscape has gradually evolved into a duopoly between the European Airbus Group and US-based Boeing. Today, Airbus and Boeing account for 98% of deliveries in the 100+ seat passenger jet and freighter variant market. The aircraft manufacturing industry has a number of key suppliers, including CFM International, General Electric, Pratt & Whitney and Rolls-Royce specifically supplying aero-engines. There are also a limited number of key suppliers of avionics, APUs, landing gear, cabin interiors and other buyer furnished equipment (BFE).

As of 1 January 2016, the commercial jet aircraft order backlog totalled some 13,000 aircraft. At present production / delivery rates, this is equivalent to more than eight years' worth of deliveries and represents more than 60% of the current installed fleet. The firm orders by region are illustrated in Table 2 below.

Table 2 — Firm Order Backlog by Region (Disclosed Airline Customers Only) as at 1 January 2016

Region	Africa	Asia-Pacific	China	Europe	Latin America	Middle East	North America
Firm Backlog	133	2,943	242	2,351	775	1,034	1,705
% Share	1%	32%	3%	26%	8%	11%	19%
Airline Fleet	646	3,739	2,569	4,874	1,433	1,194	5,177
Backlog as % Share of Fleet	21%	79%	9%	48%	54%	87%	33%

Source: *Flightglobal Fleets Analyzer*

In addition to the announced orders listed above, there are over 1,850 from undisclosed customers, over 1,400 orders which analysis indicates are for Chinese airlines, which would increase their backlog as percentage share of fleet to 64%, closer to the Asia-Pacific total.

INDUSTRY OVERVIEW

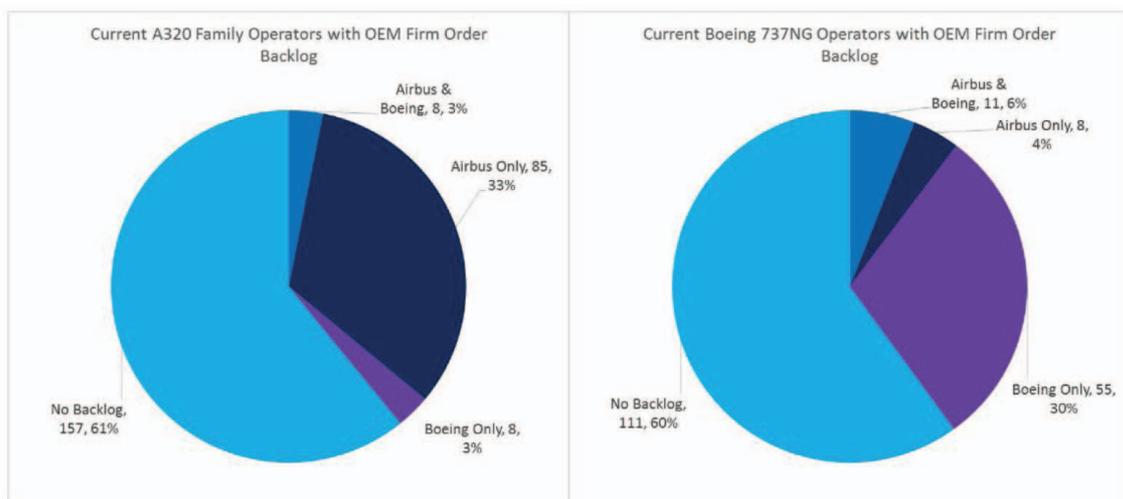
Also, there are over 1,950 existing orders from lessors with no disclosure on the designated airline lessee to date.

Almost 90% of the orders in the backlog have been placed in the past five years as airlines have committed to both fleet growth and replacement of existing aircraft. Both Airbus and Boeing have announced planned increases in production rates of their ubiquitous A320 and Boeing 737 single-aisles from their current Rate 42 (42 aircraft built each month) to Rate 60 and Rate 57 respectively in 2019.

At the same time Airbus and Boeing are developing new variants of these programmes, the A320neo (“new engine option”) and 737 Max. Each of these are applying new engines — the Pratt & Whitney PW1100G and CFM LEAP-1A in the case of the former and CFM LEAP-1B for the latter — to deliver significant improvements in fuel burn, emissions and noise. The first A320neo was delivered to Lufthansa in January 2016 and the first delivery of the B737 MAX is expected in mid-2017.

Despite the large backlogs at Airbus and Boeing, there remain significant numbers of airline operators which have yet to place direct firm orders with either Airbus or Boeing. Chart 6 below illustrates that around 60% of such operators have no orders placed with either Airbus or Boeing. These customers will thus have to turn to aircraft operating lessors for any near or medium-term fleet additions or replacements.

Chart 6 — Percentage of Current A320 and Boeing 737NG Airline Operators with OEM Firm Order Backlog (at 31 December 2015)



Source: *Flightglobal Fleets Analyzer*

INDUSTRY OVERVIEW

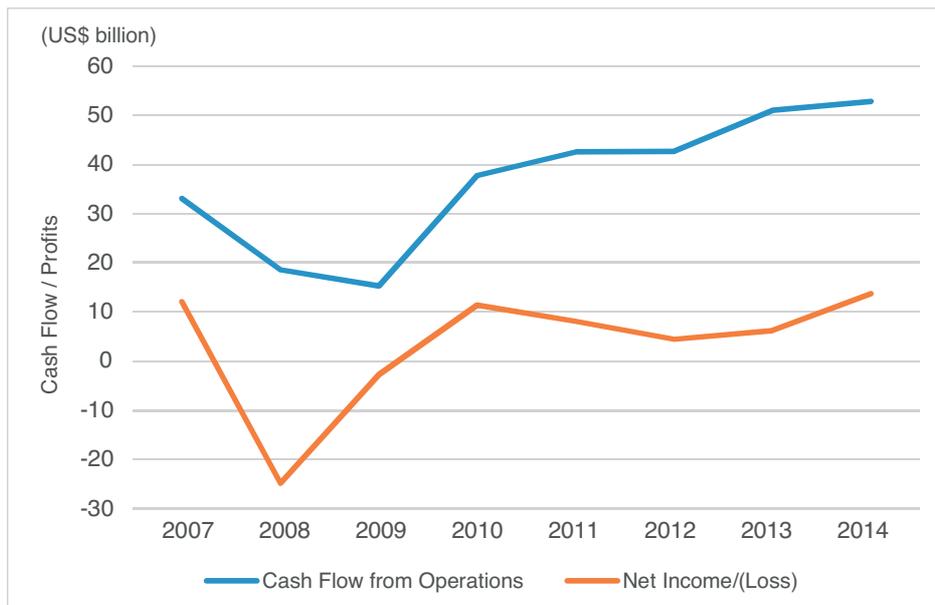
2.2.2.1 Alternative sources of aircraft supply

The secondary market supply of aircraft arises from both managed and un-managed events. The latter includes airline bankruptcies, which lead to used aircraft being placed on the market. Ascend analysis indicates that on a long-run average, the number of aircraft impacted by default through airline bankruptcy is less than 1% of the overall fleet. This risk is further mitigated by the globally liquid nature of aircraft assets with an idled asset easily redeployed to another region where demand may be stronger.

2.3. Factors Driving Airline Industry Cash Flows

Airlines are exposed to exogenous shocks that can have a large impact on their revenues or costs. In contrast, the revenues for an aircraft operating lessor are exposed directly to airline cash flows - not airline profits. This means that the key source of lease rental income for an aircraft operating lessor is the airlines' cash flow from operations, which is inherently less volatile than industry profits as highlighted in chart 7.

Chart 7 — Global Airline Profits and Operating Cash Flows



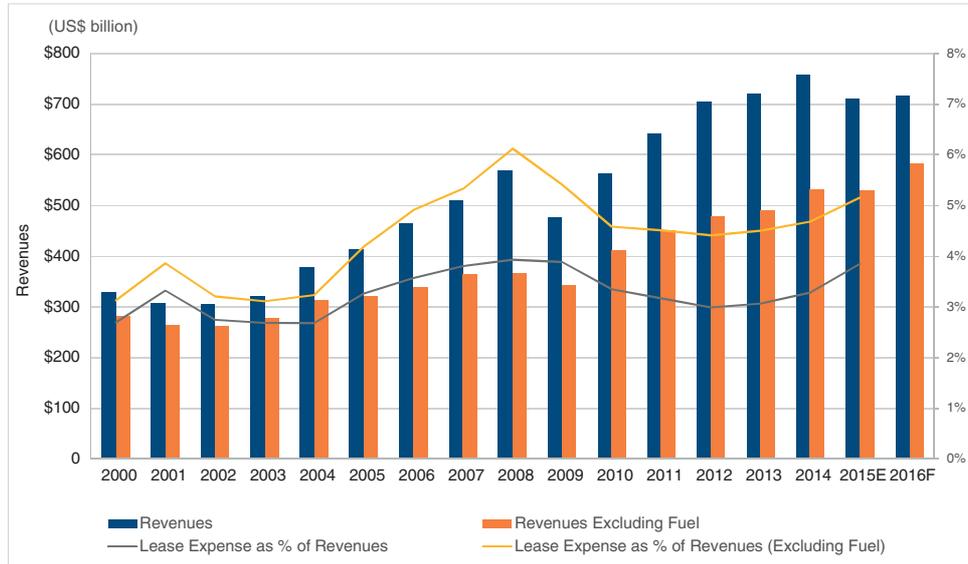
Source: *The Airline Analyst*, excludes exceptional (non-cash) items

The airline industry's largest loss was incurred in 2008 when jet fuel prices spiked briefly to US\$180/barrel and then suddenly dropped causing non cash hedging losses (current price is around US\$50/barrel). The cumulative losses pushed some 60 airlines out of the industry. This episode taught the airline industry to focus more on cash flows instead of pursuing traffic market share. With the recovery of oil prices in 2009, this newly established financial discipline, especially in slow-growing or mature markets, gave airlines the confidence to impose fuel surcharges on their passengers.

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The fundamental drivers for the industry's growth have remained strong to date and, following each downturn, the industry has quickly recovered to pre-crisis levels of profitability.

Chart 8 — Global Airline Revenues, Net of Fuel Expenses



Source: IATA, Ascend analysis

The estimated lease expense for the 7,900 aircraft operated on lease in 2015 was around US\$27 billion. Hence, operating lease expense is only around 3.8% of overall revenues or 6.1% revenues excluding fuel. This is a small cost to an airline given the importance to an airline's underlying business.

2.4. Future Outlook for Airline Industry Profitability and Cash Flow Generation

Compared to IATA's estimated global airline operating margin of 7.7% for 2015, the major airlines in North America and Europe are forecast to have operating margins in excess of 10% for 2016. In contrast, some emerging markets such as South East Asia and India are in the early stages of liberalisation. This stage sees many new entrant airlines, with consequent downward pressure on margins. It is likely we will see consolidation and improved profitability as these markets mature.

In total, IATA forecasts global airline industry operating profits of close to US\$60 billion in 2016, with net profits of US\$36 billion.

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2.5. The Investor Base in Aircraft

2.5.1. Size of the total investor base in aircraft

The breadth of the aircraft investor base is important to operating lessors when they dispose of aircraft. One measure of the size of the potential investor base is the total number of aircraft owners recorded in the Flightglobal Fleets Analyzer database, which is shown in table 3 below.

Table 3 — Number of Owners in 2005 vs. 2015

Owner category:	Number in 2005	Number in 2015	Change
Financial	2,598	3,585	38%
Airlines, Business & General Aviation	442	455	3%
Others	210	160	-24%
Total	3,250	4,200	29%

Note: Data are as at 31 December 2005 and 2015

Source: Flightglobal Fleets Analyzer

Sales with a lease attached average nearly 400 transactions per year, with an increasing trend from a trough of 141 (to 67 different buyers) in 2009 to over 550 sales (to 198 different buyers) in 2015.

2.5.2. What are the key economic criteria for investment — simple return analysis

The key drivers behind the returns on an aircraft with an operating lease attached can be subdivided into three categories including (i) credit related factors such as the lease rate and lease term, the credit quality of the lessee and contracted maintenance return conditions; (ii) asset related factors such as aircraft liquidity and acquisition cost; (iii) investor's cost of equity and debt capital.

Modern, in demand aircraft types have proven to be liquid and globally mobile assets. This has been helped by the Cape Town treaty (ratified by 57 countries to date), which standardizes owner and creditor rights in event of a lessee default, as well as the creation of international aircraft asset registries. Historically, the lease terms for younger aircraft would range between 6 and 12 years depending on aircraft type and market conditions.

In order to mitigate any exposure, aircraft operating lessors usually require a separate maintenance cost compensation in the form of supplemental rent or an end-of-lease payment depending on the lessee's credit quality.

Younger aircraft tend to generate higher lease revenues for aircraft operating lessors as they are often placed on lease for longer periods and at a higher lease rate than their older counterparts.

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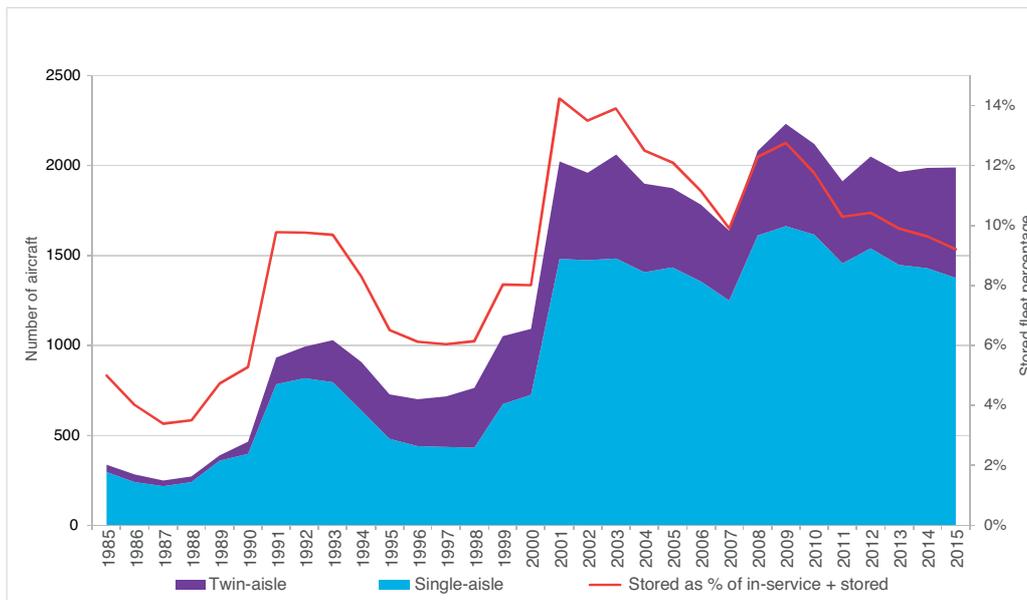
3. THE AIRCRAFT VALUE CYCLE

3.1. The Impact of Demand Downturns

Over the past 20-30 years, airlines have developed strategies to mitigate the risks associated with swings in the economic and business cycles. In downturns older aircraft are more likely to be parked, as they typically burn more fuel and have higher maintenance costs than newer types.

The fleet in storage to some extent reflects this adjustment of capacity. The stored commercial jet inventory now exceeds 2,000 aircraft. However, a large majority of these aircraft are ageing and have been in storage for a significant amount of time. Aircraft in storage for two or more years are typically economically retired as the cost to return these aircraft to service will be significant. Thus, most of this stored inventory is at end-of-life and awaiting part-out or scrap at final retirement.

Chart 9 — Stored Aircraft 1985 to 2015



Source: Flightglobal Fleets Analyzer

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In 1991 and 2001 only 20% of the incremental fleet of stored aircraft were in-production types. The smaller jump in the stored fleet in 2008 contained 60% of in-production aircraft. However, within this, many of the Airbus 320 family and Boeing 767-300s parked were more than 15 years old, reflecting the long-production runs of these two types. This data clearly shows the lower risk of storage that accompanies a younger fleet. If younger in-production aircraft enter storage in a downturn, they are also likely to return to service more quickly.

Increase in parked fleet:	1991	2001	2008
Out-of-production types	360 (77%)	750 (81%)	273 (61%)
In-production types	107 (23%)	181 (19%)	171 (39%)
Total	467	931	444

3.2. Aircraft Values and Where We Are in the Cycle

3.2.1. Aircraft Values

Aircraft are long-life assets with finite useful economic life. The value of an aircraft depreciates over its useful economic life. Aircraft values are fundamentally impacted by supply and demand, both at a macroeconomic and also at the specific asset level. Periods of excess supply can lead to lower aircraft values, whilst periods of excess demand can conversely lead to increasing aircraft values. Thus exists an aircraft value cycle.

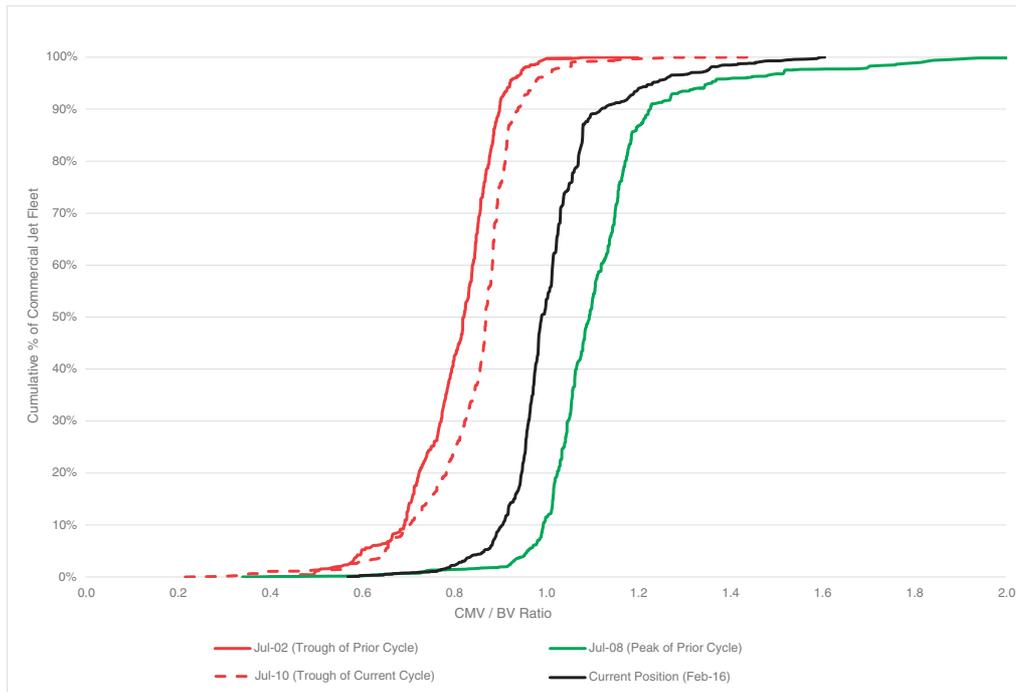
3.2.2. Where are aircraft values in the current cycle?

The aircraft value cycle may be understood by considering the relationship between Current Market Value (“CMV” - the spot trading value) and Base Value (“BV” - underlying long term economic value).

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Chart 10 below illustrates the previous and current aircraft value cycle, demonstrating the cumulative % of installed fleet compared to CMV / BV. It shows that the trough of the prior (2001 — 2008) cycle in July 2002 and the trough of the current cycle are remarkably similar. It also shows that the peak of the prior cycle in July 2008 lies considerably to the right of the current position in the cycle.

Chart 10 — Aircraft Value Cycle



Source: Ascend Values from Flightglobal

The magnitude of the improvement in the prior and current cycle is evident. In the current cycle, aircraft market values have only improved by about half as much as they did in the prior cycle. Thus, if the current cycle continues to evolve in line with the prior cycle, there could be potential upside in aircraft values.

3.3. Historical Returns Analysis Comparing Aircraft Operating Leasing vs. Other Asset Classes

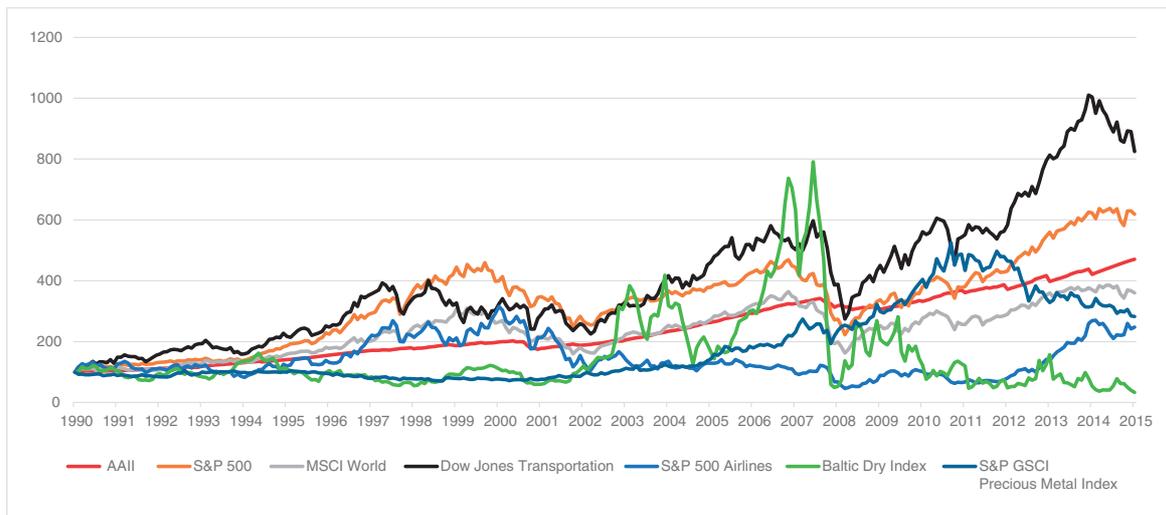
The Ascend Aircraft Investment Index (“AAII”) is a model that simulates the way an aircraft operating leasing portfolio functions and its respective unlevered returns over the period of measurement. The model specifies assumptions concerning the investment strategy that will be undertaken for the hypothetical aircraft operating lease portfolio. The aircraft portfolio and underlying lease rates and values thus simulate the passive portfolio strategy executed by an aircraft operating lessor. The passive strategy excludes any active trading and measures unlevered returns from operating leasing.

INDUSTRY OVERVIEW

The model simulates the essential processes in an operating lease portfolio, such as acquisitions and disposals of aircraft, and the placement of aircraft on consecutive leases. Its inputs are based on Ascend's historical Current Market Values and Current Market Lease Rates ("CMLR") to mirror past circumstances.

Monthly returns from the portfolio includes factors such as asset appreciation/depreciation, lease cash flow, lessor fees, capital expenditure for new acquisitions and capital gains from asset disposals (if any).

Chart 11 — Ascend Aircraft Investment Index (AAIL)



Source: Ascend research

The AAIL demonstrates achievable annual core unlevered returns of 6.4% for the 1991-2015 period, with a return volatility of 5.5%. Aircraft types included in this sample portfolio are the Airbus A320 and Boeing 737 Classic and NG families, Airbus A330 family, Boeing 757-200, Boeing 767-300ER and Boeing 777-300ER.

Good returns, paired with low volatility, promise a favourable profit-to-risk return. Low volatility also implies that the returns from the portfolio are largely independent of cyclical movements. The fact that the AAIL curve has a visibly different shape from other curves, which largely have a similar profile, suggests that the AAIL has a low correlation with other indices.

A high quality portfolio of modern aircraft and a full service operating lease platform actively engaged in portfolio management will likely command significantly higher returns than suggested in the passive base case scenario.

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4. COMPETITION IN THE AIRCRAFT OPERATING LEASE INDUSTRY

4.1. Top 10 Aircraft Operating Lessors

At the end of December 2015, there were 158 operating lessors managing commercial jets with 100 or more seats, and their freighter equivalents. Ten of these companies owned or managed portfolios of 200 or more in-service aircraft and a further 33 managing 25 or more aircraft. 30 years ago there were only five operating lessors with portfolios of 25 or more aircraft. There are, however, some barriers to entry that a new aircraft operating lessor faces.

Table 4 — Top Ten Operating Lessors by Fleet Size (Including Firm Order Backlog) as at 31 December 2015

Rank	Lessor	Current Fleet		Firm Order Backlog	Fleet Total (including Backlog)	Fleet Value (\$m; excluding Backlog)
		Single-Aisle	Twin-Aisle			
1	AerCap	941	304	416	1,661	29,839
2	GECAS	1,069	161	266	1,496	27,452
3	Air Lease Corporation	204	46	389	639	9,406
4	SMBC Aviation Capital	386	7	205	598	10,354
5	BOC Aviation	225	45	241	511	9,943
6	CIT Aerospace	238	57	132	427	8,599
7	BBAM LLC	328	81	—	409	14,712
8	Aviation Capital Group	254	8	105	367	5,796
9	Avolon Aerospace Leasing Limited & Hong Kong Aviation Capital	190	39	136	365	8,473
10 . . .	AWAS	215	43	2	260	6,628
	Top Ten Lessors Total	4,050	791	1,892	6,733	131,202
	148 Other Lessors	2,899	783	561	4,243	91,886

Note: Fleet data includes both owned and managed western built aircraft of 100+ seat passenger jets and their freighter versions under operating lease. The information regarding firm order backlog and customer identity is based on the OEMs' announced orders and does not include orders which have not been publicly announced.

Source: Flightglobal Fleets Analyzer

There are 36 operating lessors with their head office in Asia-Pacific, with the top ten Asian-based operating lessors accounting for 81% of the fleet. BOC Aviation is the largest of these. Single-aisle jets make up 86% of the Asia-Pacific operating lessor fleet.

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Table 5 — Top Ten Asia-Pacific Based Operating Lessors by Fleet Size (Including Firm Order Backlog) (as at 31 December 2015)

Rank	Lessor	Current Fleet		Firm Order Backlog	Fleet Total (including Backlog)	Fleet Value (\$m; excluding Backlog)
		Single-Aisle	Twin-Aisle			
1	BOC Aviation	225	45	241	511	9,943
2	Avolon Aerospace Leasing Limited & Hong Kong Aviation Capital	190	39	136	365	8,473
3	ICBC Leasing Co	174	25	50	249	7,287
4	China Aircraft Leasing Limited	59	4	107	170	2,111
5	CDB Leasing Company	119	32	—	151	5,289
6	BoCom Leasing	78	13	—	91	3,330
7	MCAP/MC Aviation Partners Inc	68	19	—	87	2,764
8	Changjiang Leasing Company	57	—	—	57	1,473
9	CCB Financial Leasing Corporation Limited	31	5	—	36	1,545
10. . . .	AVIC International Leasing	32	1	—	33	997
	Top Ten Lessors Total	1,033	183	534	1,750	43,210
	26 Other Lessors	236	29	—	265	8,704

Note: Fleet data includes both owned and managed western built aircraft of 100+ seat passenger jets and their freighter versions under operating lease. The information regarding firm order backlog and customer identity is based on the OEMs' announced orders and does not include orders which have not been publicly announced.

Source: Flightglobal Fleets Analyzer

4.2. Operating Metrics Benchmarking of Top Aircraft Lessors

A number of operating metrics used to benchmark aircraft operating lessors are shown in tables 4 and 5 — such as current fleet size, order backlog and total aircraft value. Other metrics include the average fleet age and geographical distribution of the fleet.

The current average fleet age of all operating lessors' in-service fleet is 9.9 years, mirroring the average age of the global operating fleet. However, the average age of eight of the current ten largest operating lessors is lower than this. Amongst these, BOC Aviation has the lowest average fleet age and has maintained this consistently at between three and four years since 2005. Several of the other largest aircraft operating lessors have seen more volatility in their average fleet ages, perhaps indicating inconsistencies in portfolio strategy or even large trade acquisitions or disposals which impact the overall structure of the portfolio. Aircraft operating lessors with a lower average fleet age benefit from a lower depreciation cost relative to the asset's book value.

INDUSTRY OVERVIEW

The average age of the operating lessor fleet is inversely related to the average remaining lease term. The longer average remaining lease term provides the lessor with more opportunity to take advantage of market circumstances by trading the aircraft with a lease attached prior to the lease expiry.

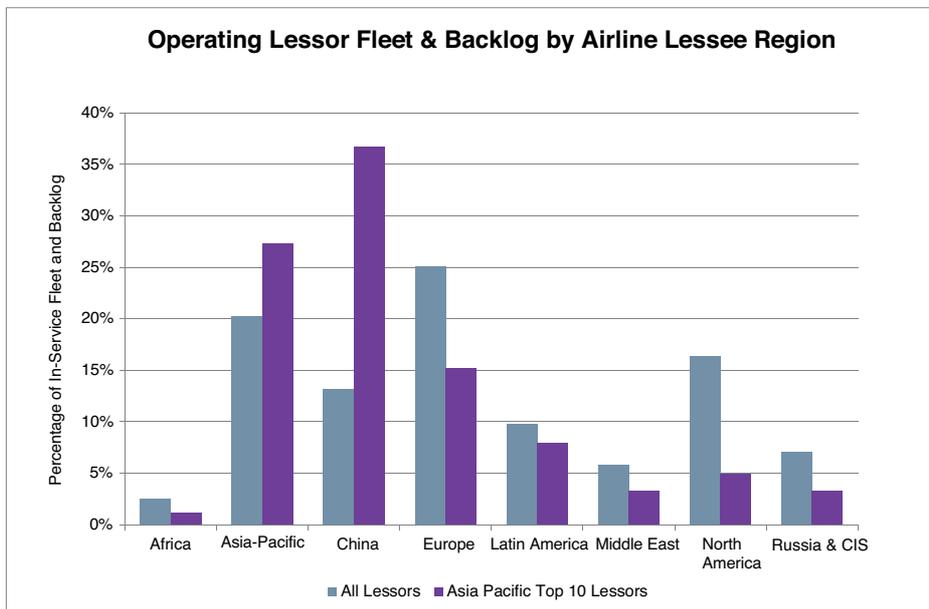
Table 6 — Average Remaining Lease term of the Selected Aircraft Operating Lessors as at 31 December 2014

2014 performance	BOC						
	Aviation	AerCap	Aircastle	Air Lease	AWAS*	Avolon	ACG
Fleet age (yrs)	3.2	7.7	8.4	3.5	4.9	2.5	5.8
Average remaining lease (yrs)	7.5	5.7	5.4	7.3	5.8	7.1	NA

* Yr to 30 Nov, 2014.

Source: Company reports, Flightglobal Fleets Analyzer

Chart 12 — All Aircraft Operating Lessor and Top 10 Asian Lessors Current Fleet and Backlog by Lessee region



Source: Flightglobal Fleets Analyzer — as at 31 Dec 2015

INDUSTRY OVERVIEW

4.3. Cost of Financing for Lessors

4.3.1. Importance of credit ratings to driving volume debt issuance

From the beginning of 2015 to date, aircraft operating lessors have issued a total of just over US\$13bn worth of corporate bonds globally. Corporate ratings (from Moody's, Standard & Poor's and Fitch as applicable) of aircraft operating lessors have been stable at "near investor grade" levels over time with BOC Aviation being investment grade since gaining a rating in 2012. Ratings of most aircraft operating lessors have either remained at their respective inaugural levels or have notched up over time.

The relationship between the lessors' cost of debt and their corporate rating is shown in Table 7 and Table 8 below. Aircraft operating lessors with a higher credit rating are able to raise debt at lower interest rates. Issuers with weaker credit ratings committed to higher yields to maturity incur larger risk premiums and overall debt costs than higher rated issuers. Therefore, higher credit rating translates into a significant advantage in the capital intensive aviation industry.

Table 7 — Current Credit Ratings for Selected Aircraft Operating Lessors

	BOC						
	Aviation	AerCap	Aircastle	Air Lease	AWAS	Avolon	ACG
Moody's	NA	Ba1	Ba1	NA	Ba3	NA	NA
Standard & Poor's	A-	BBB-	BB+	BBB-	BB+	NA	BBB-
Fitch	A-	BB+	NA	NA	NA	NA	BBB-

Source: Bloomberg (information as at the Latest Practicable Date)

Table 8 — Performance Benchmark of the Selected Aircraft Operating Lessors as at 31 December 2014

	BOC						
2014 performance	Aviation	AerCap**	Aircastle	Air Lease	AWAS*	Avolon	ACG
Net Debt to Equity	384%	364%	208%	238%	222%	310%	327%
Depreciation/Average assets	4.0%	NM	5.6%	4.1%	4.3%	3.7%	4.4%
Interest cost/Average gross debt	1.9%	4.3%	6.4%	3.5%	5.2%	5.2%	4.3%

* Yr to 30 Nov, 2014. ** AerCap data includes ILFC acquisition from May 2014.

Source: Companies' financial reports

INDUSTRY OVERVIEW

4.3.2. Importance of diversified funding sources to match long term assets

Aircraft operating lessors receive US\$ cashflows to repay their US\$ debts. Meanwhile, long-term debt provides an aircraft operating lessor with flexibility to take advantage of the market cycle. Particularly in the current low interest rate environment, debt maturities which match or exceed the lease terms or the points of disposal of the aircraft are less risky. This is particularly the case in the early to mid-age aircraft space. Here the asset values are less volatile and existing aircraft operating lease commitments are likely to command a market premium in the event of disposal. Long term debt further enhances the aircraft operating lessor's ability to manage the asset portfolio through the cycle.

BUSINESS

1. OVERVIEW

We are a leading global aircraft operating leasing company. We are the largest aircraft operating leasing company headquartered in Asia, and the fifth largest global aircraft operating leasing company, in each case as measured by the value of owned aircraft as at 31 December 2015 (excluding aircraft ordered but undelivered).

Our business model is underpinned by strong global trends in the aviation industry. Our business benefits from (i) strong growth in travel volume and an increasing propensity to fly, particularly in the Asia Pacific region, driving the demand for new aircraft, and (ii) an increasing preference for many airlines to lease rather than to purchase aircraft. Our aircraft are mobile, can be redeployed throughout the world, and have long economic lives. We also benefit from long-term, U.S. Dollar-denominated cash flows from a global customer base who lease our aircraft, and from owning assets with values denominated in U.S. Dollars, which enables us to operate a global business without exposing us to currency risk. We believe the scale of our business and our investment grade credit ratings make us an attractive counterparty to both aircraft manufacturers and airline customers, which further reinforces our competitiveness.

Our specialised aviation industry knowledge, our relationships with airline customers, aircraft manufacturers and other key aviation industry participants, together with the long-term experience and talent of our senior management team and other key employees have enabled us to deliver strong operational and financial results through multiple industry cycles. In particular, we have delivered 22 years of unbroken profitability, with approximately US\$2.1 billion in cumulative profits from inception through 2015. Our average ROE over the Track Record Period of 15.1% is amongst the highest for all listed aircraft operating leasing companies.

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. From our inception in 1993 to 31 December 2015, we have:

- purchased and committed to purchase more than 670 aircraft, with an aggregate purchase price in excess of US\$32 billion;
- executed more than 590 leases with more than 120 airlines in 48 countries;
- raised more than US\$16 billion in debt financing since 1 January 2007;
- sold more than 210 owned and managed aircraft; and
- transitioned more than 50 aircraft at lease end and repossessed 29 aircraft from airline customers based in 11 jurisdictions.

BUSINESS

We maintain a fleet of young, fuel-efficient, in-demand aircraft types. As at 31 December 2015, our aircraft fleet comprised 270 aircraft, of which 227 were owned aircraft and 43 were managed on behalf of third party customers, and these aircraft are on lease to 62 airlines in 30 countries. As at 31 December 2015, the average aircraft age of our owned aircraft fleet was 3.3 years weighted by net book value, making our owned fleet one of the youngest in the aircraft operating lease industry. The average remaining lease term of our owned aircraft operating leases as at 31 December 2015 was 7.4 years, which is one of the longest in the industry. We also have a significant order book of 241 aircraft as at 31 December 2015, with an average of 40 aircraft committed for delivery each year in the period from 1 January 2016 to 31 December 2021. Our order book comprises principally popular single-aisle aircraft, such as the Airbus A320 family and Boeing 737 family, including the A320NEO and 737 MAX 8 new technology models.

We benefit from a low average cost of funds, which was 1.9% in 2013 and 2014 and 2.0% in 2015, supported by our strong credit ratings (which, as at the Latest Practicable Date, were A- from both Standard & Poor's and Fitch) and a diversified range of funding sources. Unsecured bonds and commercial bank financing are our primary sources of debt funding.

We enjoy strong and committed support from Bank of China, a top 10 bank globally by market capitalisation as at the Latest Practicable Date and a Fortune Global 50 company. Following completion of the Global Offering, Bank of China will retain a substantial majority shareholding in the Company, and the Company will remain as a subsidiary of Bank of China and will continue to carry the BOC brand name. In addition, Bank of China has provided us with a US\$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. This facility remained undrawn as at the Latest Practicable Date.

Our senior management team is highly experienced and stable, with Mr. Robert Martin (our Chief Executive Officer) and Mr. Phang Thim Fatt (our Chief Financial Officer) having worked together at the Company since 1998. This team has successfully managed the Group through multiple industry cycles. They are key to the Group's historical performance in executing successfully our business strategy and, in particular, in overseeing and leading the Group's active approach to risk management and corporate governance. In addition, many of our senior management have extensive experience working in the aviation industry in multiple jurisdictions.

2. COMPETITIVE STRENGTHS

Our competitive strengths include:

A young aircraft fleet and an aircraft order book comprised primarily of fuel-efficient, in-demand aircraft

Our current owned aircraft fleet and those aircraft we have committed to purchase are amongst the most widely used by airline customers and are highly liquid, being in-demand by airline customers and aircraft investors. As at 31 December 2015, the average aircraft age across our owned aircraft portfolio was 3.3 years weighted by net book value, one of the youngest aircraft fleets in the aircraft operating lease industry.

Our core fleet comprises aircraft models and types that we believe have operational flexibility, that will appeal to a broad customer base for extended periods of time, that are fuel-efficient and technologically advanced, that can be sold on attractive terms and that can be transitioned readily between lessees. Narrowbody aircraft, such as the popular Airbus A320 family and Boeing 737 family, make up 68.6% of our owned fleet by net book value as at 31 December 2015. In addition, the majority of the widebody aircraft in our aircraft portfolio are the most popular twin-engine aircraft types — the Airbus A330-300 and Boeing 777-300ER.

We are well positioned for future growth, with a strong order book of 241 aircraft (including the more fuel-efficient A320NEO and 737 MAX 8) as at 31 December 2015, averaging 40 deliveries per year in the period from 2016 to 2021, providing our base contracted pipeline for deliveries of aircraft. We are also opportunistic when we see attractive opportunities to purchase additional aircraft from airlines through purchase and leaseback (“PLB”) transactions as well as purchase opportunities from aircraft manufacturers as and when they arise. Our balance sheet capacity and our backstop lines of credit enable us to react quickly to opportunities.

Scale and well-established long-standing relationships with aircraft manufacturers, airline customers and aircraft investors

We are a top five global aircraft operating leasing company by the value of owned aircraft according to market information sourced by Ascend. We benefit from significant financial scale, with assets of US\$12.5 billion as at 31 December 2015, and the ability to purchase, and to make future commitments to purchase, large numbers of aircraft. Combined with the skill and experience of our senior management team and our dedicated aircraft purchasing team, our scale and well-established long-standing relationships with the major aircraft and engine manufacturers, including Airbus and Boeing, allow us to achieve what we believe to be competitive aircraft purchase pricing and other terms.

BUSINESS

We have developed strong airline customer relationships over our 22-year history, allowing us to place our aircraft with a geographically diversified customer base. Our ability to move quickly to complete large transactions gives us a competitive advantage with our airline customers, who often prefer to execute single transactions for larger numbers of aircraft instead of multiple transactions. Our financial strength also enables us to take a counter-cyclical approach to investment in aircraft.

Selling aircraft is one of our core competencies. Since our inception in 1993, we have sold more than 210 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 programmes throughout industry cycles is one of our competitive strengths. Our innovative sale of a large portfolio of aircraft to a special purpose purchaser funded through the capital markets in 2015 was named IFR Asia's Structured Finance Deal of the Year for 2015. Our aircraft sales enable us to mitigate risks in our aircraft portfolio and generate gains on sale, as well as allowing us to reinvest sale proceeds in new aircraft investments.

Long-term contracted cash flows from a geographically diversified customer base

We have a globally diversified client base across customers and geographical regions. This diversification reduces our exposure to risks associated with customer concentrations and fluctuations in regional geopolitical and economic conditions. Our customers for our owned and managed aircraft included 62 airlines in 30 countries as at 31 December 2015. The single largest customer group accounted for 7.2% of our total lease rental income and the single largest jurisdiction accounted for 8.5% of our total lease rental income for the year ended 31 December 2015. Our regional exposure is diversified, but weighted towards what we believe to be the high growth markets in Asia. Asia Pacific (excluding Chinese Mainland, Hong Kong, Macau and Taiwan) was our largest regional exposure, accounting for 33.2% of total lease rental income in 2015, with Chinese Mainland, Hong Kong, Macau and Taiwan together accounting for 16.7%, and the Americas, Europe and Middle East and Africa accounting for 19.5%, 23.9% and 6.7%, respectively.

We have strong and proven aircraft placement capabilities. Our aircraft are typically committed for lease well in advance of their delivery to us, and our aircraft utilisation rate (being the total number of on-lease days as a percentage of available lease days) was 99.8% between 1 January 2008 and 31 December 2015.

Our revenue is driven by the long-term operating leases we enter into with our airline customers. The profile of our airline customers is analysed and monitored on a regular basis, consistent with our strong risk-aware culture. The average remaining lease term for our owned aircraft was 7.4 years as at 31 December 2015, weighted by net book value, one of the longest in the aircraft operating lease industry.

BUSINESS

Disciplined and active aircraft portfolio management to ensure a high quality aircraft fleet

We take a disciplined and active approach to aircraft portfolio management. Our portfolio management and in-house capabilities have been developed over our 22 year operating history. We focus on purchasing new, fuel-efficient, in-demand aircraft and plan our fleet replacement and growth in a disciplined way and based upon our assessment of, and expectations for, the aviation industry and the overall demand for aircraft from customers. Aircraft sales also play a key role in our portfolio management activities, in particular in seeking to maintain a young average aircraft age across our fleet, reduce aircraft and counterparty concentration risk and/or exit from non-core or less popular aircraft types, amongst other things.

Our comprehensive in-house capabilities include aircraft purchasing, global lease placements, investor sales, risk management and technical and operating lease management. Our scale, experience and full service portfolio management teams aim to ensure that we maintain an aircraft portfolio that is closely-matched with market demand and to maximise value of our fleet.

Strong credit ratings and proven access to competitively priced debt funding

We have one of the highest credit ratings in the aircraft operating lease industry, with an investment-grade credit ratings of A- from both Standard & Poor's and Fitch and access to diversified financing sources.

We believe we have one of the lowest costs of debt funding amongst aircraft operating leasing companies globally. We maintain a proactive approach to financing through our dedicated treasury team which has banking relationships with over 60 banks and financial institutions in Asia, Australasia, Europe, the Middle East and North America. We also continue to pursue and develop financing sources from new markets. For example, in 2015 we sourced an unsecured syndicated bank loan in the Japanese market, which included more than ten new lenders.

Since 2000, our debt capital markets issues have allowed us to access multiple bond markets, including the Regulation S market, the Singapore bond market, Chinese Renminbi and Australian dollar bond markets and the U.S. Rule 144A international market. As at the Latest Practicable Date, we have raised over US\$4.5 billion in debt capital markets financing since 2000. We also benefit from strong financing relationships with U.S. Exim and the European export credit agencies dating back to 2000. In addition, we also have strong backstop liquidity, with an aggregate of US\$2.7 billion in committed unsecured revolving credit facilities as at 31 December 2015, US\$2.0 billion of which is provided by Bank of China under a facility expiring in 2022. As at 31 December 2015, US\$2.5 billion of our committed unsecured revolving credit facilities remained undrawn.

BUSINESS

Given our proven track record and strong shareholder support from Bank of China, we are able to operate and grow our business through debt funding leverage, while also maintaining our strong credit ratings. In addition, our cost of debt funding, ability to access the capital markets and our efficient capital structure enable us to achieve an attractive equity return profile and provide us with the flexibility to execute large aircraft purchase transactions opportunistically.

Experienced senior management team with a proven track record through multiple industry cycles and a strong risk-aware culture

We have an experienced senior management team consisting of executives of different nationalities, with diverse professional backgrounds and a long tenure of working in the aircraft operating lease industry and with the Group. Our Chief Executive Officer and our Chief Financial Officer have worked together in their respective leadership positions within the Company for 18 years, providing industry-leading continuity.

Our senior management team has a proven track record of delivering strong financial performance. We have had 22 years of unbroken profitability since our inception in 1993, with approximately US\$2.1 billion in cumulative profits through 2015. Over the Track Record Period, our average ROE of 15.1% was amongst the highest for all listed aircraft operating leasing companies, whilst the volatility of our ROE was the lowest amongst all listed aircraft operating leasing companies. Together, the senior management team has overseen the expansion of our owned and managed aircraft fleet from 76 as at 1 January 2008 to 270 as at 31 December 2015.

Our senior management team have worked together through multiple industry cycles and have a strong track record in anticipating and capturing opportunities as they arise in different points of the industry cycle. For example, from the last quarter of 2008 to the end of 2009, we acted decisively to take advantage of a number of attractive investment opportunities that arose from the financial crisis and we acquired 61 aircraft, of which 40 were purchased through PLB transactions.

Active risk management is an integral part of our strategy and culture. We take a holistic approach to managing balance sheet risks. On the asset side of our balance sheet, we maintain a high-credit quality portfolio by using models which analyse market and other data to provide us with information on the credit profiles of our airline customers and the marketability of our aircraft, and establishing internal guidelines on aircraft type and customer diversification. This has resulted in a lease payment collection rate averaging 99.6% from 1 January 2008 to 31 December 2015. On the liability side of our balance sheet, we closely monitor Group liquidity, our debt repayment profile and counterparty risk in relation to financial institutions. Furthermore, our senior management team has a proven track record in limiting interest rate risks and managing the tenor of our debt. We believe our senior management's strong focus on risk is a key differentiator for the Group, and has contributed to the stability of our business performance.

BUSINESS

3. BUSINESS STRATEGIES

Our objective is to deliver attractive risk-adjusted returns to our Shareholders by pursuing the following strategies:

Continue to grow our young, liquid aircraft portfolio with a disciplined approach and focus on in-demand aircraft

Our business model is focused on investing in highly liquid aircraft assets: aircraft that have large production runs, a broad airline operator base and strong investor appeal. We will continue to take a disciplined approach to purchasing aircraft based on our measured assessment of future demand and supply dynamics and of future capital availability.

Our portfolio will continue to be built mainly around the most popular single-aisle aircraft, such as the Airbus A320 family and Boeing 737 family, including the A320NEO and 737 MAX 8 new technology models, all of which enjoy high worldwide demand. We will also seek to acquire in-demand widebody aircraft on attractive terms where a long-term lease customer for the aircraft has been identified.

We have successfully taken advantage of market volatility and dislocations in the past to purchase significant numbers of aircraft both from the manufacturers and airlines. We are strongly positioned to access low-cost funding to fund opportunistic transactions and we have a scalable operating platform to support these activities.

Actively manage our existing aircraft portfolio to mitigate risk with a view to maximising long term value

We seek to actively manage our aircraft portfolio with a view to maximising the long-term economic value of our owned aircraft and to mitigate risk. Active aircraft portfolio management involves opportunistically selling aircraft, to manage risk and to generate gains on sale, and reinvesting the proceeds in new aircraft.

Our core strategy is to grow our earnings and assets over the long term, with an emphasis on investing more at the low points in the airline industry and financial liquidity cycles and selling more at the high points in those cycles. We will continue to aim to accomplish this by (i) maintaining a young fleet of narrowbody aircraft and focusing on stronger airline customers which we consider to be financially strong with whom we will place our aircraft on longer lease terms, and (ii) optimising the liability side of our balance sheet with the lowest cost and most flexible funding available to us.

BUSINESS

Continue to develop and grow our long-standing relationships with key industry participants

We have developed strong customer relationships during our 22-year operating history. We also have a presence in a number of key global aircraft operating leasing markets and in addition to maintaining close relationships with our existing customers, are able to develop new airline customers and source potential transactions across the globe. We expect to continue to grow and diversify our client base by focusing our leasing activities on airlines in high-growth areas of the world. Where appropriate, we will also seek to better serve our customers by opening new offices, such as our office in Tianjin (PRC) which opened recently. Our subsidiary in Tianjin was set up for the purpose of developing business opportunities with Chinese airlines by basing staff from our leasing team in China, and to allow us to offer more competitive terms for operating leases entered into with Chinese airlines by eliminating the Chinese withholding tax liability that would apply to a cross-border lease. Additionally, we will continue to seek new opportunities that allow us to expand our relationships with aircraft investors and other aviation industry participants.

Our senior management team will continue to play a key role in developing and growing customer and other key relationships. The strong relationships of this team with key industry participants, such as the aircraft manufacturers and airlines, position us to access new and additional market opportunities to drive growth in revenues and cash flow. We believe that our senior management team's experience in the aircraft operating lease industry is particularly valued by our airline customers, allowing the Group to work with them to understand their long-term needs and assist them in managing their business plans and fleet requirements.

Further diversify our financing sources to maintain our low cost of funding, financing flexibility and efficient capital structure

We will seek to continue to build on our long-term relationships with commercial banks and capital markets investors. We will continue to use a balanced mix of funding sources, including the commercial banking market and the debt capital markets and seek to maintain comparatively low debt funding costs. Drawing on our strong relationship with Bank of China and appropriately targeting key credit metrics in the execution of our business model, we will seek to ensure that we maintain our current strong credit ratings. Our investment grade corporate credit ratings and our access to diverse sources of capital allow us to maintain an efficient capital structure and generate attractive returns on equity for our Shareholders.

4. OUR AIRCRAFT FLEET

Our core fleet comprises aircraft types that will appeal to a broad airline customer base over extended periods of time, that are fuel-efficient and technologically advanced, and that have broad appeal to aircraft investors. Our fleet portfolio strategy is determined and regularly reviewed by our management and Board.

BUSINESS

a. Current Fleet

As at 31 December 2015 our fleet and order book comprised the following aircraft types:

Aircraft type	Owned Aircraft	Managed Aircraft	Aircraft on Order ⁽¹⁾	Total Number of Aircraft
<i>Narrowbody Aircraft</i>				
Airbus A320CEO family	108	14	58	180
Airbus A320NEO family	0	0	64	64
Boeing 737NG family	78	12	54	144
Boeing 737 MAX 8	0	0	61	61
Embraer E190 family	11	2	0	13
<i>Narrowbody sub-total</i>	<u>197</u>	<u>28</u>	<u>237</u>	<u>462</u>
<i>Widebody Aircraft</i>				
Airbus A330-300	11	8	2	21
Boeing 777-300ER	13	2	2	17
Boeing 777-300	1	1	0	2
Boeing 787	2	0	0	2
<i>Widebody sub-total</i>	<u>27</u>	<u>11</u>	<u>4</u>	<u>42</u>
Freighters	<u>3</u>	<u>4</u>	<u>0</u>	<u>7</u>
Total	<u><u>227</u></u> ⁽²⁾	<u><u>43</u></u>	<u><u>241</u></u>	<u><u>511</u></u>

Notes:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at 31 December 2015 and as at the Latest Practicable Date, there were 14 and 11 aircraft, respectively.
- (2) As at 31 December 2015, the Company had classified as assets held for sale seven aircraft, comprising six Airbus A320CEO family aircraft and one Boeing 737NG family aircraft, for which it had entered into agreements to sell in accordance with the Company's strategy of actively managing its aircraft portfolio.

As at 31 December 2015 our fleet comprised 227 owned aircraft and 43 managed aircraft, which is the largest owned fleet amongst aircraft operating leasing companies headquartered in Asia and the fifth largest owned fleet amongst global aircraft operating leasing companies. As at the Latest Practicable Date, our fleet comprised 231 owned aircraft and 39 managed aircraft, which reflects the purchase of 16 owned aircraft and sale of 12 owned aircraft since 31 December 2015. After 31 December 2015, we entered into commitments to purchase four new aircraft and accordingly, our order book comprised 226 aircraft as at the Latest Practicable Date.

As at 31 December 2015, the average aircraft age across our owned aircraft portfolio was 3.3 years weighted by net book value, making our owned aircraft fleet one of the youngest in the aircraft operating lease industry. We intend to sell all of our owned aircraft that are more than 10 years old and all aircraft that are out of production before 31 December 2016.

BUSINESS

The popular Airbus A320 family and Boeing 737NG family aircraft form the core of our current fleet. These are the most widely used single-aisle aircraft in the world, and have historically had strong demand from both airline operators and aircraft investors. The balance of our current fleet is made up mainly of the popular twin-aisle models Airbus A330-300 and Boeing 777-300ER aircraft. In addition, we have Embraer E190 family aircraft, which are narrow-body medium-range twin-engine jet airliners, and a small number of Boeing 787 aircraft, which are long-range, mid-size, wide-body, twin-engine jet airliners. We also have a small number of wide-body, maindeck freighters within our fleet.

The following table sets out a breakdown of the number of aircraft delivered to us for the years indicated.

	Year ended 31 December								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
From order book	7	14	17	27	22	22	31	41	44
From PLB transactions	0	12	31	5	6	5	17	16	6
Total aircraft	<u>7</u>	<u>26</u>	<u>48</u>	<u>32</u>	<u>28</u>	<u>27</u>	<u>48</u>	<u>57</u>	<u>50⁽¹⁾</u>

The following table sets out a breakdown of the number of owned aircraft sold by us for the years indicated.

	Year ended 31 December								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of owned aircraft sold	12	12	3	10	10	6	21	33	43 ⁽¹⁾

Our fleet has grown significantly since 2007. The following table sets out the growth of our owned and managed fleet over that period.

	As at 31 December								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of owned aircraft .	59	73	118	140	158	179	206	230	227
Number of managed aircraft	17	19	24	26	25	24	20	20	43
Total aircraft	<u>76</u>	<u>92</u>	<u>142</u>	<u>166</u>	<u>183</u>	<u>203</u>	<u>226</u>	<u>250</u>	<u>270</u>

Note:

- (1) Of the 50 aircraft delivered in 2015, 10 were acquired by the relevant airline lessees as a result of the exercise of their options to take ownership of aircraft. Such aircraft were not included as owned aircraft sold.

BUSINESS

b. Aircraft Purchase Commitments

i. Overview

As part of our future growth plans we had, as at the 31 December 2015, commitments to acquire 241 aircraft, either through our order book with the OEMs or pursuant to purchase and leaseback transactions with airline customers. These commitments represent an average of 40 deliveries per year during the period from 2016 to 2021. As at 31 December 2015, our aircraft purchase commitments comprised the following:

	Number of Aircraft Scheduled for Delivery During Year Ended 31 December ⁽¹⁾					
	2016	2017	2018	2019	2020	2021
Aircraft type						
<i>Narrowbody Aircraft</i>						
Airbus A320CEO family . . .	41	17	0	0	0	0
Airbus A320NEO family . . .	0	10	24	27	3	0
Boeing 737NG family	18	23	13	0	0	0
Boeing 737 MAX 8	0	0	0	10	20	31
<i>Widebody Aircraft</i>						
Airbus A330-300	0	2	0	0	0	0
Boeing 777-300ER	0	2	0	0	0	0
Total	59	54	37	37	23	31

Note:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at 31 December 2015 and as at the Latest Practicable Date, there were 14 and 11 aircraft, respectively.

As at the Latest Practicable Date, we have commitments to acquire 226 aircraft as a result of deliveries since 31 December 2015.

We plan our fleet replacement and growth in a disciplined way, based upon our assessment of, and expectations for, the aircraft operating lease industry and the overall demand for aircraft from customers. Our order book provides our base contracted pipeline for our deliveries of aircraft, but we are also opportunistic when we see attractive investment opportunities for additional aircraft either from OEMs or pursuant to PLBs. Our balance sheet capacity and our backstop lines of credit enable us to react quickly to opportunities.

BUSINESS

Our relationships with the OEMs and our airline customers, which have been developed over our 22-year operating history, provide us with not only access to aircraft at competitive prices, but also access to those models of aircraft which we believe to be most beneficial to our business strategy and flexibility on aircraft delivery dates. They also provide us with insight into, and information on, technological and other aircraft design, re-design and operational developments and issues and general industry intelligence, including on potential aircraft demand trends. Our scale and relationships with our airline customers and the OEMs allow us to deploy a counter-cyclical investment approach. For example, from the last quarter of 2008 to the end of 2009, we acted decisively to take advantage of a number of attractive investment opportunities that arose from the financial crisis and we acquired 61 aircraft, of which 40 were purchased through PLB transactions.

ii. ***Lease Commitments for Future Aircraft Purchase Commitments***

Our integrated approach to aircraft purchasing, aircraft leasing and aircraft sales, together with an active approach to risk management, has contributed to our high aircraft utilisation rate of 99.8% between 1 January 2008 and 31 December 2015 (based on the total number of on-lease days as a percentage of available lease days). This approach mitigates significantly the issues and potential risks associated with owning aircraft without leasing commitments. See “*Business — Our Business Operations*” for further details.

As at 31 December 2015, of the 241 aircraft we had committed to purchase, 74 were committed for lease. As at the Latest Practicable Date, 19 of our scheduled aircraft deliveries for 2016 were delivered, and all these aircraft were on-lease at delivery, other than three, which were acquired by airline customers. As at the Latest Practicable Date, of the 226 aircraft we had committed to purchase, 85 were committed for lease. All of the remaining scheduled deliveries in 2016 are committed for lease. During the Track Record Period we have never failed to secure lease commitments from our airline customers for new aircraft deliveries.

iii. ***Financing Arrangements***

As at 31 December 2015, we estimate that the aggregate remaining capital commitments for the 241 aircraft we have committed to purchase amounted to US\$9.6 billion, with US\$1.9 billion of that amount expected to be paid during 2016. Consistent with the practice across the aircraft operating lease industry, the purchase price to be paid for these committed aircraft is not fixed at the time of entering into the relevant aircraft purchase agreement and will only be finalised upon the determination of the final specifications of the aircraft to be delivered and upon determination of all other relevant adjustments, including price escalation clauses. Our capital expenditure in 2016 will include pre-delivery payments associated with aircraft scheduled for delivery in the future.

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The Group's aircraft purchase commitments as at the Latest Practicable Date are expected to be financed through a range of diverse funding sources, including (a) revenue generated from the Group's aircraft operating leasing activities, (b) the proceeds from the Group's debt capital markets issues, (c) the amounts made available and drawn down under the Group's various bank financing facilities, and (d) the net proceeds of sale of owned aircraft we sell. In addition, whilst the Group has available to it and has access to sufficient cash resources to fund its aircraft purchase commitments as at the Latest Practicable Date, it also expects to apply the net proceeds from the Global Offering towards such purchase commitments.

iv. ***Key Terms of Aircraft Purchase Agreements with Manufacturers***

The key terms of an aircraft purchase agreement include a detailed specification of the aircraft type and engine choices (and any ability to change such specifications), the purchase price, the scheduled delivery timetable, the delivery conditions and the consequences in the event of manufacturer's delay in delivery. Our major obligations as a purchaser under an aircraft purchase agreement are to make engine and specification selections, supply buyer-furnished equipment and to make the required pre-delivery payments and the final payment and to take delivery of the aircraft from the manufacturer in accordance with the agreement.

The aircraft purchase price is usually paid to manufacturers in installments by way of pre-delivery payments and a final payment before delivery of the aircraft. Whilst the percentage of total purchase price of the aircraft required by the manufacturers to be paid in the form of pre-delivery payment installments is subject to negotiation between purchasers of aircraft and manufacturers, as much as 30% to 50% of the total aircraft purchase price is payable, typically beginning 24 months prior to scheduled delivery of the aircraft. The balance of the purchase price for the aircraft, ranging from 50% to 70% of the total purchase price, is due upon delivery. The purchaser will obtain the title to an aircraft upon payment of the final installment of the purchase price to the manufacturer. Aircraft manufacturers periodically announce the catalog price of certain models of aircraft manufactured by them, and on the basis of the catalog price manufacturers also adjust the purchase price of aircraft based on the change of certain indices or other variables, and the detailed price adjustment mechanism is set out in the aircraft purchase agreement. In addition, depending on the actual order and the then prevailing market conditions, the purchaser and the manufacturer may agree on other adjustments to the aircraft purchase price.

Aircraft manufacturing is a complex process and involves hundreds of suppliers of materials, parts and components. Aircraft manufacturers usually differentiate delivery delays caused by factors beyond their control from other delays. The aircraft purchase agreements between us and Airbus and Boeing provide for delays that may arise and the rights and remedies available to us as the purchaser in the event of such delays.

v. ***General Mandate to Purchase New Aircraft from Aircraft Manufacturers***

Aircraft purchases are part of our ordinary course of business and, as explained in "— Overview" above, we plan our fleet replacement and growth in a disciplined way, based upon

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our overall assessment of future demand for leased aircraft from airline customers. Our order book provides our base contracted pipeline for our deliveries of aircraft but we are also opportunistic when we see attractive investment opportunities to purchase additional new aircraft.

Following the Listing, if a purchase of aircraft exceeds certain thresholds as set out in the Listing Rules, we will be required to obtain the approval of Shareholders for such purchase. Given the frequency and size of our aircraft purchases in our ordinary course of business, this could have an impact on our ability to enter into aircraft purchase commitments as and when appropriate in order to build on our aircraft order book and to move quickly to capture new opportunities.

In order to provide us with greater flexibility to enter into aircraft purchase commitments as and when appropriate, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in *“Structure of the Global Offering — Conditions of the Global Offering”*, our sole Shareholder has by way of written shareholder’s resolutions granted a general mandate to the Directors to purchase new aircraft (the **“Aircraft Purchase Mandate”**) on and subject to the terms and conditions described below.

The terms and conditions of the Aircraft Purchase Mandate are as follows:

- (a) the Aircraft Purchase Mandate shall remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the end of the period within which the Company is required by the Constitution or any applicable laws to hold its next annual general meeting, and (iii) the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the **“mandate period”**);
- (b) all aircraft shall be purchased from either or both of Airbus SAS and The Boeing Company;
- (c) the aggregate number of aircraft which may be purchased from Airbus SAS under the Aircraft Purchase Mandate during the mandate period shall not exceed 50 single-aisle or “single-aisle equivalent” aircraft and may comprise the following aircraft types or a combination thereof:

Single-Aisle Aircraft:

- A320CEO family
- A320NEO family

Twin-Aisle Aircraft:

- A330 family (each equivalent to 2.5 single-aisle aircraft)

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- A330 NEO family (each equivalent to 2.5 single-aisle aircraft)
 - A350 family (each equivalent to 3 single-aisle aircraft);
- (d) the aggregate number of aircraft which may be purchased from The Boeing Company under the Aircraft Purchase Mandate during the mandate period shall not exceed 50 single-aisle or “single-aisle equivalent” aircraft and may comprise the following aircraft types or a combination thereof:
- Single-Aisle Aircraft:
- 737NG family
 - 737 MAX family
- Twin-Aisle Aircraft:
- 777 family (each equivalent to 3 single-aisle aircraft)
 - 787 family (each equivalent to 2.5 single-aisle aircraft);
- (e) the aggregate amount of the list price (comprising the airframe price, optional features price, engine price and forecast escalation) of the aircraft which may be purchased under the Aircraft Purchase Mandate during the mandate period shall not exceed US\$6.2 billion (from Airbus SAS) and US\$6.3 billion (from The Boeing Company);
- (f) the terms of each purchase shall be negotiated and entered into by the Company on arm’s length terms in accordance with the Group’s customary business practices, the actual purchase price of each aircraft shall not exceed the aircraft list price and the terms of each purchase shall be fair and reasonable and in the interests of the Shareholders as a whole;
- (g) the extent of any price adjustments granted by the relevant aircraft manufacturer for each purchase shall not be materially different from the price adjustments the Group has obtained in previous aircraft purchases from that aircraft manufacturer; and
- (h) when the Company enters into an agreement to purchase aircraft from an aircraft manufacturer under the Aircraft Purchase Mandate during the mandate period and such purchase would constitute a notifiable transaction for the Company under the Listing Rules, the Company will make an announcement stating the following information:
- (i) the date of the relevant purchase agreement;
 - (ii) the number and type of aircraft agreed to be purchased;

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- (iii) the aggregate amount of the list price of the aircraft agreed to be purchased;
- (iv) the payment and delivery terms for the aircraft;
- (v) the anticipated source of funding for the aircraft purchase;
- (vi) the cumulative number of aircraft purchased and the corresponding aggregate list price of the aircraft purchased under the Aircraft Purchase Mandate;
- (vii) a confirmation from the Directors of the matters set out in paragraphs (f) and (g) above; and
- (viii) the reasons and benefits of the purchase.

The Company will include in the interim and annual reports of the Company the information set out in paragraph (h)(vi) above.

As explained in “— *Key Terms of Aircraft Purchase Agreements with Manufacturers*” above, the actual purchase price of aircraft purchased from the aircraft manufacturers reflect certain price adjustments to the catalog or list price of the aircraft, which are determined based on certain variables and negotiations between the purchaser and the aircraft manufacturer. It is normal business practice in the global aviation industry for the aircraft list price, instead of the actual purchase price, to be disclosed for aircraft purchases. Accordingly, the terms of the Aircraft Purchase Mandate refer to the aggregate list price of the aircraft which may be purchased. In respect of any aircraft purchase under the Aircraft Purchase Mandate which would constitute a notifiable transaction for the Company under the Listing Rules, the Company will make an application to the Stock Exchange for a waiver from strict compliance with Rule 14.58(4) of the Listing Rules in respect of the requirement to disclose the actual purchase price of such aircraft purchased.

The aggregate number and type of aircraft which may be purchased pursuant to the Aircraft Purchase Mandate was determined by reference to the Company’s past activity in ordering new aircraft from the aircraft manufacturers, its planned capital expenditure and the need to replenish its portfolio after selling older aircraft.

The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Aircraft Purchase Mandate are fair and reasonable and in the interests of the Shareholders as a whole. The Directors (including the Independent Non-executive Directors) are also of the view that if the Aircraft Purchase Mandate is exercised in full, the purchase of the aircraft pursuant thereto would not have any material adverse impact on the earnings and assets and liabilities of the Group.

It is the intention of the Directors to obtain a renewal of the Aircraft Purchase Mandate at each annual general meeting of the Company.

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5. OUR AIRLINE CUSTOMERS

Our airline customers are geographically diverse. As at 31 December 2015, our 227 owned aircraft were leased to 57 airlines in 29 countries. Consistent with our leasing strategy and our customer concentration guidelines, our lease rental income is well-diversified both across customers and geographical regions. The following table highlights the geographical diversification of the total lease rental income for our owned aircraft portfolio for the years ended 31 December 2013, 2014 and 2015, respectively:

Region	Percentage of Total Lease Rental Income For Year Ended 31 December		
	2013	2014	2015
Asia Pacific (excluding Chinese Mainland, Hong Kong, Macau and Taiwan)	28.4%	31.2%	33.2%
Chinese Mainland, Hong Kong, Macau and Taiwan	14.1%	12.5%	16.7%
Americas	24.2%	22.7%	19.5%
Europe	24.6%	26.0%	23.9%
Middle East & Africa	8.7%	7.6%	6.7%

For the year ended 31 December 2015, the single largest customer group accounted for 7.2% of our total lease rental income for our owned aircraft portfolio. Our ten largest customers accounted for approximately 50.8% of our total lease rental income for the year ended 31 December 2015:

Customer	Jurisdiction ⁽¹⁾	Number of Aircraft as at 31 December	Percentage of Total Lease Rental Income For Year Ended 31 December
		2015	2015
Cathay Pacific Group ⁽²⁾	Hong Kong	10	7.2%
Iberia ⁽³⁾	Spain	8	5.9%
Qantas	Australia	16	5.9%
Thai Airways	Thailand	4	5.6%
Lion Air Group ⁽⁴⁾	Indonesia, Malaysia, Thailand	12	5.5%
Aeroflot	Russia	14	5.1%
Jet Airways	India	11	4.4%
Southwest Airlines	USA	14	3.9%
Gol	Brazil	8	3.7%
WestJet	Canada	8	3.6%

⁽¹⁾ We classify the "Jurisdiction" of our customers by reference to their principal place of business.

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- (2) Includes our leases with Cathay Pacific (Hong Kong) and Cathay Dragon (Hong Kong).
- (3) 15 aircraft, representing 8.7% of lease rental income for the year ended 31 December 2015, were placed on operating lease with airlines in the IAG Group, of which Iberia is a member.
- (4) Includes our leases with Lion Air (Indonesia), Thai Lion Air (Thailand), Malindo Air (Malaysia) and Batik Air (Indonesia).

For 2013, 2014 and 2015, the revenue from the five largest customers of the Group accounted for approximately 34.7%, 33.3% and 30.1% of the total lease rental income of the Group, respectively. For 2013, 2014 and 2015, the revenue attributable to the Group's largest single customer group accounted for approximately 8.8%, 7.5% and 7.2% of the total lease rental income of the Group, respectively.

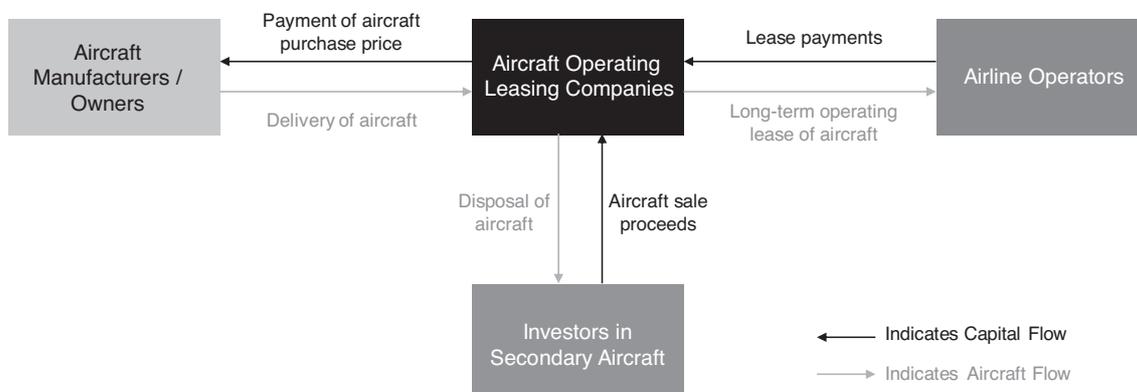
The five largest customers are independent third parties and, to the best knowledge and belief of the Directors, none of the Directors or their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest customers of the Group during the Track Record Period. During the Track Record Period, none of the Group's major customers were also the Group's major suppliers and *vice versa*.

Given new deliveries and related leases and based upon existing and future lease commitments for owned aircraft, our ten largest customers will change in 2016 and future years.

6. OUR BUSINESS OPERATIONS

a. Overview

Aircraft leasing is an important part of the global aviation supply chain. However, the characteristics of the aircraft operating lease industry differ from those of aircraft manufacturers and airline operators. In contrast to manufacturers and operators, who are subject to significant volatility in short-term demand and input costs, aircraft operating leasing companies have stable portfolios of long-term lease contracts that provide regular, predictable cash flows, and are typically funded by long-term debt. The following diagram highlights the position of the aircraft operating leasing companies in the aviation industry.



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Our core revenue-generating activity is leasing aircraft to our airline customers, which makes up around 90% of our revenues and other income generated over the Track Record Period. In addition, we generate revenue from:

- selling our owned aircraft;
- earning interest and fee income in connection with aircraft pre-delivery payments pursuant to lease commitments or other sources and aircraft lease management and servicing arrangements; and
- earning fee income from selling managed aircraft.

Our business model has been established and refined over our 22 years of operation and is implemented through an integrated approach across all teams and functions of the Group to enable the Group to deliver on its key strategic objectives. The key elements of our business model are:

- **acquiring aircraft:** acquiring, at competitive prices, aircraft that are expected to appeal to a broad range of aircraft leasing customers and aircraft purchasers and investors, with strong anticipated residual value and transferability characteristics;
- **leasing aircraft to a geographically diverse group of airline customers on favourable lease terms:** maintaining and seeking to continually develop relationships with a geographically diversified group of airline customers for aircraft lease placements with favourable lease pricing, tenure and other terms and conditions;
- **selling aircraft:** as part of our active portfolio management and risk management programme, regularly reviewing our portfolio to ensure aircraft are offered for sale at optimal times and to generate attractive returns on sale that can be reinvested in new aircraft; and
- **driving down funding costs:** continually seeking to obtain financing at the lowest available cost and most favourable terms, with a well-dispersed repayment profile.

We operate from our offices in Singapore, Dublin (the Republic of Ireland), London (the United Kingdom), Seattle (USA) and Tianjin (PRC), which allows us to source and maintain new and existing airline customers and to source potential transactions globally. These offices also allow us to maintain close relationships with the aircraft OEMs and to be connected with the principal providers of our funding.

b. Aircraft Purchasing

i. Overview

We focus our investment strategy on aircraft that are popular with airline customers and that appeal to aircraft investors. As a result, our portfolio is built mainly around the popular

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Airbus A320 family and Boeing 737NG family aircraft. Our aircraft purchasing strategy is determined and reviewed regularly by our management and our Board, as are the aircraft purchase transactions entered into by the Group. We principally enter into two types of aircraft purchase transactions:

- (i) aircraft purchases through our order book, which involve us placing aircraft purchase orders with the aircraft OEMs and securing an operating lease with an airline customer from delivery; and
- (ii) aircraft purchases in connection with purchase and leaseback transactions, which involve us taking over aircraft purchase commitment(s) an airline has with an aircraft OEM or buying aircraft from the airline and in either case leasing the aircraft back to the airline customer.

Between our inception in 1993 and 31 December 2015, we have acquired or committed to acquire more than 670 aircraft, of which approximately 80% were ordered directly from Airbus, Boeing and Embraer and approximately 20% of which were acquired through purchase and leaseback transactions with airlines. Of the 155 aircraft we took delivery of during the Track Record Period, 82 were acquired from Airbus, 60 from Boeing (in each case either through our order book or pursuant to purchase and leaseback transactions) and the remaining 13 aircraft were acquired from Embraer. All of the 39 aircraft acquired from airlines pursuant to purchase and leaseback transactions during the Track Record Period were new aircraft delivered directly from the OEM.

We have a disciplined approach to aircraft purchasing based on measured forecasting of future demand and supply dynamics as well as capital availability. We are in frequent dialogue with our airline customers and the OEMs through multiple levels of interaction with their organisations, developing potential purchase opportunities and building market intelligence to inform and refine our views on optimal fleet composition in response to anticipated airline customer demand. This allows us to acquire aircraft based on a detailed and measured assessment of future demand and supply dynamics, even in circumstances where specific airline customers have not yet been identified and/or leasing commitments have not yet been entered into.

Before we commit to acquire aircraft, we take into account various different factors, including:

- the capabilities of the relevant aircraft model and any competing products;
- future demand for the relevant aircraft model, both from airline operators as future customers and airline operators and investors as future purchasers;
- market demand and supply dynamics for the relevant aircraft model;
- OEM order backlogs;

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- engine selection, operational capabilities and features by reference to expected market demand; and
- the likelihood of technological obsolescence.

In addition, all aircraft purchases are assessed and evaluated by reference to our ability to ultimately realise the residual value of the aircraft and various other financial return and other benchmarking requirements. The delivery schedule for our aircraft is carefully planned and spread out over time to ensure that our future capital expenditure commitments are in line with our capital-raising capabilities and to avoid delivery concentrations in any single period given the cyclical nature of the airline industry. See “*Business — Our Aircraft Fleet*” for further details.

While our strategy is primarily focused on aircraft purchases through our order book, the Group constantly evaluates and analyses potential aircraft purchase and leaseback transactions as and when they arise. Aircraft purchase and leaseback transactions are implemented if and when the financial and other terms are consistent with the Group’s financial return and other benchmarking requirements. Whether these types of transaction are attractive to both airline customers and the Group depends on a number of factors, including in particular the macroeconomic environment and other market and operating conditions with which airlines are faced, as well as the Group’s anticipated returns on these transactions as compared with order book aircraft purchases.

The aggregate amount of capital expenditure deployed (as well as the respective percentage of total Group capital expenditure during the relevant periods) in connection with aircraft purchases through our order book including pre-delivery payments and pursuant to aircraft purchase and leaseback transactions over the last three financial years, respectively, was as follows:

Capital expenditure	Year ended 31 December					
	2013		2014		2015	
	(in thousands of US\$, except for percentages)					
Order book aircraft purchases (including pre-delivery payments)	1,530,893	61.2%	2,185,789	69.6%	3,010,627	88.1%
Aircraft purchased pursuant to purchase and leaseback transactions	<u>969,600</u>	<u>38.8%</u>	<u>956,300</u>	<u>30.4%</u>	<u>406,700</u>	<u>11.9%</u>
Total	<u><u>2,500,493</u></u>	<u><u>100.0%</u></u>	<u><u>3,142,089</u></u>	<u><u>100.0%</u></u>	<u><u>3,417,327</u></u>	<u><u>100.0%</u></u>

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Given increased competition in the PLB market and the relative attractiveness of direct OEM aircraft purchase opportunities, the percentage of direct OEM aircraft purchases increased in 2015.

ii. **Key Supplier Relationships**

Our primary capital costs are aircraft purchases which include the aircraft along with engines and buyer-furnished equipment (such as seats and galleys). These are accounted for as capital expenditure. The aircraft are recognised as plant and equipment assets on the balance sheet and are then depreciated in accordance with our accounting policies. This depreciation represents the largest component of our costs along with finance expenses and staff costs.

The Group's largest suppliers of aircraft are Airbus and Boeing. Aircraft purchases from Airbus and Boeing accounted for approximately 86%, 88% and 99% of the total capital expenditure (excluding purchase and leaseback transactions) of the Group for 2013, 2014 and 2015, respectively. These figures do not take into account amounts paid pursuant to purchase and leaseback transactions with airlines where the ultimate suppliers of the relevant aircraft were Airbus and Boeing.

In addition to Airbus and Boeing, the Group also has supplier relationships with a range of other regular suppliers of capital equipment, primarily of aircraft engines and of buyer-furnished equipment. The Group maintains good working relationships with a number of industry suppliers and is therefore readily able to source required items and equipment to suit the needs of our airline customers.

For 2013, 2014 and 2015, the purchases from the five largest suppliers of the Group accounted for approximately 94.7%, 97.2% and 98.4%, respectively, of the total purchases of the Group (excluding purchase and leaseback transactions) for 2013, 2014 and 2015. The five largest such 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 such suppliers of the Group during the Track Record Period (to the extent applicable with respect to such suppliers). During the Track Record Period, none of the Group's such major suppliers were also the Group's such major customers and *vice versa*.

We have built an extensive global network with various types of third-party service providers. These service providers offer us access to services which are either not practical for an aircraft operating leasing company to maintain or which supplement the resources of our own technical team. We generally engage with three types of service provider, namely Maintenance, Repair and Overhaul (or "MRO") providers, who provide, on an as needed basis, aircraft or engine maintenance and related services, parts and material suppliers and

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specialist service suppliers who provide services such as engineering design and ferry flight operation. The Group's third-party service providers, including MRO providers, do not typically account for a significant percentage of our costs, which are primarily depreciation expenses of aircraft, debt-related expenses and staff costs. Costs associated with MRO providers can be material from time to time, for example if specific services, such as heavy maintenance or overhaul services are required for off-lease or repossessed aircraft. See "*Business — Our Business Operations*".

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 of the Group during the Track Record Period. During the Track Record Period, none of the Group's major suppliers were also the Group's major customers and *vice versa*.

iii. **COMAC Launch Customer Agreement**

In addition to our relationships with Airbus and Boeing, from whom the majority of our owned aircraft are purchased, we have also entered into a Launch Customer Agreement with the Commercial Aircraft Corporation of China ("**COMAC**") covering up to 20 C919 aircraft. We have not entered into a contract with COMAC detailing the specification, pricing and delivery schedule for these aircraft, and negotiations in relation to these matters will only occur once the C919 has flown. As at the Latest Practicable Date, we had no commitment to purchase any C919 aircraft.

c. **Aircraft Leasing**

i. **Overview**

Given the profile of our fleet and our order book, which primarily comprise aircraft that we believe to be popular with airline customers and that appeal to aircraft purchasers and investors, we seek to consistently place our fleet on attractive lease terms with what we believe to be high quality airline customers. This strategy not only ensures that we enter into aircraft leases with airline customers who are more likely to comply with our lease contracts, but also enables us to readily market our aircraft for sale with the lease to realise the residual value of our aircraft. We believe we enhance our ability to sell aircraft at attractive prices by selling them complete with an attractive lease with a higher quality airline customer. This structure appeals to buyers such as financial investors and other aircraft operating leasing companies who, as a result, are able to purchase and invest in an aircraft asset that provides an immediate revenue stream.

As at 31 December 2015, our owned aircraft are leased to a globally diversified customer base, comprising 57 airlines in 29 countries, with a weighted average remaining lease term of 7.4 years.

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ii. *Airline Customers*

The Group's skilled and experienced leasing team is primarily responsible for the Group's aircraft leasing marketing activities and ensuring that new and existing airline customer relationships are developed and maintained. This team is in regular dialogue with, and undertakes regular targeted marketing activities for, the Group's existing and target airline customers. This team regularly reviews and analyses a wide range of airlines with a view to understanding their aircraft leasing needs and is regularly in discussions with both existing customers and new potential customers. The team works closely with other teams within the Group and senior management to ensure that all relevant information relating to potential leasing opportunities is captured, filtered and actioned as appropriate. The leasing team works closely with the Group's risk managers to ensure that it targets those potential customers that meet the Group's credit criteria. As part of any particular review, the Group may decline to enter into an operating lease with a potential airline customer, which may be due to an actual or perceived weak credit standing or a poor business model, amongst other factors.

We perform rigorous due diligence on new customers, including — in addition to financial- and operational-focused due diligence — on their jurisdiction of incorporation and the jurisdiction in which the aircraft will be registered, before committing to place an aircraft on lease. In particular, our risk managers conduct thorough due diligence on prospective airline customers. This process involves on-site customer visits and interviews, and an analysis of a range of corporate information, including but not limited to financial and operating data. See “— *Know Your Customer and Related Compliance Risk Management, Including Sanctions Risk*” for further details.

We have developed an in-house credit rating system. We assess the macroeconomic and industry environment in which prospective airline customers operate, including how and from where their core revenues are derived, and this information is used to complete a credit assessment and assign an internal credit rating. Our internal credit rating system is employed to calculate a risk charge to be applied to lease rent, permitting the calculation of risk-adjusted internal rates of return so that a prospective transaction may be compared with other transactions on a common basis. Based on the internal credit rating of a prospective airline customer, our risk managers advise on the levels of security deposits required for the lease, and whether or not cash maintenance reserves should be paid on a periodic basis during the lease term. See “— *Our Business Operations*”.

We regularly review, analyse and, where relevant, take steps to adjust our lease portfolio by reference to a series of concentration guidelines. These guidelines aim to ensure diversification within our lease portfolio and play an important role within the various risk management and mitigation tools, policies, procedures and processes which are embedded within our business model.

Our concentration guidelines analyse our exposure by reference to:

- single airline and airline group exposures, as ranked by relevant credit scores (and which vary by reference to a range of factors including, for example, financial structure and performance, business model implementation and market growth); and

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- regional and/or country exposures (having regard to a range of factors including for example, in the case of countries, their sovereign risk rating).

Approaching termination of an operating lease of one of our owned aircraft we identify appropriate airline customers with whom to place the aircraft on operating lease. In practice, given our strategy of selling our owned aircraft during their first lease and whilst the aircraft are relatively young, placing aircraft on a second lease has been relatively rare — during 2013, 2014 and 2015, we re-leased six, one and one aircraft, respectively. During the Track Record Period, 80 aircraft were sold with and subject to their first lease. As at 31 December 2015, the net book value of the Group's aircraft subject to a second lease (i.e. where the aircraft has transitioned to a second operator) represented less than 1% of the aggregate net book value of all the Group's owned aircraft.

iii. *Execution of Lease Transactions*

Our leasing transactions are executed by our highly experienced leasing legal teams. These teams are capable of managing a high transaction volume. Given the technical nature of aircraft operating lease transactions, these teams receive significant input and guidance from various other key teams within the Group, including from the Group's technical and sales teams. Since inception in 1993, we have executed more than 590 leases with 120 customers in 48 countries.

The following table details the number of operating lease transactions executed by the Group during the Track Record Period.

<u>Year</u>	<u>Leases executed⁽¹⁾</u>
2013	50
2014	79
2015	46

Note:

(1) Each lease relates to one aircraft.

Once we have sourced a potential lease opportunity, the leasing process typically involves two documentation stages, namely the execution of a letter of intent, followed by the execution of definitive aircraft leasing documentation. Letters of intent and definitive aircraft leasing documentation are entered into by one of the contracting entities within the Group, including entities incorporated and tax resident in Singapore, the Republic of Ireland, Nevada, USA, the United Kingdom, the Cayman Islands and Tianjin municipality in the PRC.

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The Group has a range of entities in various jurisdictions to hold aircraft. Our decision as to which entity enters into relevant documentation is driven by a number of factors, including the airline customer's desire for the optimal location to lease aircraft to them.

Letters of intent typically record the key financial, commercial and technical terms of the proposed aircraft lease and typically follow accepted aircraft operating lease industry norms in terms of content and items negotiated at this stage. Any commitment on the Group to proceed to enter into a lease is subject to a number of conditions and letters of intent are not typically binding upon either the Group or the airline customer until all relevant corporate approvals have been obtained.

Once we and a potential airline customer have obtained all relevant approvals, we promptly engage the airline customer in discussions on definitive aircraft leasing documentation.

In the unlikely event that we fail to secure lease commitments from an airline customer, we have a number of tools and contingency plans available to us, including delaying delivery of the relevant aircraft or selling the aircraft.

iv. ***Ongoing Airline Customer Monitoring and Management***

Our airline customers are responsible for all maintenance and repairs during a lease. During the lease our in-house technical department will regularly review the maintenance status of the aircraft. The lease requires that all maintenance is performed by an approved organisation in accordance with the approved maintenance programme and which meets or exceeds the aircraft and engine manufacturers' guidelines.

Our in-house technical department has two broad functions. The first one is to provide technical support and advice at all stages of a lease transaction to ensure that the technical terms of any lease maintain or enhance our asset value. The second function is to regularly review the reported maintenance status of the aircraft during a lease and to review any modification work performed on the aircraft. At lease end they ensure that the aircraft is returned in the specified lease-return condition and also project manage the transition to any second or subsequent lessee.

The technical department develops and maintains dedicated resources and expertise in a number of important areas, including:

- lease transition including maintenance and modification management;
- regulatory requirements;
- operational requirements;
- maintenance costs and related maintenance cash flow analytics;

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- engine management;
- technical data and records management;
- maintenance claim management; and
- on-lease asset management.

All airline customers are required under the terms of our operating leases to pay for all aircraft maintenance and repairs, whether scheduled or otherwise. Depending on the creditworthiness of our airline customers we may require our airline customers to pay cash maintenance reserves from which airline customers can subsequently draw when agreed maintenance is performed. Where, following completion of our detailed customer due diligence processes, we conclude that an airline customer is of an appropriate credit strength and profile, we may not require maintenance reserve payments to be paid monthly during the term of the lease but may require maintenance payments on expiry of the lease and/or that the airline customer will pay us a maintenance adjustment. In all cases, our leases require that the aircraft is to be re-delivered upon lease expiry in compliance with detailed condition requirements set out in the lease.

Typically, the amount of maintenance reserve payment required to be paid by relevant airline customers is determined by reference to various factors, such as the aircraft and engine types and specifications, inflation adjustments, the utilisation of the aircraft (i.e. primarily, the hours flown) and the operating environment of the engines. When required during the lease term, such payments are usually paid monthly in arrears. In some cases, monthly or annual cash payments or other forms of security are obtained from customers for these maintenance payment obligations. The technical department monitors monthly utilisation reports provided by our customers and is in regular dialogue with the technical and related personnel within our airline customers. For example, we closely monitor maintenance reserve drawdown requests from our airline customers and ensure that payment is only approved for actual maintenance performed and that any payment does not exceed the accrued maintenance reserves. Of the 227 leases in effect as at 31 December 2015 on our owned aircraft portfolio, 133 leases required the lessee to make periodic cash payments or provide security during the lease term for maintenance payment obligations.

Monitoring of rental and other payments by airline customers is fundamental to aircraft operating leasing companies and within the Group. The risk team pays close attention to those airline customers who we perceive as having weaker credits or who we anticipate may experience difficulties in meeting their payment obligations to us. The team follows up with airline customers in the event of any delay in payment. Our leases require our airline customers to provide financial data to us annually and we evaluate the information we receive and update our internal credit ratings as appropriate. Following the commencement of a lease transaction, customer financial data is monitored and evaluated on a regular basis. We also maintain a number of communication channels with our customers which enable us to gather information about their operations, financial condition and ability to perform their obligations to us. These channels include senior level commercial, fleet planning and treasury contacts, as well as operational contacts in finance, technical, insurance, legal and other areas.

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In addition, in circumstances in which we determine that the financial condition of a customer deteriorates, or if a customer defaults on its obligations under one of our leases, we place the customer on our “watch list”. A “watch list” customer will have more detailed and in-depth monitoring. When deemed appropriate, we may develop a lease “enforcement plan” and, in parallel, an aircraft “marketing plan”. If the situation requires, we will implement these plans, and repossess and redeploy an aircraft. Our integrated business model allows us to put in place a series of plans and steps to deal with potential or actual enforcement of our rights under our leases or, ultimately, repossessions.

During the five years prior to the Latest Practicable Date, we have repossessed only three aircraft. Because we monitor the compliance by our airline customers with their key payment obligations on a monthly basis, we are able to readily identify potential signs of default or other distress. For example, a missed payment or request for a deferral of a payment would be raised rapidly with the Group’s Operating Committee and the relevant customer would become subject to additional monitoring and scrutiny.

To the extent that the financial and/or other relevant condition of an airline customer deteriorates, the Group mobilises cross-functional teams to put in place an “enforcement plan” which details the specific steps required to repossess the aircraft and, more importantly, how and to whom it will be re-leased or sold, as appropriate, once repossessed. If required, this enforcement plan will be executed by an *ad hoc* cross-functional enforcement team with assistance from external service providers, including external legal counsel, as quickly as possible, although the Group typically seeks to come to a negotiated arrangement with airline customers facing short-term only issues, typically in return for more favourable lease terms for the Group.

v. ***Our Lease Portfolio***

As at 31 December 2015, we have operating leases in place for 227 owned aircraft with 57 airline customers. Our overall business strategy has resulted in a very high aircraft utilisation rate (being the total number of on-lease days as a percentage of available lease days) of 99.8% between 1 January 2008 and 31 December 2015.

In addition, our lease expirations are well-dispersed, with relatively few near-term expiries. The following table sets out the breakdown between fixed and floating rate rental terms, as well as the weighted average remaining lease term of our aircraft for each year during the Track Record Period.

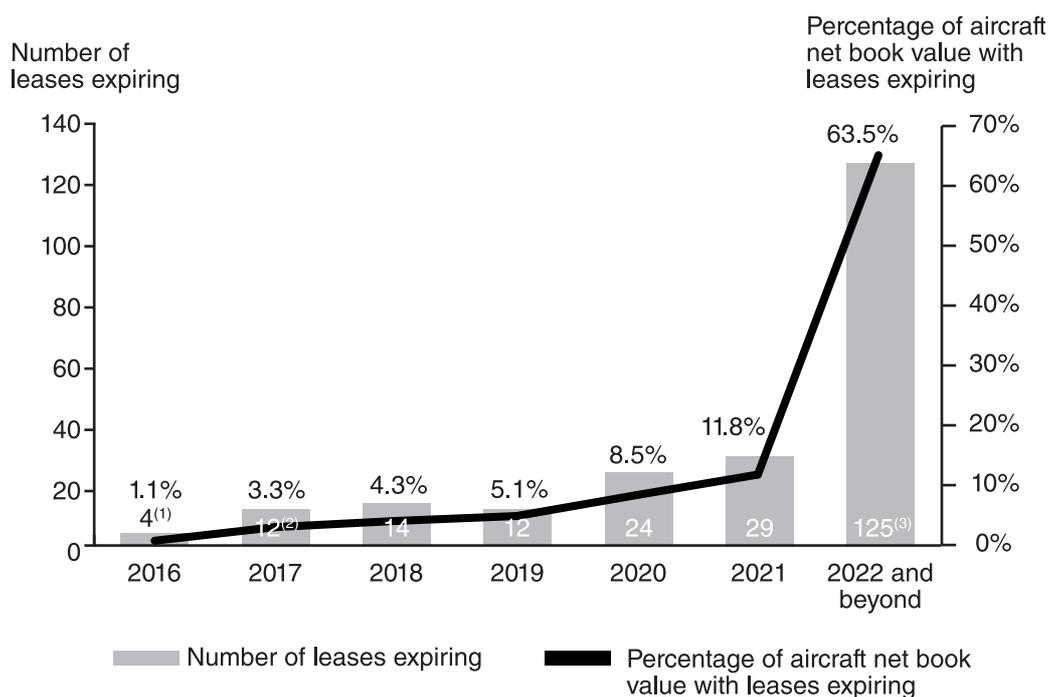
	As at 31 December		
	2013	2014	2015
Owned aircraft ⁽¹⁾	206 ⁽²⁾	230	227
— Fixed rate rental terms	62	92	107
— Floating rate rental terms	143	138	120
Weighted average remaining lease term (years) ⁽³⁾	7.6	7.5	7.4

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Notes:

- (1) For further explanation of “fixed rate rental terms” and “floating rate rental terms”, see “— Key Lease Terms”.
- (2) Includes one aircraft on ground.
- (3) Weighted by net book value of owned fleet.

The chart below illustrates the number of leases and percentage of net book value as at 31 December 2015 for those aircraft with leases expiring in future years, excluding any aircraft for which we have sale or lease commitments.



Notes:

- (1) One aircraft was sold and three aircraft had commitments for sale as at the Latest Practicable Date.
- (2) Three aircraft were sold as at the Latest Practicable Date.
- (3) Three aircraft were sold and two aircraft had commitments for sale as at the Latest Practicable Date.

We regularly monitor our lease portfolio to actively plan for the transition of aircraft where leases are due to expire in the near term. Three key actions are typically considered and analysed for such leases, namely (i) seeking a lease extension with the existing airline customer, (ii) entering into a new lease with a different airline customer, or (iii) where appropriate, selling the relevant aircraft. To seek to minimise off-lease time as much as possible and to ensure maximum utilisation of our aircraft portfolio, where we seek to enter into a new lease with a different airline customer we actively seek to ensure that terms of the existing lease match the terms of the new lease with regard to the timing and location of re-delivery/delivery of the aircraft.

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d. Aircraft Sales

i. Overview

Selling aircraft is one of our core competencies. We have sold more than 210 owned and managed aircraft since inception in 1993. A successful sales programme begins with disciplined aircraft procurement, purchasing the right aircraft in the right configuration at an attractive price and placing the aircraft on well-structured leases with good customers, all with a potential future sale in mind. We believe our ability to implement successful sales programmes is one of the competitive strengths of the Group, which supports our strategy to generate revenue from gains on sales and to maintain a young fleet. During each year of the Track Record Period, our net gain on sales from aircraft were US\$76.5 million, US\$30.3 million, and US\$70.1 million, respectively.

This integrated approach to being cognisant of future sales of aircraft and, therefore, positioning ourselves to obtain attractive sale prices for our owned aircraft, means that our aircraft sales team is involved in detailed discussions with our aircraft purchasing, leasing and sales team. In particular, we believe that ensuring that popular aircraft types with existing good quality medium- to long-term leases in place are likely to maximise the Group's gains on sale. Consistent with this strategy, as at 31 December 2015, the net book value of the Group's aircraft subject to a second lease (i.e. where the aircraft has transitioned to a second operator) represented less than 1% of the aggregate net book value of all the Group's owned aircraft.

Typically we sell aircraft for a number of factors, including to:

- maintain a young fleet;
- reinvest sales proceeds in attractive aircraft purchases;
- reduce airline customer, geographic and aircraft type concentration risk;
- reduce future transition risks and costs;
- exit from non-core or less popular aircraft types; and/or
- generate gains on sale.

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ii. *Buyers of our Aircraft*

We sell aircraft to a wide range of buyers including other leasing companies, airlines and financial investors. Other leasing companies typically seek to acquire aircraft to grow or re-adjust their own portfolios with aircraft that provide an immediate source of lease revenue. The factors driving the acquisition of aircraft by airlines vary during the industry cycle — during periods of financial strength, for example, some airlines may seek to own additional aircraft rather than enter into aircraft operating leases. The demand for aircraft from financial investors may also be cyclical and depend, amongst other factors, on the availability and cost of debt and equity capital.

Our fleet is regularly reviewed by our aircraft sales team to determine the optimal time to offer an aircraft for sale. This team is also in frequent and regular dialogue with various other teams across the Group to discuss and analyse potential sales opportunities as and when market intelligence suggests opportunities may exist. Typically, a competitive sales process is implemented in respect of aircraft we seek to sell. Our aircraft sales strategy is reviewed and approved by our management and our Board, as are any sales transactions entered into by the Group.

We aim to offer aircraft for sale at the optimal time, typically during the first lease term or after lease extensions or re-leases. In addition, various over-arching strategies underpin our approach to, and analysis of, aircraft sales. Given the types of typical buyer for our aircraft referred to above, these strategies include the following:

- positioning aircraft to be sold to suit the needs of aircraft operating leasing companies who are seeking to grow their own portfolios with aircraft that provide immediate lease revenue;
- gathering and acting on market intelligence that a particular potential airline purchaser is seeking exposure to a particular aircraft type(s);
- positioning aircraft to satisfy the investment needs of particular types of financial investors which have capital to deploy into aircraft, whether over the short, medium or long term; and
- anticipating and being prepared to execute aircraft sales quickly during periods of potential shortages of supply.

We sold more than 90 owned and managed aircraft during the Track Record Period to more than 20 buyers, including airlines, other aircraft operating leasing companies and financial investors.

During the Track Record Period, other than the buyer of the 24 aircraft described below, no one buyer acquired more than 10 of our aircraft in a single purchase.

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In addition to the Group's core aircraft sales activities, as and when market opportunities present themselves, the Group also enters into aircraft sales transactions with special purpose financial counterparties that access the capital markets to finance purchases of aircraft. In October 2015, we entered into arrangements with a buyer to sell 24 aircraft. In these types of arrangement where the purchaser is a financial investor, the Group typically continues to manage the aircraft. The Group will continue to seek opportunities to execute these types of aircraft sales transactions as and when market conditions facilitate them.

e. Third Party Lease Management Services

In addition to our core aircraft leasing business, we also deploy our in-house expertise in lease management, technical management and aircraft leasing and sales to offer third party lease management and re-marketing services to aircraft owners in return for fees. This area of our business generates fee income for the Group with minimal capital investment, as it utilises resources and expertise that are already in place for our core business.

While certain aircraft owners have the financial strength and ability to own aircraft for investment purposes, they may not have the operational and/or technical know-how or capabilities to manage their owned aircraft. Accordingly, we offer aircraft management services as additional or integral elements of transactions for the sale of aircraft to financial investors, including those seeking to access the capital markets to finance those aircraft purchases, such as the transaction we entered into in October 2015 with a single buyer.

Depending on the nature and profile of our lease management services customers, we provide a variety of services, ranging from basic services such as invoicing and collections of rental payments to much more technically complex services such as organising and reporting on aircraft inspections. The range of services we provide includes:

- invoicing and collections;
- monitoring insurance renewals;
- monitoring letter of credit renewals;
- utilisation reporting and tracking aircraft utilisation;
- technical inspections;
- transition planning and management of aircraft transitions;
- lease marketing;
- sales marketing; and/or
- lease enforcement management.

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Fees received by the Group in connection with third party lease management services are typically structured as a percentage of periodic rentals, as well as additional fees for lease or sales marketing services. Technical work is usually charged at a fixed price per man/day.

During the Track Record Period, revenue from third party lease management services was US\$13.3 million, representing 0.4% of total revenues and other income. For 2013, 2014 and 2015, the revenue attributable to these services amounted to US\$6.6 million, US\$3.2 million and US\$3.4 million, which represented 0.7%, 0.3% and 0.3% of total revenues and other income, respectively.

f. Other Revenue-Generating Activities

As a complementary product offering in connection with our aircraft purchase and leaseback transactions, we sometimes collect fees from our airline customers for making pre-delivery payments to the aircraft OEMs for future aircraft delivery commitments. These types of arrangement are typically sourced through a combination of our aircraft leasing and sales and our aircraft purchasing teams, each of which is in regular dialogue with our airline customers and the OEMs. We are able to leverage our relationships with both our airline customers and the OEMs as well as the prevailing dynamics in particular situations. This, together with our strong financial position, enables us to execute these arrangements quickly and efficiently on competitive terms. Consistent with the approach we take to analysing and evaluating all transactions which we enter into, any pre-delivery payment arrangement is analysed and evaluated against the Group's expected financial returns and other benchmarking requirements.

In addition, we also derive fee income from fees received for modifications to pre-delivery schedules, in particular from making advance pre-delivery payments for our aircraft purchase commitments.

During the Track Record Period, this revenue stream contributed US\$55.8 million, representing 1.9% of total revenues and other income. For 2013, 2014 and 2015, the revenue attributable to this revenue stream amounted to US\$16.0 million, US\$4.9 million and US\$34.9 million, which represented 1.7%, 0.5% and 3.2%, respectively, of total revenues and other income.

7. FINANCING

a. Overview

Financing cost is our second largest operating cost in the current low interest rate environment, after depreciation on our aircraft portfolio, and is our largest cash operating cost. We focus on maintaining a competitive debt funding cost, and we achieve this by adopting a proactive approach to debt financing and by maintaining a diverse range of financing sources. This has enabled us to achieve an average cost of funds of 2.0% in 2015, which we believe was one of the lowest amongst aircraft operating leasing companies.

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We maintain a proactive approach towards financing through a dedicated treasury team which is in direct contact with a broad range of financial institutions. We finance ourselves on a full recourse corporate basis with both secured and unsecured financing and have raised over US\$16.0 billion in debt financing since 1 January 2007, including over US\$2.0 billion during 2015.

As at 31 December 2015, 52.9% of our drawn debt financing was on a secured basis with the remainder unsecured. Secured indebtedness was 38.0% of total assets as at 31 December 2015. Collateral for secured debt includes a mortgage over the related aircraft, an assignment of the operating lease and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to the related aircraft. We currently intend to increase our proportion of unsecured funding while continuing to access the commercial banking market and export credit market for long term secured debt when rates are attractive.

b. Diverse Sources of Funding

The growth of Singapore as a significant Asian regional financial centre has enhanced our ability to access multiple sources of debt financing in Singapore and across Asia. Our status as a top five global aircraft operating leasing company by value of owned fleet positions us well to access these financing sources. Our diverse sources of funding include:

- **Loan Financing**
 - **Term Loans.** We have been raising debt in the loan market since the mid-1990s and have established strong relationships since then with many banks and other financial institutions in Asia Pacific, Europe, the Middle East and North America. Competitive commercial financing costs are achieved through regular “financing request for proposal” processes, which provide for regular benchmarking of financing costs. We raise loans on either an unsecured or secured basis with full recourse to the Company and currently have more than 60 banks and financial institutions lending to us.
 - **Committed, Unsecured Revolving Credit Facilities.** As at the Latest Practicable Date, we had a total of approximately US\$2.8 billion in committed, unsecured revolving credit facilities in place. We have accessed these facilities in the past in order to fund attractive aircraft acquisition opportunities and they represent a key tool in allowing us to execute our growth strategy and provide a source of committed backstop liquidity. In particular, we had as at the Latest Practicable Date a US\$2.0 billion undrawn, committed unsecured revolving credit facility in place with our controlling shareholder, Bank of China, which matures in April 2022. This facility will remain in place following completion of the Global Offering. In addition, we also have US\$730 million in committed unsecured revolving credit facilities, with other financial institutions, of which US\$510.0 million were undrawn as at 31 December 2015.
- **Debt Capital Markets.** We have a long history of debt capital market issuance in the Singapore and international markets dating back to 2000. In September 2012, we established a US\$2.0 billion Euro Medium Term Note Programme (“**EMTN Programme**”) which was increased to US\$5.0 billion in April 2014. In March 2015, we converted the

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EMTN Programme to a US\$5.0 billion Global Medium Term Note Program (“**GMTN Program**”) which was updated in April 2016 and had, as at 31 December 2015, approximately US\$3.2 billion outstanding under the converted GMTN Program through 13 series of unsecured notes. In April 2016, we issued under the GMTN Program notes in the principal amount of US\$750 million, at a fixed rate of 3.875% per annum maturing in 2026 (on terms substantially similar to our prior issuances). The NDRC had accepted the application for registration of this issuance pursuant to a notice of acceptance permitting us to issue, in aggregate, up to US\$1.5 billion of relevant bonds in 2016. See “*Risk Factors — Our ability to access financing could be adversely affected by PRC regulations*” for further details. We appoint managers or dealers on issuances under the GMTN Program which have included, and may in the future include, one or more of the Joint Global Coordinators, the Joint Bookrunners and/or the Joint Lead Managers. Investors in our notes include financial asset managers, insurance companies and private banks. We will be required, following completion of the Global Offering, to comply with various ongoing disclosure obligations to our noteholders as required by the disclosure obligations to which the notes are subject.

- **U.S. Exim and European Export Credit Agency Supported Financing.** We have accessed and may seek to continue to access funding guaranteed by the European export credit agencies for Airbus aircraft and U.S. Exim for Boeing aircraft in connection with new aircraft deliveries. We have close relationships with these national export credit agencies, and would typically utilise this debt financing if it represents the most appropriate source of funding for a particular aircraft delivery. Financings from U.S. Exim and European export credit agency are typically structured as finance leases for which we retain substantially all the risks and rewards of ownership. Accordingly, we treat aircraft financed in this manner as owned aircraft and the finance lease obligations as secured loans. There have been press reports that the principal European export credit agencies have recently suspended export credit financing to purchasers of Airbus aircraft pending a review of certain previous transactions. In addition, as at the Latest Practicable Date, U.S. Exim was unable to approve new export financing for transactions in excess of U.S.\$10 million, due to vacancies on U.S. Exim’s board that have not been filled. We do not expect this to have a material adverse impact on our business for several reasons: (a) we are not materially reliant on such export credit financing, demonstrated by the fact that we have not utilised new European export credit agency financing since 2013, nor have we accessed new U.S. Exim financing since 2012; (b) such borrowings as a proportion of our total indebtedness have decreased from 25.2% as at 31 December 2013 to 19.9% as at 31 December 2014 and further to 15.9% as at 31 December 2015; (c) we understand that the suspension of financing relates only to proposed new financings and therefore we do not expect any of our existing U.S. Exim or European export credit agency supported facilities to be affected by the foregoing; (d) we have no intention to seek to access financing supported by U.S. Exim or the European export credit agencies in the near term, given that we have access to a broad range of cost-effective sources of debt financing; (e) such borrowings are less attractive than other debt financing sources due to their high upfront fee (which is currently over 6% even for borrowers with a good credit rating), lack of flexibility (as the high upfront fee implies that the loan will only be economical over the long run and it will be operationally very complex to transition such loan to another aircraft after the original aircraft is sold) and complexity of documentation; and (f) if our current and prospective customers are unable to obtain such financing, we believe it may result in an increase in purchase and leaseback and other business opportunities for us.

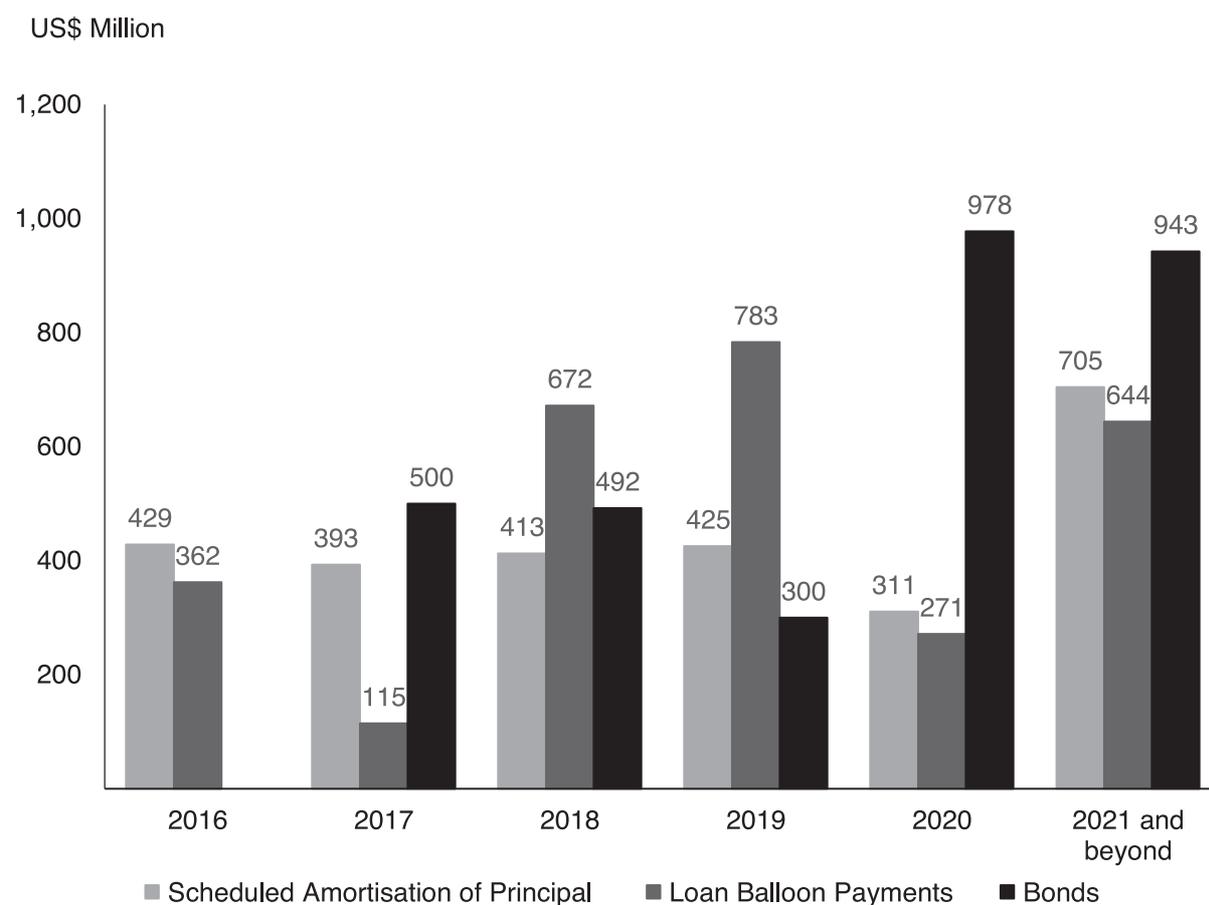
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As at 31 December 2015, our total indebtedness of US\$8,956.5 million comprised the following:

Debt Funding Sources	Amount Outstanding (in millions of U.S. Dollars)	Percentage
Loans	4,315.1	48.2%
Debt capital markets	3,212.6	35.9%
Loans guaranteed by U.S. Exim and European export credit agencies	<u>1,428.8</u>	<u>15.9%</u>
Total	<u><u>8,956.5</u></u>	<u><u>100.0%</u></u>

c. Debt Repayment Profile

We carefully evaluate and monitor our debt repayment profile to ensure that our refinancing requirements are well-dispersed, without any debt repayment spike in any single year. The following graph details our debt repayment (including finance lease payments) profile as at 31 December 2015⁽¹⁾.



Note:

(1) Does not include outstanding amounts under our revolving credit facilities. At 31 December 2015, US\$220.0 million was outstanding.

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d. Floating Versus Fixed Interest Rate Funding Mix

As at 31 December 2015, 80.5% of our outstanding debt was on a floating rate basis (including fixed rate debt which had been swapped to floating rates) and 19.5% was on a fixed rate basis. Partially hedging our floating rate debt, we had in place interest rate caps and interest rate swaps that had a notional outstanding amount as at 31 December 2015 of 3.5% of our total debt. For details of approach to mitigating potential interest rate exposures see “*Business — Risk Management*”.

e. Foreign Currency Hedging of non-U.S. Dollar Borrowings

While the majority of our borrowings are in U.S. Dollars, from time to time we do borrow in other currencies through the issuance of local currency bonds under our GMTN Program. Our non-U.S. Dollar borrowings are in Australian dollars, Chinese Yuan Renminbi and Singapore dollars. We have transactional and business currency exposures arising from these non-U.S. Dollar borrowings as our Group functional currency is U.S. Dollars and all of our operating revenues are denominated in U.S. Dollars. To fully hedge this exposure we swap all of our non-U.S. Dollar borrowings into U.S. Dollar liabilities at or around the time of incurrence of such non-U.S. Dollar borrowing through cross currency swaps with financial institutions. See “*Financial Information — Qualitative and Quantitative Disclosures on Financial Risk*”.

8. KEY LEASE TERMS

Under the terms of our operating leases, airline customers bear the risks and rewards of operating the aircraft, while we retain title and bear the risks and rewards of ownership of the aircraft.

Our leases have a stated, fixed lease term, with terms that generally align with scheduled major maintenance events. Typical lease terms are between six and 16 years, with leases for new aircraft often in the 10 to 12 year range but shorter lease terms are more common for used aircraft. Some leases may contain extension rights for the airline customer, allowing the airline customer to extend the term of a lease for a fixed period at an agreed rental rate. In some cases, an airline customer may have an extension, early termination option or a purchase option, but these are only agreed in the event that we deem the economics of such arrangements to be satisfactory in the circumstances. Of the 227 leases relating to our owned aircraft portfolio as at 31 December 2015, 60 contained extension options, two contained purchase options and two contained early termination options.

Our airline customers typically pay rent monthly in advance. All our operating leases require rental payments to be made in U.S. Dollars. Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed at the time of execution of the lease contract or just prior to the delivery date by reference to a U.S. Dollar swap-rate which is in line with the term of the lease. For floating rate leases, rents are typically re-set every three or six months by reference to either three- or six-month U.S. Dollar LIBOR.

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In general, operating lease rentals are correlated to interest rates, and rentals are expected to rise in a rising interest rate environment and fall when interest rates decline. Accordingly, we seek to enter into more floating rate leases in a low interest rate environment so as to avoid locking in low, fixed-rate lease rentals which may negatively affect our ability to sell aircraft in a rising or higher interest rate environment in the future (See “— *Our Business Operations*”).

We typically hold a security deposit or letter of credit under our leases to secure the performance of the airline customer’s obligations under the lease and which we may apply against those obligations if the airline customer defaults. The size of any security deposit or letter of credit varies according to the credit quality of the airline customer but is generally equivalent to between one and six months’ rent. In some cases, we obtain credit support from a third party for the airline customer’s obligations under the lease.

All aircraft are leased on a “dry” basis (also known as a “net” or “net lease” basis), with airline customers responsible for all operating expenses including fuel, crew, flight charges, maintenance, and insurance. In addition, all aircraft maintenance and repairs are the responsibility of the airline customers. If the lease requires the airline customer to pay maintenance reserves, we will typically agree to allow the cost of defined major maintenance events to be met out of the accrued maintenance reserves received from that airline customer or, in some cases, from a previous airline customer.

The airline customer is required to “gross-up” lease payments where they are subject to withholdings and other taxes, although there are some exceptions to this obligation, including typically taxes on our net income. The airline customer is also required to indemnify us for certain other tax liabilities relating to the lease and the aircraft, including value added taxes and stamp duties or taxes arising from changes in tax laws and regulations arising during the term of the lease. Typically our leases provide that the airline customer’s payment obligations are absolute and unconditional under all circumstances.

Our lease agreements require the aircraft to be maintained in accordance with standards benchmarked with the relevant airworthiness authority and/or aircraft OEM and in accordance with all applicable laws and regulations. At the end of the lease term, the airline customer must return the aircraft in a pre-agreed minimum condition that allows the aircraft to enter service with its next operator. We are typically entitled to receive maintenance payments from our airline customers which represent the maintenance value of cycles, hours or calendar time consumed on the airframe, engines and certain other high-value components of the aircraft. Some airline customers make these maintenance payments in the form of monthly maintenance reserve payments during the term of the lease. Other airline customers make a lump sum return compensation payment at lease expiry. We account for all these maintenance payments as a liability in our balance sheet.

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9. RISK MANAGEMENT

a. Overview

Our active risk management approach is an integral part of our strategy and culture. We take a holistic approach to managing risks. Our risk management team assesses and monitors the creditworthiness of our customers using a proprietary credit scoring model and applying internal guidelines on customer, country and regional diversification. The risk management team also plays an active role in our cash collections process. We adopt a portfolio management approach to monitoring and mitigating risk, driving decision-making in our core activities, including our investments and our sales programme.

We evaluate and monitor key risks within our portfolio as follows.

- **Credit Risk.** As explained further in “— *Our Business Operations*”, we conduct thorough due diligence on prospective airline customers and annual reviews of existing airline customers. We also assess the credit standing of, and monitor exposure to, significant business partners and third parties with whom we do business, such as financial institutions, insurance companies and other vendors which may expose us to counterparty risk.
- **Asset and Transaction Risk.** We employ a model to assign a grade to an overall transaction in order to evaluate risk, drawing on a range of inputs including aircraft price, rent, projected net book value and current and future projected appraised values. The assigned transaction grade is included in all credit assessments. We also assess relative liquidity for each aircraft type in our portfolio.
- **Jurisdictional Risk.** Minimising the economic loss from a default will depend in part upon the legal framework in the relevant jurisdiction, and we assess these risks prior to entering into new transactions. In considering whether to proceed with leases in certain jurisdictions, we focus on a number of areas, including recognition of property rights, currency controls, tax regulation, aircraft registration requirements and repossession enforceability.
- **Technical Risk.** As the airline customer is responsible for maintenance of the aircraft during the lease, our technical management team negotiates the maintenance, return conditions and maintenance payment provisions in the relevant lease with reference to the airline customer’s planned future utilisation of the aircraft. In addition, we periodically inspect our owned aircraft and records to confirm compliance by the airline customer with the maintenance provisions in the lease agreement.
- **Liability Risk.** We have a policy framework for managing risks related to the Group’s liabilities, including interest rate risk management and hedging, debt term structure management, liquidity risk management, currency hedging, and management of exposure to financial counterparties.

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b. Know Your Customer and Related Compliance Risk Management, Including Sanctions Risk

Our risk managers conduct “know your customer” assessments of potential counterparties, including prospective lessees and aircraft buyers as part of our transaction due diligence, to identify potential risks related to money-laundering, fraud, corruption, terrorist financing and breach of international sanctions. These assessments are conducted using public data sources, information provided by prospective counterparties and specialist software applications. Periodic screening of existing lessees is conducted as part of our annual review process. Implementation of our “know your customer” policy contributes to improving the risk profile of our portfolio, as well as protecting our integrity by ensuring that we transact with reputable counterparties maintaining high ethical standards. In addition, our staff are required to comply with the highest standards of ethical behaviour in their internal and external-facing activities as set out in our code of professional conduct, deed of undertaking and staff handbook. We also have a robust fraud risk management policy setting out our fraud risk prevention, investigation and remediation processes and establishing our whistleblower and non-retaliation policies.

The scope of our international operations may require us in certain situations to comply with trade and economic sanctions and other restrictions imposed by the United States, the European Union, Singapore, China and other governments or organisations. A violation of these laws or regulations could adversely impact our business, financial condition and results of operations.

Following Russia’s military intervention in 2014, the United States, the European Union and Australia put in place Ukraine-related sanctions. According to our sanctions legal advisers, the Ukraine-related sanctions concern mainly (i) the blocking of assets of named individuals and entities being identified as “undermining or threatening the territorial integrity, sovereignty and independence of Ukraine” or as providing “material support” to such persons, (ii) restrictions on the extension of credit to and dealing in the equity of specified financial institutions, defence firms and energy companies, and (iii) restrictions on the disputed territory of Crimea. Moreover, according to our sanctions legal advisers, the United States, the European Union, the United Nations and Australia had not imposed any country-wide sanctions against Russia as at the Latest Practicable Date. According to our sanctions legal advisers, there were no Ukraine-related sanctions imposed by the United Nations as at the Latest Practicable Date.

Our leases to Russian airline customers do not involve sanctioned activities. Whilst for the year ended 31 December 2015, 6.6% of our total lease rental revenue income was attributable to operating leases entered into with airline customers based in Russia and the aggregate net book value of the aircraft subject to these operating leases was approximately US\$601.0 million (representing approximately 6.2% of our aggregate net book value of aircraft) as at 31 December 2015, none of these customers were at any time during the Track Record Period, and were not as at the Latest Practicable Date, the subject of any such U.S., European Union, United Nations or Australian sanctions. As at 31 December 2015, 17 of our owned aircraft were leased to Russian airline customers, none of which were the subject of sanctions

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as at the time of entry into the lease, as at 31 December 2015, or as at the Latest Practicable Date. We plan to continue to do business with these Russian airline customers, having generated approximately US\$50.4 million, US\$53.3 million and US\$64.4 million of our total lease rental income (representing approximately 6.3%, 5.7% and 6.6%, respectively, of our total lease rental income) from operating leases with Russian airlines in 2013, 2014 and 2015, respectively. We have no aircraft on operating lease to airline customers in countries which are subject to sanctions or to sanctioned persons. Moreover, the Company is not engaged in any prohibited activities under the relevant sanctions laws of the United States, the European Union, the United Nations or Australia.

Based on the above and in light of the nature of our businesses, our sanctions legal advisers are of the view that Ukraine-related sanctions risk imposed by the United States, the European Union, the United Nations or Australia on the Company, our investors and Shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Shares (including the Stock Exchange and its related group companies) is low because as a lessor of aircraft to large and well-vetted airlines, there is only a low possibility that we might engage in business with companies that the United States or some other sanctions-implementing authorities would find to be acting as false-fronts for sanctioned entities or individuals. Furthermore, on the basis that the Company is not (i) owned or controlled by a designated person or entity under the Ukraine-related sanctions, or (ii) making an asset available, directly or indirectly to, or for the benefit of, a designated person or entity under the Ukraine-related sanctions, our Australian sanctions legal advisers are of the view that Australian sanctions laws as far as Ukraine-related sanctions are concerned do not subject the Company, our investors and Shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Shares (including the Stock Exchange and its related group companies) to Australian sanctions risks as far as Ukraine-related sanctions are concerned. However, we cannot assure you that the extension of current sanctions or any further sanctions imposed by the European Union, the United States, the United Nations or Australia or other international interests on us, our customers or other persons will not materially adversely affect our operations or result in restrictions, penalties or fines.

We have implemented and maintain policies and procedures that are designed to monitor and ensure compliance by us and our directors, officers and employees with international sanctions and other applicable laws and regulations. For example, our operating lease agreements allow us to terminate the lease if it becomes unlawful to continue to lease the aircraft to the lessee, such as in the case of sanctions being imposed that prohibit dealings with the lessee. If a lessee were to become subject to such sanctions during the term of an operating lease, we would seek to exercise our rights to terminate the relevant lease, following which we would seek to re-lease the relevant aircraft to an alternative customer in the same way as we would seek to re-lease an aircraft following a lessee default. Please see “— *Our Business Operations — Aircraft Leasing*”.

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Internal controls related to sanctions policies.

To control risks in relation to the sanction laws of the United States, the European Union, the United Nations and Australia, we monitor and evaluate our business and take measures to protect the interests of the Group and the Shareholders. Our Internal Control Committee is responsible for oversight of the Group's sanctions policies. In particular, we have adopted the following policies:

- We subscribe to and monitor a commercial online database that provides details of sanctions lists issued by the United States, the European Union, the United Nations and Australia (together the “**Sanction Lists**”).
- Any existing and/or potential business dealings that become suspected of sanctions risk exposure are required to be reported to our Internal Control Committee immediately. If any counterparties appear to be subject to economic sanctions, the Internal Control Committee, chaired by our Chief Operating Officer, will investigate and consult with legal advisers with the necessary expertise and experience in international sanctions law matters and take appropriate actions.
- Prior to entering into any operating lease, we conduct relevant customer due diligence including, without limitation, checks on the identity and background of the potential lessee and their principal business activities and checks against the Sanction Lists to identify any possible exposure to sanction risks. If any potential sanctions risk is identified, we will seek advice from legal advisers with the necessary expertise and experience in international sanctions law matters before proceeding with the proposed transaction. A periodic review of active lessee lists against the Sanction Lists will also be conducted to ascertain our active lessees do not fall under any named entities or individuals under the Sanctioned Lists.
- Our senior management will review on an annual basis our internal control policies and procedures with respect to sanctions law matters.

The Directors are of the view that the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to sanctions laws. The Joint Sponsors are of the view that the internal control measures set out above will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to sanctions laws.

We have undertaken to the Stock Exchange that (i) we will not use the proceeds from the Global Offering or other funds raised through the Stock Exchange, (a) to finance or facilitate, directly or indirectly, any projects or businesses in Sanctioned Countries or with persons located in other countries who are subject to sanctions or (b) to pay any damages for terminating or transferring contracts relating to Sanctioned Countries or persons subject to sanctions (if any), to the extent that the Company is party to such contracts in the future (whether by reason of a change in sanctions law or otherwise), (ii) we will not enter into any transaction that, at the time of entry into such transaction, is prohibited by applicable sanctions

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law; and (iii) if we believe that the transactions we have entered into will put us and our investors and Shareholders at the risk of violating sanctions, we will disclose on the Stock Exchange's website, on our website, and in our annual and interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in Sanctioned Countries and our business intention relating to such Sanctioned Countries. If we are in breach of such undertaking to the Stock Exchange, we risk the possible delisting of the Shares from the Stock Exchange.

c. Hedging Arrangements and Policies

With respect to interest rate and currency exposure, we have defined hedging policies in place which have been approved by the Board's Risk Committee as part of the Group's liability risk management policy. Hedging arrangements are required to be in line with these policies. Counterparty risk, and limits in relation to hedge counterparties is monitored on a weekly basis by our risk management department. Compliance with the hedging policy is reviewed regularly through our internal audit process.

With respect to interest rate risk, we mitigate this exposure through an interest rate hedging policy. The majority of our funding is on a floating rate basis with rates being reset with reference to U.S. Dollar LIBOR on a quarterly or semi-annual basis. To the extent that there is a mismatch between the proportion of our aircraft portfolio on leases where the rentals are fixed and the proportion of our funding that is fixed, we will have exposure to the risk that our cost of implied debt funding for our fixed rental portfolio could increase without a commensurate increase in our revenue. We seek to hedge this exposure at all times by having in place a combination of fixed rate hedge contracts (such as interest rate swaps or interest rate caps) and fixed rate debt that in aggregate are equal to at least 50% of the implied debt funding needs associated with the portfolio of our aircraft on fixed rate leases. The implied debt funding for our fixed rate portfolio of aircraft leases is calculated using internal assumptions for the debt to equity ratio of the Group.

Where we utilise fixed rate hedge contracts to hedge our floating rate debt, these contracts are typically for a tenor of no greater than five years compared with our typical lease term of up to 12 years. Considerations for our decision to hedge and with respect to the tenor include our views on interest rates, timing of expiration of interest rate hedging contracts, future potential financing at fixed rates and our view on the number and timing of future aircraft sales. An exposure may arise in the future from the mismatch between the longer term of our leases compared with the shorter term of our hedge contracts, which means we may have to roll over or re-execute new hedges in a higher interest rate environment.

We were in compliance with the above-described interest rate hedging policy as at 31 December 2015. See "*— Financing*" for further details.

With respect to currency risk, our exposure to currency risk on our non-U.S. Dollar borrowings is fully hedged. Other foreign currency risk arises mainly from general operating expenses, where the Group is required to make certain payments in currencies other than U.S. Dollars from time to time, principally in relation to operating expenditure such as salaries, office rent, travel expenses and certain ancillary components associated with our aircraft

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purchases. The non-U.S. Dollar denominated operating expenditure is not significant (less than 2%) relative to the Group's overall expenditure requirements during the Track Record Period, and we typically cover our foreign currency requirements in the foreign exchange spot market as and when required.

d. Internal Governance

In addition to our various committees of the Board (see "*Directors and Senior Management*"), we also have a well-established and developed committee and governance framework for managing the day-to-day business. The respective responsibilities and remits of each of these committees are summarised below:

- **Risk Management Committee:** provides an ongoing and forward-looking review of risk factors impacting both sides of our balance sheet, asset/credit risk and liability risk matters that may impact the Group. 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 & Chief Executive Officer.
- **Management Committee:** has decision-making authority, delegated from the Board of Directors, to approve transactions that meet certain criteria, including leases and lease extensions, purchase and leasebacks, sales transactions, loan and bond financings, hedging, aircraft specification changes and other general administrative matters. The committee is chaired by the Managing Director & Chief Executive Officer. The six most senior members of the senior management team and the Chief Risk Officer are members of the committee.
- **Operations Committee:** brings together the main business functions involved in executing the Group's aircraft leasing, acquisition 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 Chief Operating Officer.
- **Finance Committee:** monitors and coordinates issues between the heads of the finance, tax, risk, aircraft sales and treasury departments, including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Deputy Managing Director & Chief Financial Officer.
- **Investment Committee:** evaluates prospective aircraft lease placement, acquisition and sales activities, and approval of the Investment Committee is required before proposals falling outside certain parameters are implemented. The committee is chaired by the Managing Director & Chief Executive Officer.
- **Revenue Committee:** provides guidance and planning for new lease placement, acquisition and sales activities, and provides direction to the customer-facing airline leasing and sales and aircraft sales team for prospective new transactions. The committee is chaired by the Managing Director & Chief Executive Officer.

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- **Funding Committee:** discusses funding requirements for the Group and debt markets. The committee is chaired by the Managing Director & Chief Executive Officer.
- **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 Group's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Group's business. The committee is chaired by the Chief Operating Officer.

Further underpinning the Group's overall risk management approach are specific policies and procedures for each department within the Group, together with clear written delegations of authority to specified heads of department, each of which are reviewed and renewed, as appropriate, on an annual basis.

10. INSURANCE

In general, in order to be able to operate aircraft, our airline customers are required under applicable air transportation laws and regulations to carry key insurance coverage. Consistent with such regulatory requirements and standard practice across the airline industry, we also require under the terms of our leases that our airline customers carry casualty and liability insurance customary in the air transportation industry, including comprehensive liability insurance, aircraft all-risk hull insurance and war-risk insurance. We require evidence of insurance to be provided to us prior to delivery of an aircraft and prior to expiry of insurance coverages thereafter. Casualty insurance is required to be maintained at levels in excess of our anticipated net book value for the aircraft and liability policies are required to provide coverage at industry standard levels. Our airline customers are required to pay all insurance premiums for these coverages. In addition, in some jurisdictions our ownership of aircraft could give rise to strict liability for us resulting from operations of our owned aircraft. We require our airline customers, under the terms of our operating leases, to indemnify us for and to insure against liabilities arising from the use and operation of our aircraft, including third-party claims for damage to property and for death or injury for which we may be liable. If an airline customer fails to maintain the insurance coverages required under the relevant lease, we would typically have the right to exercise a number of remedies, including ordering the airline customer to ground the aircraft, procuring the relevant insurance coverage at the cost of the defaulting customer, or terminating the lease.

Separately, we purchase contingent hull insurance and liability insurance on all aircraft in our owned fleet. Contingent coverage is intended to provide casualty and liability insurance coverage for our aircraft if the airline customers' coverages are invalidated for certain reasons. We also maintain other insurance covering the specific needs of our business operations. We believe our insurance is customary for the aircraft operating lease industry both as to coverage and amount.

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There can be no assurance that the insurance maintained by our airline customers will adequately cover us and our fleet against all risks, that airline customers will at all times comply with their obligations to maintain insurance, that any particular claim will be paid, that airline customers will be able to obtain adequate insurance coverage at commercially reasonable rates in the future or that our contingent or other insurance policies will adequately cover any areas not adequately covered by our airline customers' insurance policies.

11. REGULATION, LICENCES AND PERMITS

The airline industry is highly regulated. Because we do not operate aircraft in commercial service we are generally not directly subject to these laws and regulations. However, our airline customers are subject to extensive regulation under the laws of the jurisdictions in which they are registered or where they operate. These laws govern, amongst other things, the registration, operation, maintenance and condition of aircraft.

Most of our aircraft are registered in the jurisdictions in which the airline customers are certified as air operators, and as such, are subject to the airworthiness and other standards imposed by these jurisdictions. Laws affecting the airworthiness of aircraft generally are designed to ensure that all aircraft and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Aircraft OEMs may also issue their own recommendations or requirements.

Each airline customer is responsible for complying with airworthiness directives with respect to its aircraft. To the extent that an airline customer fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other OEM requirements in respect of an aircraft or if the aircraft is not currently subject to a lease, we may have to bear the cost of such compliance in order to be able to readily re-lease or sell the aircraft. Under certain of our leases, we have agreed to share with the airline customers the cost of complying with obligations under future airworthiness directives (or similar requirements).

In addition to these direct cost expenditures, which may be substantial, significant new requirements with respect to noise standards, emissions standards, import restrictions and other aspects of aircraft or their operation could cause the value of our aircraft portfolio to decrease. Other governmental regulations relating to noise and emissions levels, or relating to import restrictions or other matters, may be imposed not only by the jurisdictions in which the aircraft are registered but also in other jurisdictions where the aircraft operate or where we may wish to place the aircraft on lease.

Most countries' aviation laws also require aircraft to be maintained under an approved maintenance programme with defined procedures and intervals for inspection, maintenance and repair. To the extent that our aircraft are not leased out or an airline customer defaults in effecting such compliance, we will likely be required to comply with such requirements at our expense.

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Given the nature of the activities undertaken by our Group entities in each of China and Malaysia, we are subject to certain rules and regulations governing and regulating the scope of their activities. See “*Appendix III — Taxation and Regulatory Overview*”.

12. COMPETITION

The procurement, leasing and sale of aircraft are highly competitive. In addition, barriers to entry into the aircraft operating lease industry are relatively low.

We face competition from a variety of competitors, including other aircraft operating leasing companies, aircraft manufacturers and financial investors, in all cases from both existing and potential new entrants to the market, in our business of purchasing, leasing and re-leasing aircraft and the sale of aircraft and of providing related services.

In particular, larger aircraft operating leasing companies — including competitors such as GE Commercial Aviation Services, AerCap Holdings NV, SMBC Aviation Capital, Air Lease Corporation, Aviation Capital Group and CIT Aerospace — are generally more focused on acquiring newer aircraft, which is similar to the Group’s strategy. Other competitors include AWAS, Aircastle Limited, FLY Leasing and other smaller players that may rely on private equity or other private funding.

In addition, during various macroeconomic and industry cycles and as a consequence of regulatory changes such as changes to the tax treatment of aircraft ownership, leasing and sales, new and alternative sources of capital have historically been deployed to acquire, lease and sell aircraft. The Group believes that, given the nature of the aviation industry, this trend will continue to be prevalent during similar future cycles. In addition, sustained periods of financial strength for our airline customers may lead to them seeking to purchase their own aircraft and, in some cases, engaging in their own captive aircraft leasing operations in competition to the Group’s leasing activities.

We believe that we are able to compete effectively in aircraft acquisition, leasing and sales activities because of our significant scale and strong relationship with the OEMs and airline customers, our access to competitively priced debt capital, the flexibility provided by our backstop unsecured debt facilities, the reputation and experience of our senior management team and our extensive contacts in the aircraft acquisition, leasing and sales markets.

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13. EMPLOYEES

As at 31 December 2015, we had 137 employees who were engaged in the operation and management of the Group's business. The following table sets out a breakdown of such employees by function and location as at 31 December 2015:

Function	Singapore	Dublin	London	Seattle	Tianjin	Total
Senior Management	5	0	1	0	0	6
Transaction Origination	24	6	4	4	1	39
Transaction Execution & Management	29	4	1	0	0	34
Finance and Treasury	28	0	0	0	0	28
Other Support Departments	29	0	1	0	0	30
Total	<u>115</u>	<u>10</u>	<u>7</u>	<u>4</u>	<u>1</u>	<u>137</u>

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

The Group sets targets for its employees based on their position and team and periodically reviews their performance. The results of such reviews are used in their salary reviews, bonus awards and promotion appraisals. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our staff bonuses include two staff incentive plans, which are settled in cash and implemented as follows, (i) our short term incentive plan, under the terms of which bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive bonus plan, under the terms of which bonus is payable to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period.

None of our employees are represented by a union or collective bargaining agreements. We believe we have good employment relationships with our employees. During the Track Record Period, the Group did not experience any strikes, work stoppages, labour disputes or actions which had a material adverse effect on its business and operations.

For 2013, 2014 and 2015, the Group's staff costs were approximately US\$41 million, US\$51 million and US\$59 million, respectively, representing approximately 4.4%, 5.2% and 5.4% of the Group's total revenues and other income, respectively.

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14. HEALTH AND WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

a. Health and Work Safety

The Group is subject to local health and safety requirements. The Group has internal policies and systems in place designed with a view to ensuring compliance with such requirements.

The Directors believe that the Group is, and has been, in compliance with such requirements during the Track Record Period up to the Latest Practicable Date. During the Track Record Period, there were no material accidents related to health and work safety in the course of the Group's business operations.

b. Social and Environmental Matters

While we do not operate any of the aircraft that we own, we may be subject to and required to comply with applicable aircraft-related environmental laws and regulations if we repossess and hold aircraft. In addition, the Group's day-to-day operations are subject to a more limited set of environmental laws and regulations.

The Group has not received any material fines or penalties associated with the breach of any environmental laws or regulations since the commencement of the Group's operations.

15. FACILITIES

We do not own any real estate. We lease our principal executive office at 8 Shenton Way, #18-01, Singapore, 068811 (comprising 30,814 square feet) and as well as our overseas office facilities in Dublin, London, Seattle and Tianjin (which, in aggregate, comprise 3,767 square feet).

Terms of these lease agreements in general range from 18 to 36 months. In the event the Group is unable to renew any of the leases, the Directors believe that the Group could relocate its operations to new properties without undue cost or disruption to the Group's business.

As none of the Group's properties had a carrying amount of 15% or more of the Group's consolidated total assets, the Group is not required to include a property valuation report in this prospectus.

16. INTELLECTUAL PROPERTY

As at the Latest Practicable Date, three registered trademarks were licensed to the Group from BOC and the Group had one domain name which are material to its business. See "Appendix V — Statutory and General Information" for further details.

17. LEGAL AND REGULATORY MATTERS**a. Litigation, Claims and Arbitration**

As at the Latest Practicable Date, none of the Company or any member of the Group or the Directors was engaged in any litigation, claim or arbitration of material importance nor, to the best of the Directors' knowledge, is any litigation, claim or arbitration of material importance pending or threatened against any of the Company or any member of the Group or the Directors. In addition, as at the Latest Practicable Date, none of the Company or any member of the Group or the Directors was the subject of any actual, pending or threatened bankruptcy or receivership claims.

b. Relevant Key Laws and Regulations

A summary of the relevant key laws and regulations in China and Malaysia is set out in "*Appendix III — Taxation and Regulatory Overview*".

c. Compliance with Laws and Regulations

During the Track Record Period and up to the Latest Practicable Date, the Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of laws or regulations applicable to the Group that would have a material adverse effect on its business or financial condition taken as a whole.

During the Track Record Period and up to the Latest Practicable Date, the Group had obtained all material licences and permits necessary for the operation of its business in the jurisdictions in which it operates and such licences and permits are still valid and in force. The Group has not experienced any refusal of the renewal application of any material licences and permits necessary for the operation of its business. Further information on the material licences and permits necessary for the operation of its business is set out in "*Appendix III — Taxation and Regulatory Overview*".

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

Our selected historical financial data set out below, as at and for the years ended 31 December 2013, 2014 and 2015, have been derived from the audited combined financial information for such years included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information included in this prospectus does not reflect our results of operations, financial position and cash flows in the future, and our past operating results do not guarantee our future operating performance. Our consolidated financial information is prepared and presented in accordance with IFRS. You should read the following information in conjunction with "Business", "Financial Information" and the Accountants' Report in Appendix I to this prospectus.

SELECTED FINANCIAL DATA

Consolidated Statements of Profit or Loss

	Year ended 31 December					
	2013		2014		2015	
	Amount	% of revenues and other income	Amount	% of revenues and other income	Amount	% of revenues and other income
	US\$'000	%	US\$'000	%	US\$'000	%
Lease rental income	804,112	87.5	936,916	94.8	975,485	89.4
Interest and fee income . .	27,951	3.1	11,607	1.2	39,844	3.7
Other income						
Net gain on sale of aircraft	76,471	8.3	30,291	3.0	70,144	6.4
Others	10,127	1.1	9,619	1.0	5,249	0.5
Revenues and other income	918,661	100.0	988,433	100.0	1,090,722	100.0
Depreciation of plant and equipment	(336,346)	(36.6)	(381,247)	(38.6)	(381,951)	(35.0)
Finance expenses	(135,689)	(14.8)	(150,780)	(15.2)	(168,771)	(15.5)
Amortisation of deferred debt issue costs	(14,635)	(1.6)	(14,546)	(1.5)	(18,129)	(1.7)
Amortisation of lease transaction closing costs	(306)	(0.0)	(171)	(0.0)	(345)	(0.0)
Staff costs	(40,654)	(4.4)	(51,230)	(5.2)	(58,689)	(5.4)
Marketing and travelling expenses	(4,254)	(0.5)	(5,048)	(0.5)	(5,037)	(0.5)
Other operating expenses .	(28,310)	(3.1)	(9,545)	(1.0)	(12,467)	(1.1)
Impairment of aircraft	(42,800)	(4.7)	(23,100)	(2.3)	(43,900)	(4.0)
Bad debts written off	(4,736)	(0.5)	—	—	—	—
Costs and expenses	(607,730)	(66.2)	(635,667)	(64.3)	(689,289)	(63.2)
Profit before income tax .	310,931	33.8	352,766	35.7	401,433	36.8
Income tax expense	(33,870)	(3.7)	(44,192)	(4.5)	(58,126)	(5.3)
Profit for the year attributable to equity holder of the Company	277,061	30.2	308,574	31.2	343,307	31.5
Earnings per share attributed to ordinary equity holder of the Company						
Basic and diluted earnings per share (US\$)	0.47		0.52		0.58	

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

The table below sets forth, for the periods indicated, a breakdown by region of our lease rental income based on the jurisdiction of the primary obligor under the relevant operating leases:

	Year ended 31 December					
	2013		2014		2015	
	% of total lease rental income		% of total lease rental income		% of total lease rental income	
	Amount	%	Amount	%	Amount	%
	US\$'000	%	US\$'000	%	US\$'000	%
Asia Pacific (excluding Chinese Mainland, Hong Kong, Macau and Taiwan)	228,529	28.4	292,190	31.2	323,979	33.2
Chinese Mainland, Hong Kong, Macau and Taiwan	113,665	14.1	116,507	12.5	163,098	16.7
Americas	194,227	24.2	212,957	22.7	189,981	19.5
Europe	197,735	24.6	243,719	26.0	233,214	23.9
Middle East and Africa . . .	69,956	8.7	71,543	7.6	65,213	6.7
Total lease rental income	<u>804,112</u>	<u>100.0</u>	<u>936,916</u>	<u>100.0</u>	<u>975,485</u>	<u>100.0</u>

Summary Consolidated Statements of Financial Position

	As at 31 December		
	2013	2014	2015
	US\$'000		
Current assets	552,982	385,729	753,809
Current liabilities	874,257	1,044,437	1,215,319
Net current liabilities	<u>(321,275)</u>	<u>(658,708)</u>	<u>(461,510)</u>
Non-current assets	9,595,678	11,017,445	11,720,096
Non-current liabilities	7,347,771	8,262,326	8,818,868
Net assets	<u>1,926,632</u>	<u>2,096,411</u>	<u>2,439,718</u>
Total equity	<u>1,926,632</u>	<u>2,096,411</u>	<u>2,439,718</u>

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

Summary Consolidated Statements of Cash Flows

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Net cash provided by operating activities	838,655	961,669	1,112,433
Net cash used in investing activities	(1,589,285)	(1,826,914)	(1,317,602)
Net cash provided by financing activities	638,306	596,160	344,418
Net (decrease)/increase in cash and cash equivalents . .	(112,324)	(269,085)	139,249
Cash and cash equivalents at the beginning of the year	613,553	501,229	232,144
Cash and cash equivalents at the end of the year . . .	501,229	232,144	371,393

Key Financial Ratios

	As at or for the year ended 31 December		
	2013	2014	2015
Lease rate factor ⁽¹⁾	9.7%	9.8%	9.9%
Average cost of funds ⁽²⁾	1.9%	1.9%	2.0%
Net lease yield ⁽³⁾	8.1%	8.3%	8.2%
Pre-tax profit margin ⁽⁴⁾	33.8%	35.7%	36.8%
Return on assets ⁽⁵⁾	2.9%	2.9%	2.9%
Return on equity ⁽⁶⁾	15.0%	15.3%	15.1%
Debt-to-equity ⁽⁷⁾	3.9x	4.0x	3.7x

Notes:

- (1) Lease rate factor is calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%. Average net book value of aircraft equals the net book value of aircraft at the beginning of the year plus net book value of aircraft at the end of the year, divided by two.
- (2) Average cost of funds is calculated as the sum of finance expenses and capitalised interest, divided by average total indebtedness. Average total indebtedness equals the total indebtedness at the beginning of the year plus total indebtedness as at the end of the year, divided by two. Total indebtedness represents loans and borrowings and finance lease payables before fair value and discount/premium to medium term notes adjustments and deducting debt issue costs.
- (3) Net lease yield is calculated as the difference between lease rental income and finance expenses, divided by average net book value of aircraft and multiplied by 100%. Average net book value of aircraft equals the net book value of aircraft at the beginning of the year plus net book value of aircraft at the end of the year, divided by two.
- (4) Pre-tax profit margin is calculated as profit before income tax divided by total revenues and other income and multiplying the resulting value by 100%.
- (5) Return on assets is calculated by dividing profit after tax for the year by average total assets and multiplying the resulting value by 100%. Average total assets equal total assets at the beginning of the year plus total assets as at the end of the year, divided by two.

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

- (6) Return on equity is calculated by dividing profit after tax for the year by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the year plus total equity as at the end of the year, divided by two.
- (7) Debt-to-equity ratio is calculated as total indebtedness divided by total equity.

Certain Historical Financial Data

The table below sets forth, as at the dates and for the years indicated, certain historical financial data:

	Total assets	Net profit after tax	Net profit after tax per employee ⁽²⁾	Return on equity ⁽³⁾
	(US\$ billions)	(US\$ millions)	(US\$ millions)	(%)
As at or for the year ended 31 December				
2008 ⁽¹⁾	3.6	107	1.58	16.0%
2009 ⁽¹⁾	5.8	137	1.85	16.3%
2010 ⁽¹⁾	6.6	168	2.18	14.6%
2011 ⁽¹⁾	7.6	201	2.31	14.0%
2012 ⁽¹⁾	9.1	225	2.28	13.7%
2013	10.1	277	2.54	15.0%
2014	11.4	309	2.55	15.3%
2015	12.5	343	2.58	15.1%

Notes:

- (1) The historical financial information as at and for the years ended 31 December 2008 to 2012 was prepared in accordance with Singapore Financial Reporting Standards (“SFRS”). There were no material differences between IFRS and SFRS that had a material impact on our financial performance from 2008 to 2012.
- (2) Calculated based on the average number of employees as at 1 January and as at 31 December of each respective year.
- (3) Return on equity is calculated by dividing profit after tax for the year by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the year plus total equity as at the end of the year, divided by two.

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

Certain Data on Our Financing Arrangements

The table below sets forth a breakdown of our outstanding indebtedness as at the dates indicated:

	As at 31 December					
	2013		2014		2015	
	Amount (US\$'000)	% of total	Amount (US\$'000)	% of total	Amount (US\$'000)	% of total
Debt Funding Sources						
Loans	4,132,935	55.7	4,417,843	52.5	4,315,115	48.2
Debt capital markets	1,420,805	19.1	2,325,398	27.6	3,212,612	35.9
Loans guaranteed by U.S. Exim and European export credit agencies	1,868,606	25.2	1,676,980	19.9	1,428,750	15.9
Total	7,422,346	100.0	8,420,221	100.0	8,956,477	100.0

SELECTED OPERATING DATA

Our Aircraft Fleet

As at 31 December 2015 our fleet and order book comprised the following:

Aircraft type	Owned Aircraft	Managed Aircraft	Aircraft on Order ⁽¹⁾	Total Number of Aircraft
<i>Narrowbody Aircraft</i>				
Airbus A320CEO family	108	14	58	180
Airbus A320NEO family	0	0	64	64
Boeing 737NG family	78	12	54	144
Boeing 737 MAX 8	0	0	61	61
Embraer E190 family	11	2	0	13
<i>Narrowbody sub-total</i>	197	28	237	462
<i>Widebody Aircraft</i>				
Airbus A330-300	11	8	2	21
Boeing 777-300ER	13	2	2	17
Boeing 777-300	1	1	0	2
Boeing 787	2	0	0	2
<i>Widebody sub-total</i>	27	11	4	42
Freighters	3	4	0	7
Total	227⁽²⁾	43	241	511

Notes:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at 31 December 2015 and as at the Latest Practicable Date, there were 14 and 11 aircraft, respectively.

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

- (2) As at 31 December 2015, the Company had classified as assets held for sale seven aircraft, comprising six Airbus A320CEO family aircraft and one Boeing 737NG family aircraft, for which it had entered into agreements to sell in accordance with the Company's strategy of actively managing its aircraft portfolio.

The table below sets forth the average age of our fleet as at the dates indicated, weighted by net book value:

	As at 31 December							
	2008	2009	2010	2011	2012	2013	2014	2015
	Years							
Average fleet age	3.7	2.9	3.1	3.4	3.6	3.3	3.2	3.3

As at 31 December 2015, our aircraft purchase commitments comprised the following⁽¹⁾:

	Number of Aircraft Scheduled for Delivery During					
	Year Ended 31 December					
	2016	2017	2018	2019	2020	2021
Aircraft type						
<i>Narrowbody Aircraft</i>						
Airbus A320CEO family . . .	41	17	0	0	0	0
Airbus A320NEO family . . .	0	10	24	27	3	0
Boeing 737NG family	18	23	13	0	0	0
Boeing 737 MAX 8	0	0	0	10	20	31
<i>Widebody Aircraft</i>						
Airbus A330-300	0	2	0	0	0	0
Boeing 777-300ER	0	2	0	0	0	0
Total	59	54	37	37	23	31

Note:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at 31 December 2015 and as at the Latest Practicable Date, there were 14 and 11 aircraft, respectively.

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

Our Business Operations

The following table sets out the weighted average remaining lease term of our aircraft as at 31 December for the years during the Track Record Period.

	As at 31 December		
	2013	2014	2015
Owned aircraft	206 ⁽¹⁾	230	227
— Fixed rate rental terms	62	92	107
— Floating rate rental terms	143	138	120
Weighted average remaining lease term (years) ⁽²⁾	7.6	7.5	7.4

Notes:

⁽¹⁾ Includes one AOG.

⁽²⁾ Weighted by net book value of owned fleet.

The table below sets forth our aircraft utilisation rate, calculated as the total number of on-lease days as a percentage of available lease days, for the years indicated:

	Year ended 31 December								Average
	2008	2009	2010	2011	2012	2013	2014	2015	
	%								
Aircraft utilisation rate	100.0	100.0	100.0	100.0	99.8	99.0	99.9	100.0	99.8

The table below sets forth our lease payment collection rate, calculated as the sum of collected revenue from lease rental and maintenance reserve payments plus cash recovery of outstanding receivables from previous years, divided by total contracted receivables, for the years indicated:

	Year ended 31 December								Average
	2008	2009	2010	2011	2012	2013	2014	2015	
	%								
Lease payment collection rate	98.5	99.4	100.9	99.8	97.2	100.4	99.9	100.4	99.6

Note:

The lease payment collection rate may be more than 100% due to cash recovery of outstanding receivables from previous years.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2013, 2014 and 2015, including the notes thereto, set out in the Accountants' Report in Appendix I to this prospectus. Our audited consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Historical results are not indicative of future performance.

The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those suggested in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in "Risk Factors" and "Responsibility Statement and Forward-looking Statements".

OVERVIEW

We are a leading global aircraft operating leasing company. We are the largest aircraft operating leasing company headquartered in Asia and the fifth largest global aircraft operating leasing company, in each case as measured by the value of owned aircraft as at 31 December 2015 (excluding aircraft ordered but undelivered).

Our specialised aviation industry knowledge, our relationships with airline customers, aircraft manufacturers and other key aviation industry participants, together with the long-term experience and talent of our senior management team and other key employees have enabled us to deliver strong operational and financial results through multiple industry cycles. In particular, we have delivered 22 years of unbroken profitability, with approximately US\$2.1 billion in cumulative profits through 2015. Our average ROE over the Track Record Period of 15.1% is amongst the highest for all listed aircraft operating leasing companies.

Our primary source of revenues and other income is lease rental income received from aircraft operating leases with airlines, representing 87.5%, 94.8% and 89.4% of our total revenues and other income in 2013, 2014 and 2015, respectively. Consistent with our leasing strategy and our customer concentration guidelines, our lease rental income is well-diversified both across customers and geographical regions. As at 31 December 2015, our 227 owned aircraft were leased to 57 airlines in 29 countries. During the Track Record Period, the Asia Pacific region (excluding Chinese Mainland, Hong Kong, Macau and Taiwan) was the largest region for our revenue from lease rentals, representing 28.4%, 31.2% and 33.2% of our total lease rental income in 2013, 2014 and 2015, respectively.

We benefit from a low average cost of funds, which was 1.9% in 2013 and 2014 and 2.0% in 2015, supported by our strong credit ratings (which, as at the Latest Practicable Date, were A- from both Standard & Poor's and Fitch) and a diversified range of funding sources. As at 31 December 2015, we had more than 60 banks and other financial institutions lending to us.

FINANCIAL INFORMATION

We believe the scale of our business and our investment grade credit ratings make us an attractive counterparty to both aircraft manufacturers and airline customers, which further reinforces our competitiveness. We also enjoy strong and committed support from Bank of China, a top 10 bank globally by market capitalisation as at the Latest Practicable Date and a Fortune Global 50 company. Bank of China has provided us with a US\$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. This facility remained undrawn as at the Latest Practicable Date.

BASIS OF PREPARATION

Our financial statements have been prepared in accordance with IFRS. All IFRS provisions effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of our financial statements throughout the Track Record Period. The financial statements have been prepared on a historical cost convention except as disclosed in the accounting policies and explanatory notes set out in the Accountants' Report in Appendix I to this prospectus.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying our accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements, are discussed below, see “— *Critical Accounting Policies and Estimates*”.

RECENT DEVELOPMENT OF OUR BUSINESS SUBSEQUENT TO THE TRACK RECORD PERIOD

Since 31 December 2015, we have purchased and taken delivery of aircraft, continued to secure additional leasing commitments from customers and continued to actively manage our aircraft portfolio. As at the Latest Practicable Date:

- our fleet comprised 231 owned aircraft and 39 managed aircraft, which reflects the purchase of 16 owned aircraft, the sale of 12 owned aircraft and the expiry of management contracts for four managed aircraft from 31 December 2015 up to the Latest Practicable Date;
- 19 of our scheduled aircraft deliveries for 2016 were delivered, and all these aircraft were on-lease at delivery, other than three, which were acquired by airline customers; and
- our order book comprised 226 aircraft, which reflects the commitments that we entered into since 31 December 2015 to purchase four new aircraft.

We have also continued to raise debt financing and repay our loans in the ordinary course of business.

FINANCIAL INFORMATION

As far as we are aware, while there have been recent fluctuations in general market conditions, there have not been any material changes in the general economic and market conditions in the regions or the industry in which we operate that materially and adversely affected our business operations or financial condition since 31 December 2015 and up to the date of this prospectus.

The Directors confirm that, having performed reasonable due diligence on the Group, there has been no material adverse change in the Group's financial or trading position or prospects since 31 December 2015 up to the date of this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business model is based on purchasing aircraft at competitive prices, obtaining debt financing on competitive terms and securing competitive leasing and sales terms from our customers who lease or purchase our aircraft. We actively manage our fleet by buying aircraft when market conditions provide opportunities and selling aircraft as part of portfolio management. We raise debt financing through diverse sources in the global banking and capital markets, and our strong investment-grade corporate credit ratings give us access to competitively-priced debt capital. We lease our owned aircraft to a globally diversified customer base, comprising 57 airlines across 29 countries as at 31 December 2015.

Our results of operations have been, and are expected to continue to be, affected by a variety of factors, including those set forth below:

Economic Environment and Market Conditions in the Airline and Aircraft Operating Lease Industries

Market conditions affect our ability to secure favourable terms in new leases, including higher lease rentals and longer lease terms, and our ability to sell aircraft on favourable terms in order to generate gains on sale or minimise losses. Market conditions also impact the views of aircraft appraisal firms and, accordingly, appraised values for aircraft which in turn may affect advance rates for our secured financings and our impairment charges.

In addition, as our business primarily consists of leasing aircraft to commercial airline operators, macroeconomic and other factors that have a significant impact on our airline customers may also affect us. In particular, such factors include, amongst others, demand for air travel, demand for higher fuel efficiency aircraft, fuel price volatility, political and economic instability, natural disasters, terrorism, health concerns and labour disputes. See "*Risk Factors — Risks related to our business and operations and the aviation industry*" for further details.

We believe our active portfolio management, strong financial position and attractive financing arrangements enable us to adapt to market fluctuations and to adjust our portfolio to take advantage of changes in market conditions, thereby mitigating the risks of shifts in demand and volatile market conditions.

FINANCIAL INFORMATION

Size of our Fleet

The overall size of our owned fleet of aircraft held for lease is the primary driver for lease rental income on the one hand and for depreciation and finance expenses on the other. During the Track Record Period, the growth in our fleet of owned aircraft directly impacted our revenue, depreciation and indirectly, interest expenses through the increase in our financing requirements. As at 31 December 2013, 2014 and 2015, we had 206, 230 and 227 aircraft, respectively, in our owned fleet, generating lease rental income of US\$804.1 million, US\$936.9 million and US\$975.5 million in 2013, 2014 and 2015, respectively. In the same years, we had depreciation expenses of aircraft of US\$335.0 million, US\$379.0 million and US\$379.9 million, respectively, and finance expenses of US\$135.7 million, US\$150.8 million and US\$168.8 million, respectively.

The increases in lease rental income and depreciation expenses were generally in line with the expansion of our owned fleet over the same period. The decrease in owned aircraft as at 31 December 2015 was due to the sale of 24 aircraft to a single buyer in late 2015, which affected the size of our fleet.

Continued growth in our revenues and net profit after tax depends on our ability to further grow our portfolio of owned aircraft while maintaining our profitability by controlling our corresponding costs and expenses, including the purchase price of aircraft and our finance expenses. In addition, a small portion of our fleet comprises managed aircraft, for which we receive lease management fee income from aircraft owners (including owners of aircraft purchased from us) to whom we provide aircraft management services.

The table below sets forth our fleet and our order book as at 31 December 2015:

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order ⁽¹⁾	Total Number of Aircraft
Airbus A320CEO family	108	14	58	180
Airbus A320NEO family	0	0	64	64
Airbus A330-300	11	8	2	21
Boeing 737NG family	78	12	54	144
Boeing 737-MAX 8	0	0	61	61
Boeing 777-300ER	13	2	2	17
Boeing 777-300	1	1	0	2
Boeing 787	2	0	0	2
Embraer E190 family	11	2	0	13
Freighters	3	4	0	7
Total	<u>227⁽²⁾</u>	<u>43</u>	<u>241</u>	<u>511</u>

Notes:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at 31 December 2015 and as at the Latest Practicable Date, there were 14 and 11 aircraft, respectively.
- (2) As at 31 December 2015, the Company had classified as assets held for sale seven aircraft, comprising six Airbus A320CEO family aircraft and one Boeing 737NG family aircraft, for which it had entered into agreements to sell in accordance with the Company's strategy of actively managing its aircraft portfolio.

FINANCIAL INFORMATION

Terms of our Aircraft Purchases

The price we pay to purchase aircraft, either through our order book or pursuant to purchase and leaseback transactions, has a significant impact on our costs and profitability. We utilise a prudent, strategic approach to aircraft purchases under which we seek to identify and pursue commercially favourable opportunities to grow our fleet. We believe that an active, opportunistic purchase strategy enables us to obtain advantageous purchase prices for new aircraft. The aircraft purchase price also determines (i) our depreciation costs in accordance with our accounting policies, (ii) our finance expenses in relation to the extent of debt financing needed to complete the purchase and (iii) our net gain on sale should we eventually decide to sell the aircraft.

At the same time, we actively manage the timing of our aircraft purchases in order to avoid a gap between our revenue and cost streams. We closely coordinate our purchase and leasing operations to mitigate the risk of liquidity gaps that may otherwise arise from mismatches in such streams.

As our business growth depends on our continued ability to acquire new aircraft to grow our fleet and to replace older aircraft, we expect that our overall costs and profitability will continue to depend, in part, on the terms of our aircraft purchase commitments.

Terms of our Lease Agreements

The rental rates we receive for aircraft leases impact our revenue and profitability, which are in turn affected by the mix of aircraft types and age, as customer demand for certain types of aircraft determines the lease rental rates generated from leasing or re-leasing the aircraft.

We have historically been successful in ensuring efficient fleet utilisation by actively monitoring and managing our leases and re-leases. We achieved a high aircraft utilisation rate (representing the total number of on-lease days as a percentage of available lease days) of 99.8% between 1 January 2008 and 31 December 2015.

Our lease expirations are well-dispersed, with relatively few near-term expiries. As at 31 December 31, 2013, 2014 and 2015, the average remaining lease term of our owned aircraft, weighted by net book value of owned fleet, was 7.6 years, 7.5 years and 7.4 years, respectively.

Our lease rental income depends on the counterparties under our lease agreements — our customers. In particular, we rely on our airline leasing customers to make rental payments timely and in full in order to meet our revenue and cash flow expectations under our lease agreements. If a customer fails to perform its obligations under the respective lease agreement, our lease rental income may be negatively impacted. We achieved a high average lease payment collection rate of 99.6% between 1 January 2008 and 31 December 2015.

FINANCIAL INFORMATION

Access to Financing, Financing Costs and Related Market Conditions

The aircraft operating lease industry is capital intensive, requiring acquisition of new aircraft to supplement or replace aircraft in the existing fleet. In addition, our aircraft purchase commitments may require significant upfront costs in order to secure such purchases, such as pre-delivery payments. We depend on external sources of financing for a significant portion of our capital needs, including loans and notes. As a result, interest expense is our most significant cash expense and the cost of new financing or re-financing has a material impact on our net profit after tax. We also have accessed and may seek to continue to access funding guaranteed by the European export credit agencies for Airbus aircraft and U.S. Exim for Boeing aircraft in connection with new aircraft deliveries. We typically utilise this debt financing when it represents the most cost-effective source of funding for a particular aircraft delivery. Certain financing is structured as a finance lease where we are the lessee; in our financial statements these arrangements are shown as finance leases. We lease these aircraft on operating leases and treat the aircraft as owned by us.

A substantial amount of our debt financing is subject to floating interest rates pegged to LIBOR, which may fluctuate based on changes in both the global credit environment as well as the monetary and fiscal policies of governments that impact the currencies in which our borrowings and notes are denominated. The table below sets forth, for the years indicated, the historical movements of the six-month U.S. Dollar LIBOR:

	Year ended 31 December		
	2013	2014	2015
High	0.506%	0.363%	0.846%
Low	0.342%	0.319%	0.354%
Average	0.409%	0.329%	0.485%

As at 31 December 2015, 80.5% of our debt was on a floating rate basis (including fixed rate debt which had been swapped to floating rates) and 19.5% was on a fixed rate basis. We expect to continue to utilise external debt financing subject mainly to floating interest rates to fulfil our capital expenditure needs as well as to refinance debts. See note 39 to the Accountants' Report in Appendix I to this prospectus for a sensitivity analysis of the overall impact on our net profit during the Track Record Period of hypothetical movements in interest rates for our floating rate leases and major financial instruments which are interest bearing.

As our business primarily generates revenue through aircraft operating leases, of which a substantial portion are on a floating interest rate basis, movements in interest rates may also affect our profitability and liquidity.

FINANCIAL INFORMATION

We are exposed to interest rate movements when we finance the acquisition of new aircraft by borrowing at floating interest rates pegged to U.S. Dollar LIBOR on the one hand, while collecting fixed rate rentals in U.S. Dollars in certain leases on the other. To hedge this exposure in our business, we have entered into interest rate caps during the Track Record Period in respect of our fixed rate operating leases. We also entered into hedging arrangements during the Track Record Period using cross-currency swaps to manage the currency exposure arising from our debt financing in currencies other than U.S. Dollars. We enter into hedging arrangements with large, international financial institutions with strong credit ratings.

From time to time, we also swap fixed rate debt obligations into floating rate liabilities through the use of fixed-to-floating interest rate swaps. For instance, we issued medium term notes at fixed coupon rates in 2014 and 2015, and used derivative financial instruments in the form of fixed-to-floating interest rate swaps to swap our fixed rate payment obligations under these notes to floating rate liabilities pegged to U.S. Dollar LIBOR.

See “*Business — Hedging Arrangements and Policies*” and “*— Qualitative and Quantitative Disclosures on Financial Risk*” for further details.

Sale of Aircraft

As a critical part of our business model, we actively manage our portfolio of owned aircraft. We sell aircraft to generate gains on sale and to manage risk in the portfolio. As at 31 December 2015, we had sold aircraft to more than 70 investors globally since our inception in 1993. Our net gain on sale of aircraft is primarily affected by the sale price we achieve on the one hand and the net book value of the aircraft sold on the other, which is dependent on our acquisition price and our depreciation policy. Sale prices for our aircraft depend on a number of factors, including general market conditions, attractiveness of the aircraft for sale in terms of model, specification and age, remaining lease term and prevailing market demand for the particular type of aircraft. For example, in 2013, 2014 and 2015, we sold 21, 33 and 43 aircraft from our fleet, respectively, recording net gain on sale of aircraft of US\$76.5 million, US\$30.3 million and US\$70.1 million in the same years, respectively. Our revenue from such sales decreased in 2014 compared to 2013 despite a higher number of aircraft sold, primarily due to sales of older generation models in 2014, which resulted in a lower average sale price per aircraft. Such sales were in line with our plan to dispose of older aircraft in our fleet to maintain a young aircraft portfolio. Our net gain on sale of aircraft then increased in 2015, primarily due to the increase in the number of aircraft sold.

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Taxation

We operate globally and own aircraft in entities incorporated in Singapore, Ireland, the United States and the Cayman Islands as at 31 December 2015. We also expect the subsidiary in the United Kingdom to own and lease aircraft from 2016 onwards. The prevailing corporate tax rates in Singapore, Ireland, the United States, the Cayman Islands and the United Kingdom are 17%, 12.5%, 35%, 0% and 20%, respectively. The table below sets forth a breakdown of our income tax expense/credit by jurisdiction during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
	Tax expense/ (credit)	Tax expense/ (credit)	Tax expense/ (credit)
	US\$'000		
Tax jurisdiction			
Singapore	8,969	6,705	20,716
Ireland	7,753	14,212	15,274
United States	16,542	23,646	21,876
Others ⁽¹⁾	606	(371)	260
Total	<u>33,870</u> ⁽²⁾	<u>44,192</u> ⁽²⁾	<u>58,126</u>

Notes:

- (1) Represents income tax expense/credit in tax jurisdictions in which the Group did not own aircraft during the Track Record Period, including China, France, the United Kingdom and Labuan, for which the prevailing corporate tax rates are 25%, 33.33%, 20% and 3% (or a flat rate of MYR20,000), respectively.
- (2) Includes write-back of provision in respect of prior years.

As a result of the range in applicable tax rates, including concessionary rates in Singapore as discussed below, taxes accrued in higher or lower tax jurisdictions can significantly affect the amount of tax expenses we recognise. During the Track Record Period, such variance has resulted in an increase in our effective tax rate from 10.9% in 2013 to 12.5% in 2014 and further to 14.5% in 2015. Our effective tax rates in 2013 and 2014 were lower due to the write-back of tax provided in prior years. Without such write-backs, our effective tax rates in 2013 and 2014 would have been 12.9% and 13.7%, respectively.

ALS is an incentive scheme under which an approved aircraft leasing company which derives income from aircraft leasing and other prescribed activities is granted, on a case by case basis, a concessionary tax rate rather than the prevailing corporate tax rate in Singapore which is presently 17%. Based on the circular published by the Economic Development Board of Singapore (“EDB”), such prescribed activities include several of the activities we undertake, such as services relating to the arrangement for the procurement or disposal of aircraft and the management of aircraft leases. Automatic withholding tax exemptions are extended to loans

FINANCIAL INFORMATION

provided to ALS-approved companies from non-Singapore resident lenders to finance the purchase of aircraft or aircraft engine, subject to certain qualifying conditions. Based on the circular published by the EDB, the conditions for such exemption include (i) the loan not being for any other purpose other than for financing the acquisition of aircraft or aircraft engine to be used in leasing business, (ii) the loan being on an “arm’s length” basis between the lender and the borrower, (iii) the amount being at least S\$5 million per aircraft or aircraft engine and (iv) the aircraft or aircraft engine financed by the loan being beneficially owned by the ALS-approved company. The ALS awarded to the Company was most recently renewed in July 2012 for five years up to June 2017, and may be further extended subject to approval from the Ministry of Finance of Singapore. We intend to maintain our compliance with the terms and conditions stipulated under the ALS and to apply for extension of the incentive scheme in due course in order to continue to benefit from its provisions.

Except for minimal amounts, we have not paid cash tax during the Track Record Period primarily due to tax deductions from capital allowances in connection with our ongoing acquisition of new aircraft, resulting in unabsorbed capital allowances and unutilised tax losses which are available to offset our taxable income. We believe this is in line with typical practice in the aircraft operating lease industry in which companies that frequently acquire additional aircraft will have significant capital allowances and/or tax losses, which in turn may be used to offset taxable income. Our capital allowances, together with the concessionary tax treatment under the ALS, has been sufficient to offset substantially all of our taxable income during the Track Record Period and reduce our effective tax rate.

We also recognise deferred tax liability on our statement of financial position mainly attributable to the excess of the depreciation claimed for tax purposes over the depreciation deducted from accounting profits.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our estimates, assumptions and judgments are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances at the time of valuation. A summary of our significant accounting policies is presented in the notes to the audited consolidated financial statements included in this prospectus. Critical accounting policies and estimates are defined as those that are both important to the portrayal of our financial position and results and require our subjective judgments, estimates and assumptions. Our more critical accounting policies and significant estimates, assumptions and judgments are described below.

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Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

While we are primarily an aircraft operating leasing company, we do enter into financing arrangements pursuant to which we are considered the lessee.

Where we are the lessor — owned aircraft which are leased by us under operating leases

Leases where we retain 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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Our owned aircraft portfolio is on lease with various airlines. We determined that we retain all significant risks and rewards of ownership of these aircraft which are leased out on operating leases. This determination is done after considering the conditions set out in IAS 17 'Leases' which, amongst other things, require that the Group retains the title of the aircraft at the end of the lease term and the lease term does not cover the major part of the economic life of the aircraft.

Where we are the lessee — financed aircraft purchases

Finance leases, which effectively transfer to us substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease term at fair value of the leased asset or, if lower, at the present value of the minimum lease payments and are disclosed under note 36 to the Accountants' Report in Appendix I to this prospectus. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Aircraft that we acquire on finance leases and for which we retain substantially all the risks and rewards of ownership are recognised as assets on our balance sheet and are then leased on operating leases with our airline customers.

Related developments

A new standard for lease accounting, IFRS 16 'Leases', was issued on 13 January 2016.

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It is anticipated that IFRS 16 'Leases' will not have a significant impact upon the way in which lessors account for leases. The main changes reflected in IFRS 16 'Leases' will affect lessees. Under IFRS 16 'Leases' a lessee will be required to recognise a "right-of-use" asset and a lease liability. The "right-of-use" asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest.

Adoption of IFRS 16 'Leases' may require certain lessees to alter the way in which their operating leases are treated in their accounting records, requiring them to recognise the financial impact (both in terms of a "right-of-use" asset, on the asset side, and a lease liability, on the liability side, of their statements of financial position) of operating leases entered into with the Group.

See "*Risk Factors — A new standard for lease accounting which may impact our airline customers was issued on 13 January 2016, effective from financial reporting periods beginning on or after 1 January 2019*" for further details.

Plant and Equipment

Aircraft

Purchased aircraft on operating leases to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of aircraft prior to delivery. Subsequent to recognition, purchased 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.

As indicated above, we occasionally arrange financing such that we lease the aircraft as the lessee under a finance lease. We account for leased aircraft as finance leases if the lease agreements give us rights approximating ownership when we are the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset is also 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. As at 31 December 2015, the aggregate appraised value of our owned aircraft was US\$11,170.2 million (calculated as the average of five independent aircraft appraisers' aggregate valuations of all such aircraft, on a full-life, current market value basis).

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Aircraft progress payments

Progress payments refer to pre-delivery payments for aircraft under construction and are recognised under plant and equipment when payments are made.

Depreciation

Aircraft are depreciated on a straight-line basis over 25 years less the aircraft's age with a 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 straight-line basis with no residual value over the remaining 13 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 and adjusted, as appropriate, at each year end 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 plant and equipment. The effects of any revision are recognised in profit or loss when the changes arise.

Disposal

When an aircraft is sold, its book value 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 period the asset is derecognised.

Impairment of Aircraft

The average amount of impairment on aircraft charged to profit or loss for each financial year/period⁽¹⁾ as a percentage of average net book value⁽²⁾ of aircraft in such financial year/period during the period from 1 April 1995 (which was the commencement of the financial year during which the Company acquired its first aircraft) to 31 December 2015 was approximately 0.1%. We assess 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, we estimate the asset's recoverable amount.

With respect to aircraft, determining whether to recognise an impairment loss requires estimation of the aircraft's fair value less its costs to sell and the value in use of the aircraft.

Notes:

⁽¹⁾ We changed our financial year end from 31 March to 31 December with effect from 1 April 2007. We had a financial reporting period between 1 April 2007 and 31 December 2007 before our financial year for the 12 months ended 31 December 2008. Our consolidated audited accounts for the financial years ended 31 March 1996 up to and including the financial year ended 31 December 2012 were prepared in accordance with Singapore Financial Reporting Standards. Our consolidated audited accounts for the financial years ended 31 December 2013 to 31 December 2015 were prepared in accordance with IFRS.

⁽²⁾ Average net book value of aircraft equals the net book value of aircraft at the beginning of the financial year/period plus the net book value of aircraft at the end of the financial year/period, divided by two.

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To estimate the fair value, management uses independent aircraft appraisers' valuations which are derived based on certain assumptions. Key assumptions that appraisers may use include: (i) a willing, able, prudent and knowledgeable buyer and seller; (ii) no unusual pressure on either buyer or seller that necessitates either a discount or premium to the most likely trading price; (iii) negotiation in an open and unrestricted market; (iv) adequate time for effective exposure to prospective buyers; (v) stable market, global regulatory and legislative environments, precluding the possibility of the aircraft's premature withdrawal from operational use; (vi) aircraft is in a standard maintenance condition for its vintage; (vii) aircraft is in average physical condition; (viii) unless otherwise stated, aircraft is equipped to an average specification; and (ix) an inflation rate of 2% per annum. Estimating the value in use requires us to make an estimate of the expected future cash flows from the lease and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount 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, once classified as held for sale, are not depreciated.

Assets are 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 its sale must be highly probable. Management judgment is required to assess whether the assets meet the conditions to be classified as assets held for sale.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

Lease rental income

We and certain of our subsidiary companies, as lessors, lease aircraft under operating leases. Lease income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

Lease income is not recognised if the collections are not probable due to prolonged financial difficulties of the respective lessees.

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Maintenance Reserves

Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessee to make monthly or end of lease maintenance reserves contributions to us which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserves balances are accounted for as liabilities. Upon termination of the lease, any unutilised maintenance reserves balance will be released to profit or loss or continue to be retained as reserves for drawdown by the follow-on lessee. Upon sale of the aircraft, any unutilised maintenance reserves balance not transferred to buyer will be released to profit or loss. Any shortfall identified in the balances held in respect of historic operation of the aircraft that may be required to be made available for draw down by follow-on lessee are provided as a charge to profit or loss.

Management makes a judgment based on payment records that as at each date in the statement of financial position, the lessees are able to fulfil their obligations as stipulated in the lease agreements. For any shortfall identified, a provision for aircraft maintenance will be charged to profit or loss.

Borrowing Costs

Borrowing costs consist of interest and other costs that we incur 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 are 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. We borrow to finance certain pre-delivery payments for aircraft under construction. The interest incurred on such borrowings is capitalised and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitments or advances of pre-delivery payments on which we earn income. Capitalisation of interest ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

Financial Instruments

Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, we become a party to the contractual provisions of the financial instrument. We determine the classification of our 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.

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All purchases and sales of financial assets are recognised or derecognised on the trade date, i.e., the date that we commit to purchase or sell the asset.

Subsequent measurement

Financial assets at fair value through profit or loss: Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains or losses on financial assets classified as fair value through profit or loss are recognised in profit or loss.

Loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, we become a party to the contractual provisions of the financial instrument. We determine the classification of our financial liabilities at initial recognition.

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

Subsequent measurement

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. This category includes

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derivative financial instruments entered into by us that are not designated as hedging instruments in hedge relationships. 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.

Other financial liabilities: After initial recognition, financial liabilities 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.

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.

Derivative Financial Instruments and Hedging Activities

We use derivative financial instruments, such as cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts, to hedge our 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 re-measured at fair values. 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 taken to profit or loss for the period.

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

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We apply hedge accounting for certain hedging relationships which qualify for hedge accounting. For the purpose of hedge accounting, hedges are classified as:

- (i) 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
- (ii) 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, we formally designate and document the hedge relationship to which we wish 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 financial reporting periods for which they were designated.

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 subsidiaries, 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 liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries to the extent that we are 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. We are subject to Singapore tax on all of our foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgment is required to determine that the undistributed profits of the subsidiaries will not be distributed and remitted into Singapore in the foreseeable future. We provide for taxes on the undistributed earnings of foreign subsidiaries except to the extent that

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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 subsidiaries and overseas unremitted income was US\$542.1 million, US\$640.4 million and US\$817.4 million as at 31 December 2013, 2014 and 2015, respectively, for which deferred tax liabilities have not been recognised.

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
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, 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.

Management judgment 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 tax planning strategies.

The Company was granted a renewal of the concessionary tax rate with effect from 1 July 2012 under the ALS. See “*Financial Information — Significant Factors Affecting Our Results of Operations and Financial Condition.*” To qualify for five years of concessionary tax rate, the Company is required to achieve certain conditions within the five-year period. Management is reasonably confident that the conditions can be met and is unaware of any reason for the extension of the concessionary rate after the expiry would not be considered.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue and Other Income

Our revenues and other income primarily consists of (i) lease rental income, (ii) interest and fee income and (iii) net gain on disposal of aircraft.

Lease rental income

Our primary source of revenues and other income is lease rental income received from aircraft operating leases with airlines, representing 87.5%, 94.8% and 89.4% of our total

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revenue and other income in 2013, 2014 and 2015, respectively. We lease aircraft to airlines in multiple geographic regions, including Asia Pacific (excluding Chinese Mainland, Hong Kong, Macau and Taiwan), Chinese Mainland, Hong Kong, Macau and Taiwan, the Americas, Europe, and the Middle East and Africa.

We maintain geographic diversification with respect to our lease rental income, while seeking to lease aircraft on an opportunistic basis in any jurisdiction in which we believe we are able to obtain beneficial terms, subject to our risk management policies and assessments. During the Track Record Period, the Asia Pacific region (excluding Chinese Mainland, Hong Kong, Macau and Taiwan) was the largest region for our revenue from lease rentals, representing 28.4%, 31.2% and 33.2% of our total lease rental income in 2013, 2014 and 2015, respectively. Our lease rental income from the Asia Pacific (including Chinese Mainland, Hong Kong, Macau and Taiwan), which together amounted to 42.6%, 43.6% and 49.9% of our total lease rental income in the same years, respectively, reflects demand in these regions for aircraft leasing.

Our aircraft lease agreements typically provide for monthly payments in advance at a fixed rent or floating rent pegged to U.S. Dollar LIBOR which adjusts periodically during the term of the lease. Based on our order book, deliveries and the consequential commencement of lease rental income are spaced out over the course of the year without significant seasonal variation.

Interest and fee income

Our interest and fee income was US\$28.0 million, US\$11.6 million and US\$39.8 million in 2013, 2014 and 2015, respectively. As a complementary product offering in connection with our aircraft purchase and leaseback transactions, we sometimes collect fees from our airline customers for making pre-delivery payments to the aircraft OEMs for future aircraft delivery commitments. These types of arrangement are typically sourced through a combination of our aircraft leasing and sales and our aircraft purchasing teams, each of which is in regular dialogue with our airline customers and the OEMs. We are able to leverage our relationships with both our airline customers and the OEMs as well as the prevailing dynamics in particular situations. This, together with our strong financial position, enables us to execute these arrangements quickly and efficiently on competitive terms. Consistent with the approach we take to analysing and evaluating all transactions which we enter into, any pre-delivery payment arrangement is analysed and evaluated against the Group's expected financial returns and other benchmarking requirements.

In addition, we also derive fee income from fees received for modifications to pre-delivery schedules, in particular from making advance pre-delivery payments for our aircraft purchase commitments.

Our income further includes interest generated from fixed deposits and cash balances with banks. In 2013, we also generated income from finance leases where we were the lessor which we subsequently terminated, thus generating no income in 2014 and 2015.

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We also derive income from providing a variety of management and marketing services to aircraft owners across a variety of services, including invoicing and collections, monitoring insurance renewals, monitoring letter of credit renewals, utilisation reporting and tracking, technical inspections, transition planning and management, lease placement, sales and marketing (including remarketing) and other related services.

Our fee income can vary significantly from year to year due to the timing of aircraft deliveries or the volume of such transactions in a particular year, and may impact our overall funding costs. See note 5 to the Accountants' Report in Appendix I to this prospectus for further details.

Net gain on sale of aircraft

Net gain on sale of aircraft is derived from sale proceeds and maintenance reserves retained by us, less net book value of the relevant aircraft and sales expenses. We typically sell aircraft to other lessors, airlines or private fund entities. In 2013, 2014 and 2015, we sold 21, 33 and 43 aircraft, respectively. The table below sets forth a breakdown of our net gain on sale of aircraft:

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Proceeds from sale of aircraft	913,303	1,315,861	1,822,618
Maintenance reserves released	45,745	35,891	65,026
Less: net book value of aircraft	(880,642)	(1,319,484)	(1,798,652)
Less: sales expenses	(1,935)	(1,977)	(18,848)
Net gain on sale of aircraft	76,471	30,291	70,144

Costs and Expenses

Costs and expenses mainly comprise (i) depreciation, (ii) finance expenses, (iii) staff costs, (iv) impairment charges and (v) other operating expenses.

Depreciation of plant and equipment

Depreciation of aircraft constituted the largest component of our costs and expenses during the Track Record Period. In 2013, 2014 and 2015, depreciation of plant and equipment amounted to US\$336.3 million, US\$381.2 million and US\$382.0 million, representing 55.3%, 60.0% and 55.4% of our total costs and expenses (excluding income tax expense) during the same periods, respectively. The table below sets forth, for the periods indicated, a breakdown of our depreciation charges:

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Aircraft	335,012	378,997	379,863
Other plant and equipment	1,334	2,250	2,088
Total depreciation	336,346	381,247	381,951

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We depreciate our aircraft on a straight-line basis over 25 years less the aircraft's age 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 on a straight-line basis with no residual value over the remaining 13 years. Depreciation of other plant and equipment, which include office equipment and furniture and renovations, is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. During the Track Record Period, our increases in aircraft depreciation costs were in line with the corresponding increases in the net book value of our aircraft portfolio and offset by our aircraft sales.

Finance expenses

Finance expenses relate primarily to interest expense, fair value changes on derivative financial instruments and other charges on our loans and borrowings and finance lease payables, which are not capitalised as part of plant and equipment. The table below sets forth, for the periods indicated, a breakdown of our finance expenses:

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Interest expense and other charges on			
— Loans and borrowings	136,730	152,159	169,063
— Finance leases	781	995	1,156
Less: net fair value gain on derivative financial instruments	(1,822)	(2,374)	(1,448)
Total finance expenses	135,689	150,780	168,771

Staff costs

Staff costs comprise mainly salaries, bonuses and employer's defined contribution benefits. The table below sets forth, for the periods indicated, a breakdown of our staff costs:

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Salaries, bonuses and other staff costs	39,483	49,387	56,892
Employer's defined contribution benefits	1,171	1,843	1,797
Total staff costs	40,654	51,230	58,689

Our staff costs increased over the Track Record Period primarily due to higher bonuses for meeting performance targets, increased headcount to support the expansion of our business activities and annual salary increases.

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Impairment of aircraft

Impairment charges reflect the excess of net book values of the aircraft over their recoverable amounts. See “— *Critical Accounting Policies and Estimates*” and note 3.2 to the Accountants’ Report in Appendix I to this prospectus for further details.

Other operating expenses

Other operating expenses primarily consist of technical services expenses (including repossession costs), professional fees and general office expenses.

Income tax expense

Income tax expense mainly relates to provision for deferred tax liabilities. The deferred tax liabilities are mainly attributable to the excess of depreciation claimed for tax purposes over the depreciation deducted from accounting profits. As the Group has operating entities across multiple jurisdictions, we are subject to varying tax rates on our business. See “— *Significant Factors Affecting Our Results of Operations and Financial Condition*” for further details. Other than minimal amounts paid, we have not paid cash tax during the Track Record Period due to tax depreciation being sufficient to offset taxable income.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year Ended 31 December 2015 Compared to Year Ended 31 December 2014

Revenues and other income

Our total revenues and other income increased by 10.3% from US\$988.4 million in 2014 to US\$1,090.7 million in 2015, primarily due to increases in lease rental income, net gain on sale of aircraft and interest and fee income.

Lease rental income

Our lease rental income increased by 4.1% from US\$936.9 million in 2014 to US\$975.5 million in 2015, primarily due to growing fleet of aircraft in the first ten months of 2015, partially offset by decrease in rental income as a result of the sale of 24 aircraft in the second half of 2015.

Interest and fee income

Our interest and fee income significantly increased from US\$11.6 million in 2014 to US\$39.8 million in 2015, primarily due to a significant increase in fees for aircraft progress payments reflecting increased demand from counterparties for pre-delivery payment arrangements thereto.

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Net gain on sale of aircraft

Our net gain on sale of aircraft significantly increased from US\$30.3 million in 2014 to US\$70.1 million in 2015, primarily due to an increase in aircraft sold from 33 to 43 in the same years, respectively. The increase in aircraft sold was mainly due to the sale to a single buyer in the second half of 2015. The amount of net gain on sale of aircraft in 2014 was partially offset by losses on sale of several older generation models. As a result, we had a higher net gain per aircraft sold in 2015 compared to 2014.

Costs and expenses

Our total costs and expenses increased by 8.4% from US\$635.7 million in 2014 to US\$689.3 million in 2015, primarily due to increases in finance expenses and impairment of aircraft.

Depreciation of plant and equipment

Depreciation of plant and equipment increased slightly by 0.2% from US\$381.2 million in 2014 to US\$382.0 million in 2015, in line with the growth of aircraft net book value reflecting purchases during 2015 offset by sales within the year.

Finance expenses

Finance expenses increased by 11.9% from US\$150.8 million in 2014 to US\$168.8 million in 2015, primarily due to an increase in financing for our fleet of aircraft. Our average cost of funds was 1.9% in 2014 and 2.0% in 2015.

Staff costs

Staff costs increased by 14.6% from US\$51.2 million in 2014 to US\$58.7 million in 2015, primarily due to higher provisions for bonuses in achieving strong operational results against pre-determined key performance targets in 2015, increased headcount to support the expansion of our business activities and annual salary increases.

Other operating expenses

Other operating expenses increased by 30.6% from US\$9.5 million in 2014 to US\$12.5 million in 2015, primarily due to amount of provision of repossession costs written back in 2014 which we did not recur in 2015.

Impairment of aircraft

Impairment of aircraft increased by 90.0% from US\$23.1 million in 2014 to US\$43.9 million in 2015, primarily due to impairment of two older aircraft, reflecting reduced market demand for the older aircraft.

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Marketing and travelling expenses

Marketing and travelling expenses remained at US\$5.0 million in each of 2014 and 2015.

Amortisation of deferred debt issue costs

Amortisation of deferred debt issue costs increased by 24.6% from US\$14.5 million in 2014 to US\$18.1 million in 2015, primarily due to writing off unamortised debt issue cost of loan facilities which were prepaid due to sale of aircraft in 2015.

Profit before income tax and pre-tax profit margin

As a result of the foregoing, profit before income tax increased by 13.8% from US\$352.8 million in 2014 to US\$401.4 million in 2015. Our pre-tax profit margin increased from 35.7% to 36.8% in the same years, respectively.

Income tax expense

Income tax expense increased by 31.5% from US\$44.2 million in 2014 to US\$58.1 million in 2015. Our effective tax rate increased from 12.5% to 14.5% in the same periods, respectively, primarily due to no tax written back in 2015 as opposed to a write back of US\$4.1 million in 2014.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 11.3% from US\$308.6 million in 2014 to US\$343.3 million in 2015. Our net profit margin remained stable at 31.2% and 31.5% in the same periods, respectively.

Year Ended 31 December 2014 Compared to Year Ended 31 December 2013

Revenues and other income

Our total revenues and other income increased by 7.6% from US\$918.7 million in 2013 to US\$988.4 million in 2014, primarily due to an increase in lease rental income, partially offset by decreases in net gain on sale of aircraft and in interest and fee income.

Lease rental income

Our lease rental income increased by 16.5% from US\$804.1 million in 2013 to US\$936.9 million in 2014, primarily due to a net increase of 24 aircraft in our fleet under operating leases from 206 as at 31 December 2013 to 230 as at 31 December 2014.

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Interest and fee income

Our interest and fee income decreased by 58.5% from US\$28.0 million in 2013 to US\$11.6 million in 2014, primarily due to a lower volume of fee-earning pre-delivery advance payments to manufacturers. Our lease management fee income decreased over the same period due to one-off fees received in 2013 in relation to two aircraft managed by us for an airline customer.

Net gain on sale of aircraft

Our net gain on sale of aircraft decreased by 60.4%, from US\$76.5 million in 2013 to US\$30.3 million in 2014. Although 33 aircraft were sold in 2014 compared to 21 aircraft in 2013, the net gain on sale was reduced by losses on sale of several older generation models. As a result, we had lower net gain per aircraft sold in 2014 compared to 2013.

Costs and expenses

Our total costs and expenses increased by 4.6% from US\$607.7 million in 2013 to US\$635.7 million in 2014, primarily due to an increase in depreciation of plant and equipment and finance expenses, partially offset by a decrease in impairment of aircraft and other operating costs and expenses.

Depreciation of plant and equipment

Depreciation of plant and equipment increased by 13.3% from US\$336.3 million in 2013 to US\$381.2 million in 2014, which was in line with an increase in aircraft net book value in 2014 due to purchases, partially offset by sales within the year.

Finance expenses

Finance expenses increased by 11.1% from US\$135.7 million in 2013 to US\$150.8 million in 2014, mainly due to an increase in financing for our larger fleet of aircraft. Our average cost of funds remained at 1.9% in both 2013 and 2014.

Staff costs

Staff costs increased by 26.0% from US\$40.7 million in 2013 to US\$51.2 million in 2014. Staff costs were higher in 2014 due to higher provisions for bonuses in achieving strong operational results against pre-determined key performance targets in 2014, increased headcount to support the expansion of our business activities and annual salary increases.

Other operating expenses

Other operating expenses decreased by 66.3% from US\$28.3 million in 2013 to US\$9.5 million in 2014, primarily due to a substantial decrease in technical services expenses as a result of a reversal of provision for repossession costs in 2013 after such costs were finalised in 2014.

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Impairment of aircraft

Impairment of aircraft decreased by 46.0% from US\$42.8 million in 2013 to US\$23.1 million in 2014. Provision for impairment loss in 2014 was made mainly for three aircraft which were older than 12 years. Impairment of aircraft was higher in 2013 due to provisions for several other older aircraft which have since been sold.

Marketing and travelling expenses

Marketing and travelling expenses increased by 18.7% from US\$4.3 million in 2013 to US\$5.0 million in 2014, primarily due to increased business activities.

Amortisation of deferred debt issue costs

Amortisation of deferred debt issue costs remained stable at US\$14.6 million and US\$14.5 million in 2013 and 2014, respectively.

Profit before income tax and pre-tax profit margin

As a result of the foregoing, profit before income tax increased by 13.5% from US\$310.9 million in 2013 to US\$352.8 million in 2014. Our pre-tax profit margin increased from 33.8% to 35.7% in the same years, respectively.

Income tax expense

Income tax expense increased by 30.5% from US\$33.9 million in 2013 to US\$44.2 million in 2014. Our effective tax rate increased from 10.9% to 12.5% in the same years, respectively, primarily due to lower tax write-backs.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 11.4% from US\$277.1 million in 2013 to US\$308.6 million in 2014. Our net profit margin slightly increased from 30.2% to 31.2% in the same years, respectively.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Plant and Equipment

We had plant and equipment of US\$9,594.3 million, US\$11,015.3 million and US\$11,717.4 million as at 31 December 2013, 2014 and 2015, respectively. During the Track Record Period, aircraft constituted the largest component of our plant and equipment, amounting to US\$9,124.0 million, US\$9,923.4 million and US\$9,475.7 million as at 31 December 2013, 2014 and 2015, respectively, representing 95.1%, 90.1% and 80.9% of our total plant and equipment as at the same dates, respectively. The net book value of our

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pre-2007 aircraft amounted to US\$878.3 million, US\$543.2 million and US\$209.7 million as at 31 December 2013, 2014 and 2015, respectively. Over the same period, aircraft progress payments constituted a higher portion of our plant and equipment, representing 4.9%, 9.9% and 19.1% of our total plant and equipment as at 31 December 2013, 2014 and 2015, respectively, primarily due to increased advances of pre-delivery payments to manufacturers and reclassification of non-current aircraft assets of US\$222.2 million from plant and equipment to assets held for sale. These trends reflect market opportunities available to us over the Track Record Period, and may fluctuate going forward. Other than these, the movements in plant and equipment over the Track Record Period have been primarily attributable to purchases of additional aircraft for our fleet and increases in pre-delivery payments for new orders, partially offset by aircraft sales. Other components of our plant and equipment include office renovations and furniture, fittings and office equipment.

Trade Receivables

Trade receivables primarily represent receivables from rent and fees receivable in connection with aircraft leases. The table below sets forth our trade receivables as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	US\$'000		
Total trade receivables	834	4,783	400
Less: allowance for impairment	(779)	—	—
Trade receivables, net.	55	4,783	400

During the Track Record Period, we have maintained a low balance of trade receivables and low average trade receivables turnover days because (i) we typically collect rentals in advance, (ii) proceeds from aircraft sales are due upon or prior to delivery of aircraft and (iii) we typically collect fees in advance, with limited cases of allowing credit periods. Our higher trade receivables as at 31 December 2014 represented receivables due from customers for whom settlement had not cleared as at the cut-off date, which were subsequently settled. The majority of our trade receivables as at 31 December 2013, 2014 and 2015 were within the age bracket of one to 30 days.

As at 31 March 2016, all of our outstanding trade receivables as at 31 December 2015 had been settled.

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Other Receivables

Our other receivables primarily consist of deposits, accrued income, which represents accrued interest on pre-delivery payments to manufacturers, and sundry receivables, recoverable goods and services tax and manufacturers' credits receivables. The table below sets forth, as at the dates indicated, a breakdown of our other receivables:

	As at 31 December		
	2013	2014	2015
	US\$'000		
Deposits	794	780	716
Sundry receivables	83	1,260	14,423
Accrued income	12,092	9,637	7,674
Less: allowance for impairment	(20)	—	—
Other receivables, net.	12,949	11,677	22,813

Our sundry receivables increased as at 31 December 2014 compared to 31 December 2013, primarily due to the granting of normal course manufacturers' credits for the purchase of certain aircraft components, which can be utilised for goods or services in the future. Our sundry receivables further increased as at 31 December 2015, primarily due to amounts receivable from a counterparty. This amount was subsequently settled in January 2016.

Our accrued income decreased as at 31 December 2014 compared to as at 31 December 2013, due to a decrease in accrued income earned from pre-delivery payments as a result of underlying aircraft having been delivered and receipt of such income from pre-delivery payments in 2014. Our accrued income further decreased as at 31 December 2015, primarily due to receipt of income from pre-delivery payments.

Fixed Deposits

Our fixed deposits represent short term deposits which we place depending on our cash requirements. In 2013, 2014 and 2015, our short term deposits earned interest at the weighted average effective rate of 0.7%, 0.7% and 0.4% per annum, respectively. Our fixed deposits significantly decreased from US\$455.4 million as at 31 December 2013 to US\$212.2 million as at 31 December 2014, primarily due to our cash needs to fulfil our aircraft purchase commitments and pre-delivery payments. Our fixed deposits then increased to US\$237.4 million as at 31 December 2015, primarily due to setting aside cash to finance purchases and pre-delivery payments in 2016.

Cash and Bank Balances

We had cash and bank balances of US\$82.7 million, US\$155.2 million and US\$269.4 million as at 31 December 2013, 2014 and 2015, respectively, of which US\$36.9 million,

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US\$135.3 million and US\$135.4 million was encumbered as at the same dates, respectively. Such encumbrances represent cash pledged to lenders in cases where we have sold the underlying aircraft pledged for a secured loan facility, but have kept the loan facility available pending the delivery of replacement aircraft to serve as substitute collateral. While our secured loans are typically repayable upon the sale of the pledged aircraft, we sometimes exercise an option to keep the loan in place by pledging cash as collateral until the replacement aircraft is available to serve as substitute collateral, at which time the cash collateral is released back to us. We had an increase in encumbered cash as at 31 December 2014 compared to 31 December 2013 due to an increase in our utilisation of the cash collateralisation option pending aircraft substitution, as described above.

Assets Held for Sale

Assets held for sale represent aircraft which meet the criteria to be classified as such. See “— *Critical Accounting Policies and Estimates — Non-current assets held for sale*” for further details. We had assets held for sale of US\$222.2 million as at 31 December 2015, representing seven aircraft, with associated liabilities of US\$26.9 million attributable to loans and borrowings and US\$9.4 million attributable to maintenance reserves payable. The lease rental income of these seven aircraft was 2.3% of total lease rental income for the year ended 31 December 2015. The Company expects to record a net gain, collectively, on the sales of these seven aircraft. There were no aircraft classified as assets held for sale as at 31 December 2013 and 2014.

Derivative Financial Instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, that were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap, interest rate swap and interest rate cap contracts that we entered into in 2013, 2014 and 2015. We had a significant increase in the portion of our derivative financial instruments classified as non-current liabilities from US\$5.4 million as at 31 December 2013 to US\$73.2 million as at 31 December 2014 and further to US\$146.2 million as at 31 December 2015, primarily due to more issuances of fixed rate non-U.S. Dollar-denominated medium term notes, in connection with which we entered into cross-currency interest rate swaps to obtain U.S. Dollar-denominated floating rates, in line with our hedging policy. See “*Business — Hedging Arrangements and Policies*”, “— *Indebtedness*” and “— *Qualitative and Quantitative Disclosures on Financial Risk*” for further details.

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Trade and Other Payables

Our other payables primarily consist of accrued interest expenses mainly in relation to our indebtedness and other accruals and liabilities. The table below sets forth, as at the dates indicated, a breakdown of our trade and other payables:

	As at 31 December		
	2013	2014	2015
	US\$'000		
Trade payables	3,814	1,228	4,572
Sundry payables	1,676	2,629	2,187
Accrued interest expenses	26,948	29,486	35,246
Maintenance reserves payable	17,144	2,491	22,306
Accrued technical expenses	15,979	528	560
Other accruals and liabilities	46,387	31,630	41,233
Total trade and other payables	111,948	67,992	106,104

Our trade and other payables decreased as at 31 December 2014 compared to 31 December 2013, primarily due to decreases in (i) maintenance reserves payable as a result of a decrease in claims from lessees which were outstanding as at such date, (ii) accrued technical expenses as a result of lower provisions for repossession costs and (iii) other accruals and liabilities as a result of lower provisions for bonuses after payment of bonuses during the year. Our trade and other payables then increased as at 31 December 2015, primarily due to an increase in maintenance reserves payable as a result of an increase in claims from lessees which were outstanding as at such date. As at 31 March 2016, 98.2% of our outstanding trade payables as at 31 December 2015 had been settled.

Security Deposits

Security deposits represent cash deposits we receive from lessees to secure the lessees' obligations under the lease agreements. In addition, for certain leases, irrevocable letters of credit issued by banks in the countries where the lessees are based are received in lieu of cash security deposits. As at 31 December 2013, 2014 and 2015, security deposits received by us in the form of irrevocable letters of credit amounted to US\$110.5 million, US\$98.7 million and US\$118.0 million, respectively.

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Net Current Liabilities

The table below sets forth, for the dates indicated, a breakdown of our current assets and current liabilities:

	As at 31 December		
	2013	2014	2015
	US\$'000		
Current assets			
Trade receivables	55	4,783	400
Prepayments	1,094	1,652	1,542
Other receivables	12,949	11,677	22,813
Derivative financial instruments	722	213	—
Fixed deposits	455,435	212,204	237,415
Cash and bank balances	82,727	155,200	269,417
Assets held for sale	—	—	222,222
Total current assets	<u>552,982</u>	<u>385,729</u>	<u>753,809</u>
Current liabilities			
Derivative financial instruments	5,557	5,030	393
Trade and other payables	111,948	67,992	106,104
Deferred income	34,803	36,789	62,240
Income tax payables	614	94	874
Loans and borrowings	685,686	889,318	963,291
Finance lease payables	6,585	8,776	9,148
Security deposits	29,034	36,438	36,970
Liabilities associated with assets held for sale	—	—	36,299
Deferred asset value guarantee fees	30	—	—
Total current liabilities	<u>874,257</u>	<u>1,044,437</u>	<u>1,215,319</u>
Net current liabilities	<u>(321,275)</u>	<u>(658,708)</u>	<u>(461,510)</u>

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Loans and borrowings constituted the largest component of our current liabilities as at 31 December 2013, 2014 and 2015, respectively, while fixed deposits constituted the largest component of our current assets as at 31 December 2013 and 2014, respectively, and cash and bank balances was the largest component of our current assets as at 31 December 2015.

We had net current liabilities of US\$321.3 million, US\$658.7 million and US\$461.5 million as at 31 December 2013, 2014 and 2015, respectively, primarily due to the current portion of loans and borrowings, which were in line with the size of our aircraft fleet. As at 31 March 2016, being the latest practicable date for the purposes of this statement, our net current liabilities were US\$31.3 million. See “— *Liquidity and Capital Resources*” for further details.

We expect to finance our operations and our debt service requirements with cash flows generated from our operations and, primarily, additional debt financing.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity have historically comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. Our business is capital intensive, requiring significant investments in order to expand the aircraft fleet during periods of growth and to ensure we maintain a young fleet portfolio. The cash flows from our operations, particularly our revenues from operating leases for aircraft, have historically provided a significant portion of the liquidity for these investments. We have historically also received equity contributions from our shareholder.

Going forward, we expect to continue to seek liquidity from the following sources of financing, subject to pricing and conditions that we consider satisfactory:

- revolving lines of credit, term loans, medium term note issuances and borrowings supported by export credit agencies for new aircraft acquisitions;
- aircraft sales; and
- free cash flow generated by our operations.

We had net current liabilities of US\$321.3 million, US\$658.7 million and US\$461.5 million as at 31 December 2013, 2014 and 2015, respectively, primarily due to significant levels of current liabilities related to our financing arrangements to fund our capital expenditure, as is common among capital-intensive companies. Due to the nature of our business, we have long-term contracted revenue and cash flows resulting from our operating leases, which we typically collect in advance on a monthly basis in accordance with the respective lease agreements, resulting in minimal trade receivables on our balance sheet. We also efficiently redeploy cash flow from lease rentals towards aircraft purchases and debt repayment obligations, resulting in a relatively low balance of cash on hand. Moreover, as we are primarily an operating lessor, the substantial majority of our assets are non-current assets (i.e. aircraft) held to generate recurring income rather than current assets held for sale. As a result of the

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foregoing, we believe that our net current liabilities position does not accurately reflect our liquidity position. The strong contracted lease revenues under our operating leases, together with our proven track record of collections, demonstrates reliable and predictable positive cash flow from operations. We are confident that we will have sufficient financial resources including committed rental cash flows, aircraft sales proceeds and unutilised committed banking facilities for us to meet our anticipated cash needs, including working capital requirements, capital expenditure, repayment of our indebtedness when it falls due and various contractual obligations, for at least the next 12 months.

During the Track Record Period and as at the Latest Practicable Date, we were and have been in compliance with all material covenants in our financings, and we did not have any material default in payment of trade and other payables, loans and borrowings or other financing obligations.

Working Capital Sufficiency

After taking into consideration the financial resources available to us, including our cash and bank balances, payments received and expected to be received from lessees and other funds generated from operations, secured borrowings for aircraft, committed, unsecured revolving credit facilities on standby and other borrowings and proceeds from future aircraft sales, in the absence of unforeseeable circumstances, the Directors confirm that we have sufficient working capital to satisfy our liquidity and capital resource needs over the next 12 months from the date of this prospectus.

Our liquidity and capital resource needs over the next 12 months include payments due under our aircraft purchase obligations, required principal and interest payments under our debt facilities, expected capital expenditure and customer maintenance payment reimbursements. Thereafter, we expect to finance our operations and our debt service requirements with cash flows generated from our operations and, if required, additional debt or equity financing. Our ability to obtain additional funding required for increased capital expenditure in the future beyond our anticipated cash needs for the next 12 months following the date of this prospectus, however, is subject to a variety of uncertainties, including our future results of our operations, financial condition and cash flows and economic, political and other conditions in the markets where we and our lenders and customers operate.

After due consideration of the above and discussions with our management, the Joint Sponsors confirm their satisfaction as to our ability to meet our working capital requirements for the next 12 months from the date of this prospectus.

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Cash Flows

The table below sets forth our cash flows for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Net cash provided by operating activities	838,655	961,669	1,112,433
Net cash used in investing activities	(1,589,285)	(1,826,914)	(1,317,602)
Net cash provided by financing activities.	638,306	596,160	344,418
Net (decrease)/increase in cash and cash equivalents. .	(112,324)	(269,085)	139,249
Cash and cash equivalents at the beginning of the year	613,553	501,229	232,144
Cash and cash equivalents at the end of the year. . .	501,229	232,144	371,393

Net cash provided by operating activities

In 2015, our net cash provided by operating activities was US\$1,112.4 million. We had operating profit before changes in working capital of US\$908.0 million, primarily consisting of profit before income tax of US\$401.4 million and adjustments for (i) depreciation of plant and equipment of US\$382.0 million and (ii) finance expenses of US\$168.8 million, partially offset by net gain on sale of aircraft of US\$70.1 million. Changes in working capital and other changes resulted in cash inflow of US\$204.4 million, primarily consisting of (i) an increase in maintenance reserves of US\$114.0 million due to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, (ii) interest and fee income received of US\$38.9 million and (iii) an increase in payables of US\$37.9 million mainly relating to maintenance reserves payable and accrued interest payable.

In 2014, our net cash provided by operating activities was US\$961.7 million. We had operating profit before changes in working capital of US\$883.2 million, primarily consisting of profit before income tax of US\$352.8 million and adjustments for (i) depreciation of plant and equipment of US\$381.2 million and (ii) finance expenses of US\$150.8 million. Changes in working capital and other changes resulted in cash inflow of US\$78.5 million, primarily consisting of an increase in maintenance reserves of US\$84.4 million relating to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, partially offset by a decrease in payables of US\$25.0 million relating to a lower accrued repossession cost in 2014.

In 2013, our net cash provided by operating activities was US\$838.7 million. We had operating profit before changes in working capital of US\$747.7 million, primarily consisting of profit before income tax of US\$310.9 million and adjustments for (i) depreciation of plant and equipment of US\$336.3 million and (ii) finance expenses of US\$135.7 million, partially offset by net gain on sale of aircraft of US\$76.5 million. Changes in working capital and other

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changes resulted in cash inflow of US\$91.0 million, primarily consisting of an increase in maintenance reserves of US\$79.6 million relating to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, partially offset by net security deposits paid of US\$47.2 million mainly relating to transfers of security deposits to buyers of certain aircraft.

Net cash used in investing activities

In 2015, our net cash used in investing activities was US\$1,317.6 million, which was due to purchases of plant and equipment of US\$3,409.9 million, mainly relating to the purchase of 40 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of US\$2,092.3 million, mainly relating to the sale of 43 aircraft.

In 2014, our net cash used in investing activities was US\$1,826.9 million, which was due to purchases of plant and equipment of US\$3,142.8 million, mainly relating to the purchase of 57 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of US\$1,315.9 million, mainly relating to the sale of 33 aircraft.

In 2013, our net cash used in investing activities was US\$1,589.3 million, which was due to purchases of plant and equipment of US\$2,502.6 million, mainly relating to the purchase of 48 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of US\$913.3 million, mainly relating to the sale of 21 aircraft.

Net cash provided by financing activities

In 2015, our net cash provided by financing activities was US\$344.4 million, primarily due to proceeds from loans and borrowings of US\$2,824.0 million, partially offset by (i) repayment of loans and borrowings of US\$2,287.8 million and (ii) finance expenses paid of US\$171.4 million.

In 2014, our net cash provided by financing activities was US\$596.2 million, primarily due to proceeds from loans and borrowings of US\$2,153.1 million, partially offset by (i) repayment of loans and borrowings of US\$1,155.2 million, (ii) finance expenses paid of US\$151.3 million and (iii) dividends paid of US\$139.0 million.

In 2013, our net cash provided by financing activities was US\$638.3 million, primarily due to proceeds from loans and borrowings of US\$2,359.4 million, partially offset by (i) repayment of loans and borrowings of US\$1,465.1 million, (ii) finance expenses paid of US\$135.2 million and (iii) dividends paid of US\$113.0 million.

INDEBTEDNESS

Indebtedness is defined as loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values and discounts/premium to medium term notes.

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During the Track Record Period, our operations and capital expenditure have relied in part on a diverse source of debt financing, including (i) loan financing, consisting of term loans, committed, unsecured revolving credit facilities and finance lease payables, (ii) debt capital markets, consisting of medium term notes and (iii) U.S. Exim and European export credit agency supported financing.

The table below sets forth our overall indebtedness as at the dates indicated:

	As at 31 December			As at 31 March
	2013	2014	2015	2016
				(unaudited)
	US\$'000			
Current debt				
Medium term notes	63,967	59,971	—	—
Less: fair value adjustments	(415)	(2,976)	—	—
Loans	635,149	844,994	1,001,499	710,478
Less: deferred debt issue costs for loans . .	(13,015)	(12,671)	(11,352)	(11,133)
Finance lease payables	6,615	8,845	9,217	9,313
Less: deferred debt issue costs for finance lease payables	(30)	(69)	(69)	(69)
Total current debt	<u>692,271</u>	<u>898,094</u>	<u>999,295</u>	<u>708,589</u>
Non-current debt				
Medium term notes	1,356,838	2,265,427	3,212,612	3,212,612
Less: medium term notes discount (net of premium) adjustments	(856)	(3,268)	(5,823)	(5,393)
Less: fair value adjustments	(5,390)	(71,692)	(144,206)	(105,466)
Loans	5,306,867	5,163,865	4,665,246	4,943,840
Less: deferred debt issue costs for loans . .	(88,047)	(82,031)	(79,298)	(75,821)
Finance lease payables	52,910	77,119	67,903	65,530
Less: deferred debt issue costs for finance lease payables	(98)	(317)	(248)	(230)
Total non-current debt	<u>6,622,224</u>	<u>7,349,103</u>	<u>7,716,186</u>	<u>8,035,072</u>
Total debt⁽¹⁾	<u>7,314,495</u>	<u>8,247,197</u>	<u>8,715,481</u>	<u>8,743,661</u>
Total indebtedness	<u>7,422,346</u>	<u>8,420,221</u>	<u>8,956,477</u>	<u>8,941,773</u>

Note:

(1) Total debt represents total indebtedness after adjustments for debt issue costs, fair values and discounts/premium to medium term notes.

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The table below sets forth a breakdown of our outstanding indebtedness as at the dates indicated:

	As at 31 December					
	2013		2014		2015	
	Amount (US\$'000)	% of total	Amount (US\$'000)	% of total	Amount (US\$'000)	% of total
Debt Funding Sources						
Loans	4,132,935	55.7	4,417,843	52.5	4,315,115	48.2
Debt capital markets	1,420,805	19.1	2,325,398	27.6	3,212,612	35.9
Loans guaranteed by U.S. Exim and European export credit agencies	1,868,606	25.2	1,676,980	19.9	1,428,750	15.9
Total	<u>7,422,346</u>	<u>100.0</u>	<u>8,420,221</u>	<u>100.0</u>	<u>8,956,477</u>	<u>100.0</u>

The table below sets forth our total indebtedness by secured and unsecured status as at 31 December 2015:

	Collateral	As at 31 December 2015		
		Outstanding borrowings (US\$'000)	Number of aircraft	Final stated maturity
Secured indebtedness:				
Loan financing (including finance lease payables)	Interests in aircraft, aircraft leases, beneficial interests in aircraft owning/leasing entities and related interests	3,305,115	100	Between 2016 and 2026
Export credit agency supported financing	Interests in aircraft, cash collateral, aircraft leases, beneficial interests in aircraft owning/leasing entities and related interests	1,428,750	45	Between 2020 and 2025
Total secured indebtedness		<u>4,733,865</u>		

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As at 31 December 2015				
Collateral	Outstanding borrowings (US\$'000)	Number of aircraft	Final stated maturity	
Unsecured indebtedness:				
Loan financing	None	1,010,000	—	Between 2016 and 2020
Medium term notes	None	3,212,612	—	Between 2017 and 2025
Total unsecured indebtedness . . .		<u>4,222,612</u>		
Total indebtedness		<u>8,956,477</u>		

Secured indebtedness as a percentage of our total assets has decreased from 58.5% as at 31 December 2013 to 51.1% as at 31 December 2014 and further to 38.0% as at 31 December 2015.

The table below sets forth a breakdown of our total indebtedness by original currency (in US\$ equivalent) and range of interest rates per annum as at 31 December 2015:

As at 31 December 2015		
Amount	Interest rate per annum	
US\$'000	%	
Loan financing⁽¹⁾:		
U.S. Dollars	5,743,865	0.560% to 2.581%
Medium term notes:		
U.S. Dollars	2,100,000	2.875% to 4.375%
Chinese Yuan Renminbi	630,236	4.2% to 5.5%
Australian Dollars	373,493	5.375%
Singapore Dollars	108,883	3.93%
	<u>3,212,612</u>	
Total indebtedness	<u>8,956,477</u>	

Note:

(1) Includes finance lease payables and export credit agency supported financing.

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Loan Financing

We have established strong relationships with many banks and other financial institutions in Asia, Europe, the Middle East and North America. As at 31 December 2015, we had more than 60 banks and other financial institutions lending to us. The table below sets forth the maturity of our interest-bearing loans and borrowings (including notes but excluding finance lease payables) as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	US\$'000		
Loans and borrowings repayable:			
Within one year	699,116	904,965	1,001,499
One to five years	3,026,627	4,795,850	5,606,321
More than five years	<u>3,637,078</u>	<u>2,633,442</u>	<u>2,271,537</u>
Total loans and borrowings	<u><u>7,362,821</u></u>	<u><u>8,334,257</u></u>	<u><u>8,879,357</u></u>

Our sources of secured debt include secured commercial term loans and export credit agency supported term loans. Our sources of unsecured debt include unsecured term loans, committed, unsecured revolving credit facilities and medium term notes. All of our term loans are on a floating rate basis with interest payable quarterly or semi-annually and are subject to customary events of default and covenants, including a minimum tangible net worth covenant and a debt to equity covenant, that are tested semi-annually.

Secured debt

Our secured debt represents commercial term loans and export credit agency support term loans, each of which are typically secured with mortgages over aircraft or over the shares of an entity owning aircraft. These term loans typically amortise on a quarterly or semi-annual basis based on a fixed repayment schedule with a balloon payment at maturity. For most of our secured loans, if we sell the underlying aircraft financed by the loan, we have the ability to retain the facility subject to us providing a replacement aircraft as collateral or cash deposits until such replacement aircraft is available to be pledged. Our export credit agency supported term loans represent loans extended by third-party financial institutions which are guaranteed by U.S. Exim and European export credit agencies. We have accessed and may seek to continue to access to such guarantees for new deliveries of Airbus and Boeing aircraft, respectively.

Unsecured debt

Our unsecured debt represents term loans and committed, unsecured revolving credit facilities. In addition to our outstanding unsecured term loans as at 31 December 2015, we have drawn down two additional unsecured term loans totalling US\$525.0 million as at 31 March 2016.

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As at 31 December 2015, we had committed, unsecured revolving credit facility commitments of US\$2,730.0 million, of which US\$2,510.0 million was undrawn. These facilities include a committed, unsecured revolving credit facility of US\$2.0 billion, which matures in April 2022, obtained from BOC Group on terms commensurate with the terms of other committed, unsecured revolving credit facilities provided by third parties or better for the Company. This facility will remain in place following completion of the Global Offering. See “*Relationship with BOC*” for further details. This facility has not been drawn down during the Track Record Period and serves as a source of temporary financing only rather than long-term financing. We have accessed other committed, unsecured revolving credit facilities from BOC in the past in order to fund attractive aircraft acquisition opportunities, and they represent a key tool in allowing us to execute our growth strategy and provide a source of committed backstop liquidity. Of the other US\$730.0 million available from independent third party lenders, US\$350.0 million matures in 2016, US\$230.0 million in 2017 and US\$150.0 million in 2018. Our loan facilities typically contain financial covenants requiring (i) a consolidated net worth of not less than US\$275 million and (ii) a maximum debt to equity ratio of 6-to-1. We have been and intend to continue to be in compliance with these financial covenants.

Senior Unsecured Medium Term Notes

In September 2012, we established a US\$2.0 billion EMTN Programme which we increased to US\$5.0 billion in April 2014. In March 2015, we converted our EMTN Programme into a US\$5.0 billion GMTN Program (which was updated in April 2016) and had, as at 31 December 2015, approximately US\$3.2 billion outstanding under the GMTN Program through 13 series of unsecured notes. Investors of such notes include financial asset managers, insurance companies and private banks.

The terms and conditions of the GMTN Program contain customary events of default, in addition to a negative pledge covenant whereby we and our principal subsidiaries (as defined under the terms and conditions) are not permitted to create any security interest to secure any notes, bonds, debentures or other securities listed or traded on any stock exchange, over-the-counter or other securities market without at the same time granting security interest equally and rateably to the holders of the notes issued under the GMTN Program.

These unsecured notes have been issued in U.S. Dollars, Australian Dollars, Singapore Dollars and offshore RMB, and are unsecured. Where notes have been denominated in currencies other than U.S. Dollars, they have been swapped with bank counterparties into U.S. Dollar liabilities.

Finance Lease Payables

Some of the aircraft that we own have been acquired by way of finance leases, under which title to such aircraft will be transferred to us after we have fully discharged our obligations under the respective lease agreements. The finance lease payables are secured

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by a charge over the leased aircraft. Interest on such leases ranged from 0.8% to 2.7%, 0.7% to 2.4% and 0.8% to 2.6% per annum in 2013, 2014 and 2015, respectively. The table below sets forth, as at the dates indicated, an ageing analysis of our minimum lease payments and present value of payments under such leases:

	As at 31 December					
	2013		2014		2015	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US\$'000					
Not later than one year . . .	7,830	6,615	11,041	8,845	11,069	9,217
Later than one year but not later than five years . . .	55,858	52,910	60,195	54,633	51,872	47,794
Later than five years	—	—	24,033	22,486	20,947	20,109
Subtotal	63,688	59,525	95,269	85,964	83,888	77,120
Less: finance charges	(4,163)	—	(9,305)	—	(6,768)	—
Total finance lease commitments	<u>59,525</u>	<u>59,525</u>	<u>85,964</u>	<u>85,964</u>	<u>77,120</u>	<u>77,120</u>

Indebtedness Statement

As at 31 March 2016, being the latest practicable date for the purpose of the indebtedness statement:

- we had loans (not including notes) of US\$5,654.3 million, which includes US\$4,339.3 million, secured as described above and US\$1,315.0 million unsecured debt;
- we had 13 series of notes representing US\$3,212.6 million in aggregate;
- we had finance lease payables of US\$74.8 million, secured as described above; and
- we had unutilised committed, unsecured revolving credit facilities of US\$2,780.0 million, which were committed and without uncommon restrictions on draw-down.

As at 31 March 2016, other than those disclosed in “— *Indebtedness*” and “— *Contingent Liabilities*”, we had no other debt securities, borrowings, debts, mortgages, contingent liabilities or guarantees. Since 31 March 2016, other than the US\$750 million notes issued under the GMTN Program (see “*Business — Financing*”), there has been no significant increase in our indebtedness.

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Other than the financial and operating covenants we agreed to under our loans, export credit agency borrowings, medium term notes and credit facilities as described above in “—*Indebtedness*”, our debt financing arrangements do not carry any material restrictive covenants.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain transactions with related parties. Material related party transactions included the following:

- in 2013, 2014 and 2015, the Group generated lease rental income of US\$13.2 million, US\$20.9 million and US\$23.6 million, respectively, from airlines under common control;
- as at 31 December 2013, 2014 and 2015, the Group had bank loans due to BOC of US\$527.8 million, US\$495.4 million and US\$442.5 million, respectively, as well as bank loans due to other related parties of the BOC Group of US\$628.7 million, US\$476.5 million and US\$574.1 million, respectively;
- in 2013, 2013 and 2014, the Group incurred interest expenses of US\$9.3 million, US\$9.1 million and US\$8.7 million, respectively, attributable to BOC, as well as US\$11.5 million, US\$10.8 million and US\$7.1 million, respectively, attributable to other related parties of BOC Group;
- as at 31 December 2013, 2014 and 2015, the Group had fixed deposits placed with BOC of US\$163.6 million, US\$101.5 million and US\$23.2 million, respectively, and fixed deposits placed with other related parties of BOC Group of US\$89.2 million as at 31 December 2015; and
- as at 31 December 2013, 2014 and 2015, the Group had undrawn, committed unsecured revolving credit facilities totalling US\$2.0 billion in place with BOC.

The above transactions were entered into on an arms-length basis and the applicable interest rates were set at prevailing market rates.

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CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure primarily consisted of aircraft purchases and aircraft pre-delivery payments. The table below sets forth our capital expenditure for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	US\$'000		
Aircraft	2,116,673	1,984,074	1,464,504
Aircraft pre-delivery payments	383,820	1,158,015	1,952,823
Other plant and equipment	2,095	2,093	1,085
Total capital expenditure	<u>2,502,588</u>	<u>3,144,182</u>	<u>3,418,412</u>

We have financed our capital expenditure primarily through loans and borrowings and cash generated from operations.

COMMITMENTS

Our commitments relating to aircraft include assumptions based on estimated escalation costs and specifications for aircraft. These costs may differ significantly due to subsequent changes.

Capital Expenditure Commitments

We have commitments to purchase various aircraft to be delivered between 2016 and 2021. As at 31 December 2013, 2014 and 2015, our aircraft capital expenditure commitments, including assumed escalation to delivery were US\$4,919.2 million, US\$9,850.0 million and US\$9,580.8 million, respectively.

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As at 31 December 2015, we had 241 aircraft committed for purchase. The table below sets forth, as at 31 December 2015, our estimated commitment amounts for such purchases payable for the years indicated:

	As at 31 December 2015						
	2016	2017	2018	2019	2020	2021	Total
	US\$'000						
Aircraft capital expenditure commitments	1,905,509	1,966,387	1,709,867	1,947,193	1,546,736	505,072	9,580,764 ⁽¹⁾

Note:

- (1) Including US\$397.6 million (representing 4.1% of our total aircraft capital expenditure commitments) attributable to aircraft pre-delivery payment arrangements pursuant to which the lessee has an option to purchase and take delivery of the aircraft, in which case we would not bear such expenditure.

Indebtedness Commitments

The terms of our indebtedness (including finance lease payables), require us to make future principal and interest payments on variable and fixed rate debt. The table below sets forth, as at 31 December 2015, an ageing analysis of these future obligations, based on estimated payments:

	As at 31 December 2015			
	Less than one year	One to five years	More than five years	Total
	US\$'000			
Loans	831,523	2,618,777	864,815	4,315,115
Debt capital markets	—	2,269,845	942,767	3,212,612
Loans guaranteed by U.S. Exim and European export credit agencies	179,193	765,493	484,064	1,428,750
Total indebtedness commitments	<u>1,010,716</u>	<u>5,654,115</u>	<u>2,291,646</u>	<u>8,956,477</u>

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Office Leases

We lease office spaces under non-cancellable lease agreements. The table below sets forth, as at the dates indicated, future minimum lease payments for the office leases with initial or remaining terms of one year or more:

	As at 31 December		
	2013	2014	2015
	US\$'000		
Within one year	2,091	2,029	1,621
After one year but not more than five years	3,648	1,502	187
Total office lease commitments	<u>5,739</u>	<u>3,531</u>	<u>1,808</u>

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, the Company had no material contingent liabilities during the Track Record Period. See note 37 to the Accountants' Report in Appendix I to this prospectus for further details.

KEY FINANCIAL RATIOS

The table below sets forth, as at the dates and for the periods indicated, certain of our key financial ratios:

	As at or for the year ended 31 December		
	2013	2014	2015
Lease rate factor ⁽¹⁾	9.7%	9.8%	9.9%
Average cost of funds ⁽²⁾	1.9%	1.9%	2.0%
Net lease yield ⁽³⁾	8.1%	8.3%	8.2%
Pre-tax profit margin ⁽⁴⁾	33.8%	35.7%	36.8%
Return on assets ⁽⁵⁾	2.9%	2.9%	2.9%
Return on equity ⁽⁶⁾	15.0%	15.3%	15.1%
Debt-to-equity ⁽⁷⁾	3.9x	4.0x	3.7x

Notes:

(1) Lease rate factor is calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%. Average net book value of aircraft equals the net book value of aircraft at the beginning of the year plus net book value of aircraft at the end of the year, divided by two.

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- (2) Average cost of funds is calculated as the sum of finance expenses and capitalised interest, divided by average total indebtedness. Average total indebtedness equals the total indebtedness at the beginning of the year plus total indebtedness as at the end of the year, divided by two. Total indebtedness represents loans and borrowings and finance lease payables before fair value and discount/premium to medium term notes adjustments and deducting debt issue costs.
- (3) Net lease yield is calculated as the difference between lease rental income and finance expenses, divided by average net book value of aircraft and multiplied by 100%. Average net book value of aircraft equals the net book value of aircraft at the beginning of the year plus net book value of aircraft at the end of the year, divided by two.
- (4) Pre-tax profit margin is calculated as profit before income tax divided by total revenues and other income and multiplying the resulting value by 100%.
- (5) Return on assets is calculated by dividing profit after tax for the year by average total assets and multiplying the resulting value by 100%. Average total assets equal total assets at the beginning of the year plus total assets as at the end of the year, divided by two.
- (6) Return on equity is calculated by dividing profit after tax for the year by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the year plus total equity as at the end of the year, divided by two.
- (7) Debt-to-equity ratio is calculated as total indebtedness divided by total equity.

Lease Rate Factor

Our lease rate factor remained stable at 9.7%, 9.8% and 9.9% as at 31 December 2013, 2014 and 2015, respectively.

Average Cost of Funds

Our average cost of funds remained stable at 1.9%, 1.9% and 2.0% in 2013, 2014 and 2015, respectively.

Net Lease Yield

Our net lease yield remained stable at 8.1%, 8.3% and 8.2% in 2013, 2014 and 2015, respectively.

Pre-tax Profit Margin

Our pre-tax profit margin increased from 33.8% in 2013 to 35.7% in 2014 and further to 36.8% in 2015, primarily due to the increase in our total revenues and other income outpacing the increase in cost and expenses.

Return on Assets

Our return on assets remained stable at 2.9% in each year of the Track Record Period.

Return on Equity

Our return on equity remained stable at 15.0%, 15.3% and 15.1% in 2013, 2014 and 2015, respectively. Immediately following the Listing, our ROE in the near term may decline relative to historical levels due to the enlarged capital base attributable to the proceeds we raise from the Global Offering, in particular if we are unable to promptly deploy such proceeds for our business operations to generate returns.

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Debt-to-Equity Ratio

Our debt-to-equity ratio remained stable at 3.9x and 4.0x as at 31 December 2013 and 31 December 2014, respectively. Our debt-to-equity ratio then decreased to 3.7x as at 31 December 2015, primarily due to the repayment of loans associated with the sale of aircraft in 2015.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ON FINANCIAL RISK

Our financial instruments give rise to risks including from interest rate, liquidity, credit and foreign exchange risk. Market risk represents the risk of changes in value of a financial instrument caused by fluctuations in interest rates and foreign exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the financial risks described below. We implement policies to manage each of these risks.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from loans and borrowings, finance lease payables, finance lease receivables, and lease rental income and expenses.

We obtain financing through loans and capital market bond issues. Our objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A significant portion of our loans and borrowings and finance lease payables are contracted at floating interest rates pegged to U.S. Dollar LIBOR. Interest rate exposure arises when we collect fixed rate rentals but pay floating interest rate under the borrowings.

A significant portion of our financial assets and liabilities are based on floating interest rates pegged to U.S. Dollar LIBOR and are contractually repriced at intervals of less than 12 months from the statement of financial position date.

Our policy is to hedge at least 50% of mismatched interest rate exposure through appropriate interest rate financial derivative instruments and obtaining loans or issuing bonds on a fixed rate basis. As at 31 December 2015, we hedged approximately 60% of our mismatched interest rate exposure.

Sensitivity analysis for interest rate risk

See “— *Significant Factors Affecting Our Results of Operations and Financial Condition*” and note 39 to the Accountants’ Report in Appendix I to this prospectus for further details.

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Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

To ensure that we are able to meet our financial obligations, we spread our loan repayments over substantial periods of up to 12 years, and we maintain available committed, unsecured credit facilities from banks.

As at 31 December 2015, we had unutilised committed, unsecured revolving credit facilities of US\$2,510.0 million. See “— *Indebtedness*” and note 39 to the Accountant’s Report in Appendix I to this prospectus for further details.

Revenue from lease rentals is expected to be sufficient to meet annual interest and regular loan repayments over the next one year period.

As at 31 December 2015, 11.3% of our total indebtedness, comprising loans and borrowings and finance lease payables, will mature in less than one year.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

We are exposed to credit risk in the carrying amounts of trade and other receivables, derivative financial instruments, fixed deposits and cash and bank balances. Typically, our leasing arrangements require customers to pay rentals in advance and to provide security deposits and maintenance reserves. However, an early termination of a lease due to a credit event may expose us to consequential economic loss due to lower rentals being available from replacement lessees and also to possible costs associated with repair and maintenance and transitioning of the aircraft to a new customer.

Our objective is to seek continual revenue growth while minimising credit losses. We undertake credit appraisals on all potential customers before entering into new leases and review the credit status of customers annually. We also review the credit standing of significant vendors.

We undertake deposit and derivatives business with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard & Poor’s “A-”.

See “*Risk Factors — Risks related to the aviation industry generally*”.

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Foreign Currency Risk

We have transactional currency exposures mainly arising from our borrowings that are denominated in a currency other than our functional currency, which is U.S. Dollars.

All borrowings which are denominated in Australian Dollar, Chinese Yuan and Singapore Dollar are swapped into U.S. Dollar denominated liabilities. Foreign currency exposure arises because we collect all revenues and other income in U.S. Dollars while certain borrowings are denominated in non-U.S. Dollars. To hedge this foreign currency exposure, the Group utilises cross-currency interest rate swap contracts to convert its Australian Dollar, Chinese Yuan and Singapore Dollar denominated borrowings into U.S. Dollar denominated financial liabilities.

Derivative Financial Instruments

We use derivative financial instruments (cross-currency interest rate swaps, interest rate swaps and interest rate caps) solely to manage exposures to fluctuations in interest rates and foreign exchange rates in accordance with our risk management policies. We do not hold or issue derivative financial instruments for proprietary trading purposes.

All derivative financial instruments are recognised at fair value in the statement of financial position. The fair values of cross-currency interest rate swaps, interest rate swaps and interest rate caps shown in the statement of financial position are determined by marked-to-market values provided by counterparties.

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

Fair value hedges

We use interest rate swaps to hedge against changes in fair value of our medium term notes, which are issued at fixed coupon rates, as a result of changes in interest rates.

We issued US\$300 million notes and US\$500 million notes under our EMTN Programme and GMTN Program, respectively, at fixed coupon rates. As at 31 December 2014 and 2015, we had interest rate swap contracts with a total notional amount of US\$300 million and US\$500 million to hedge the interest rate exposure whereby we receive a fixed rate and pay a floating rate pegged to U.S. Dollar LIBOR on the notional amount on a semi-annual basis. The terms of the interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the fair value hedges are assessed to be highly effective.

The fair value of derivative financial assets was US\$1.5 million and US\$2.0 million as at 31 December 2014 and 2015, respectively. There were no fair value hedges which applied hedge accounting as at 31 December 2013.

Cash flow hedges

We borrow at floating interest rates pegged to U.S. Dollar LIBOR. Interest rate risk exposure arises when we collect fixed rate rentals to pay interest accruing under the related borrowings at floating rates.

There were no cash flow hedges for which we applied hedge accounting as at 31 December 2014 and 2015.

As at 31 December 2013, we had an interest rate swap contract with a notional amount of US\$24.2 million to hedge the interest rate exposure whereby we pay a fixed rate and receive a floating rate pegged to U.S. Dollar LIBOR on the notional amount on a semi-annual basis. The terms of the interest rate swap contracts had been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The ineffective portion, if any, had been recognised in the income statement. The fair value of the derivative financial liability was US\$0.2 million, which was recognised as a financial liability on the balance sheet.

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DIVIDENDS AND DIVIDEND POLICY

In 2013, 2014 and 2015, we paid dividends of US\$113.0 million, US\$139.0 million and nil, respectively, to our sole Shareholder. Following the Listing, we intend to pay dividends of up to 30% of our net profit after tax. However, 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. The amount of any dividends to be declared or paid will depend on, amongst other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had distributable reserves of US\$924.4 million.

LISTING EXPENSES

Total expenses (including underwriting commissions) expected to be incurred by the Company in relation to the Listing are approximately HK\$125.8 million, of which approximately HK\$27.7 million is expected to be charged to the profit or loss of the Group and approximately HK\$98.1 million is expected to be charged to share premium of the Group for the financial year ending 31 December 2016. Except for a minimal accrued amount, the Company did not incur any expenses relating to the Listing during the Track Record Period.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, we had no material off-balance sheet arrangements.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in this prospectus, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors confirm that, having performed reasonable due diligence on the Group, there has been no material adverse change in the Group's financial or trading position or prospects since 31 December 2015 and up to the date of this prospectus.

SHARE CAPITAL

SHARE CAPITAL

All of the issued shares of the Company comprise fully paid ordinary shares. Pursuant to the Companies (Amendment) Act 2005 of Singapore, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

As at the date of this prospectus, the Company's issued and paid-up share capital was US\$608,750,000.24 (excluding share issuance costs).

Details of the issued share capital of the Company immediately before and following the completion of the Global Offering are set out below:

	<u>Number of Shares</u>
<i>Issued and to be issued, fully paid or credited as fully paid</i>	
Shares in issue as at the date of this prospectus	589,908,834
Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is fully exercised)	<u>104,101,500</u>
Total	<u><u>694,010,334</u></u>

TREASURY SHARES

Under the Singapore Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury Shares. See "Appendix IV — Summary of the Constitution of the Company and Salient Provisions of the Laws of Singapore" for a summary of some of the provisions on treasury shares under the Singapore Companies Act.

As at the date of this prospectus, no treasury Shares are held by the Company.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by the Company following the completion of the Global Offering.

SHARE CAPITAL

GENERAL MANDATES GRANTED TO THE DIRECTORS

Subject to the Global Offering becoming unconditional, general mandates have been granted to the Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, see “*Appendix V — Statutory and General Information*”.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full), the following persons (other than a Director or chief executive of the Company) will have an interest and/or short position (as applicable) in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once the Shares are listed on the Stock Exchange:

Interests and Long Positions in Shares

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage (%)
Sky Splendor Limited ⁽¹⁾	Beneficial interest	454,576,934	65.5%
BOCGI ⁽¹⁾	Interest in controlled entity	454,576,934	65.5%
BOC ⁽²⁾	Interest in controlled entity	454,576,934	65.5%
Central Huijin Investment Ltd. ⁽³⁾	Interest in controlled entity	454,576,934	65.5%

Notes:

- (1) BOCGI is deemed to be interested in the 454,576,934 Shares which Sky Splendor Limited is interested in as beneficial owner immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full). If the Over-allotment Option is not exercised, BOCGI will be deemed to be interested in the 485,807,334 Shares (representing approximately 70% of the Shares in issue) which Sky Splendor Limited is interested in as beneficial owner immediately following the completion of the Global Offering. Sky Splendor Limited is a direct wholly-owned subsidiary of BOCGI.
- (2) BOC is deemed to be interested in the 454,576,934 Shares referred to in note (1) above (and assuming that the Over-allotment Option is exercised in full) as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of BOCGI.
- (3) Central Huijin Investment Ltd. is deemed to be interested in the 454,576,934 Shares referred to in note (1) above (and assuming that the Over-allotment Option is exercised in full) as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of BOC.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company is aware of any other person who will, immediately following the completion of the Global Offering, have an interest or short position in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

RELATIONSHIP WITH BOC

OVERVIEW

Immediately following the completion of the Global Offering, BOC (through its wholly-owned subsidiaries, BOCGI and the Selling Shareholder) will have an interest in approximately 65.5% of the Shares in issue (assuming the Over-allotment Option is exercised in full) and approximately 70% of the Shares in issue if the Over-allotment Option is not exercised. Accordingly, the Company will remain as a subsidiary of BOC and BOC, BOCGI and the Selling Shareholder will be the controlling shareholders of the Company. Please refer to “*History and Corporate Structure*” for the simplified corporate structure of the Group.

INDEPENDENCE OF THE GROUP FROM THE BOC GROUP

The Directors are of the view that the Group is capable of carrying on its business independently from the BOC Group following the completion of the Global Offering for the following reasons.

(a) Clear Delineation of Business

There is a clear and distinct delineation of the business of the Group and the businesses of the BOC Group. The Group owns and operates an aircraft operating lease business while the BOC Group owns and operates commercial banking, investment banking, insurance, fund management, direct investment and investment management and consumer finance businesses. The BOC Group does not carry on any aircraft operating lease business apart from its interests in the Group.

(b) Financial Independence

The Group has a diversified financing strategy and maintains banking relationships with and currently has outstanding bank financing or facilities with many financial institutions. The BOC Group, whose core business is commercial banking, is only one of the many financial institutions from which the Group has obtained and will continue to obtain financing.

As at 31 December 2015, the Group’s outstanding bank borrowings from the BOC Group amounted to US\$921 million, of which US\$721 million represented bank borrowings which were secured by interests in aircraft and the related lease agreements. The Group has also obtained from the BOC Group two US\$1 billion committed, unsecured revolving credit facilities, which in 2015 were converted into a single US\$2 billion committed, unsecured revolving credit facility to be used for temporary financing purposes only and which was not drawn down by the Group during the Track Record Period and as at the Latest Practicable Date. The Group also has fixed deposit accounts with the BOC Group. Please see “*Connected Transactions — Non-exempt Continuing Connected Transactions*” for further details.

As at 31 December 2015, the Group’s outstanding borrowings from third party sources (other than BOC Group), including secured and unsecured borrowings and committed, unsecured revolving credit facilities and medium term note issuances, amounted to approximately US\$8 billion, representing approximately 90% of all outstanding borrowings of the Group as at 31 December 2015.

RELATIONSHIP WITH BOC

All financing obtained or deposits placed by the Group, whether from or with the BOC Group or third party financial institutions are on arm's length and normal commercial terms. The BOC Group does not and has not, as at the Latest Practicable Date, provided any credit support (whether by way of guarantees or otherwise) in respect of any financing obtained by the Group from third party sources.

The Directors are of the view that on the basis that (i) the Group has a proven record of obtaining financing from third party sources on a stand-alone basis without any credit support from the BOC Group, (ii) the Group is in a strong financial position and (iii) the Group has investment grade corporate credit ratings and taking into account the net book value of aircraft owned by the Group which are unencumbered:

- (A) if the Group was required to refinance the secured and unsecured bank borrowings from the BOC Group, the Group would be able to do so by obtaining additional financing from third party financial institutions or in the debt capital markets on arm's length and normal commercial terms and to service those borrowings; and
- (B) if the revolving credit facility was no longer made available by the BOC Group, the Group would review its immediate requirements for standby liquidity (including the potential impact on its credit ratings), which might not require the immediate replacement of this facility in full and if it did wish to replace this facility in part, it would be able to do so as needed by entering into arrangements with third party financial institutions.

Accordingly, the Directors are of the view that the Group is able to operate financially independently from the BOC Group.

(c) Independence of Directors and Management

The Board of Directors consists of nine Directors, comprising two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors.

The Directors are of the view that the Board of Directors and the senior management of the Group are able to function independently of the BOC Group for the following reasons:

- (i) the two Executive Directors and the members of the senior management of the Group are responsible for the day-to-day management of the Group's business and none of them holds any directorships and/or other roles with the BOC Group;
- (ii) all of the Independent Non-executive Directors of the Company are independent of the BOC Group;

RELATIONSHIP WITH BOC

- (iii) there is only one overlapping director on the respective board of directors of the Company and BOC, such director being a Non-executive Director of the Company, and the Directors who have directorships and/or other roles with the BOC Group are all Non-executive Directors of the Company; and
- (iv) the management of the Group and the BOC Group do not hold any overlapping executive positions in each other.

In addition, 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 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, details of which are set out in *“Appendix IV — Summary of the Constitution of the Company and Salient Provisions of the Laws of Singapore”*.

The provisions of the Constitution ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice with a view to ensuring that decisions are taken having regard to the best interests of the Company and the Shareholders (including the independent Shareholders) taken as a whole.

(d) Independence of Administrative Capability

All essential administrative functions (such as finance and accounting, administration and operations, information technology, human resources and compliance functions) are carried out by the Group without the support of the BOC Group. Accordingly, the Directors are of the view that the Group is administratively independent from the BOC Group.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any businesses apart from the Group’s business which competes or is likely to compete, either directly or indirectly, with the Group’s business.

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the Listing, the Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of the Company. Details of the continuing connected transactions of the Company following the Listing are set out below.

A. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

1. Committed, Unsecured Credit Facilities from the BOC Group

(a) *Description of the Transaction*

The Company (as borrower) and certain subsidiaries of the Company (as alternative borrowers) entered into a financing agreement with BOC (as lender) in relation to a US\$2 billion committed, unsecured revolving credit facility dated 1 June 2015. BOC Aviation (Ireland) Limited (as borrower) entered into a loan agreement with BOCHK (as lender) in relation to a US\$200 million committed, unsecured term loan dated 14 October 2015, which has been fully drawn as at the Latest Practicable Date. The committed, unsecured credit facilities are obtained in the ordinary and usual course of business and on normal commercial terms or better to the Group and for which security is not provided by the Company as the borrower.

(b) *Listing Rules Implications*

The committed, unsecured credit facilities constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms (or better to the Group) where no security over the assets of the Group is granted and would, upon the Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

2. Appointment of BOCI as Dealer under the US\$5 Billion Global Medium Term Note Program

(a) *Description of the Transaction*

BOCI is one of the dealers under the Company's US\$5 billion GMTN Program, under which the Company may from time to time issue notes in any currencies agreed between the Company and the relevant dealer(s). Underwriting commissions are payable by the Company to BOCI from time to time when BOCI acts as a dealer in respect of any specific note issue. The appointment of BOCI as dealer under the GMTN Program is on normal commercial terms and is consistent with the appointment of other dealers.

CONNECTED TRANSACTIONS

(b) *Listing Rules Implications*

As no security over the assets of the Group is granted in respect of the notes issued from time to time, any note underwritten by BOCI would constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms (or better to the Group) where no security over the assets of the Group is granted and would, upon the Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As note issues on which BOCI will act as a dealer do not occur on a regular basis, the Company will determine for each transaction whether an announcement and/or shareholders' approval is required in relation to the underwriting commission payable to BOCI.

Other *De Minimis* Continuing Connected Transactions

The Group has also entered into other continuing connected transactions with members of the BOC Group, the highest relevant percentage ratio of each of which is below 0.1%. Since they are on normal commercial terms, they will be exempt pursuant to Rule 14A.76 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules. Details of such continuing connected transactions are set out in paragraphs 3, 4, 5 and 6 below.

3. Trademark Licence Agreement

The Company has entered into a trademark licence agreement (the "**Trademark Licence Agreement**") with BOC on 12 May 2016. Pursuant to the Trademark Licence Agreement, in consideration of (i) the payment of HK\$100 by the Company to BOC, (ii) the Company agreeing to inform, where relevant and deemed appropriate in its sole discretion, the customers of the Group of the existence of the types of financial products regularly made available by the BOC Group and (iii) the Company agreeing to provide to any such customer the contact details of the product sales team of the relevant member of the BOC Group, BOC has agreed to grant to the Company a non-exclusive, sub-licensable, irrevocable and perpetual licence to use certain trademarks in combination with the word "Aviation" for the purposes of the Listing and in connection with all business activities of the Company. Pursuant to the Trademark Licence Agreement, the Company is not required to pay any royalty or other ongoing payment in respect of the Company's or any of its wholly-owned subsidiaries' use of the trademarks.

The Trademark Licence Agreement may be terminated by BOC where the BOC Group, directly or indirectly, cease to collectively be interested in at least 50% of the Shares in issue. The Trademark Licence Agreement may also be terminated by the Company giving prior written notice to BOC or otherwise be terminated in accordance with the terms of the Trademark Licence Agreement. The Trademark Licence Agreement is on normal commercial terms.

CONNECTED TRANSACTIONS

4. Technical Management Services Agreement

The Company entered into an agreement with BOC Shenzhen Branch on 3 July 2012, pursuant to which the Company agreed to provide on an ongoing basis certain technical management services, aircraft transition and delivery services and remarketing services in respect of three aircraft and one spare engine pledged to secure loans provided to a third party by BOC Shenzhen Branch (the “**Technical Management Services Agreement**”). The Technical Management Services Agreement is on normal commercial terms. Either party may terminate the Technical Management Services Agreement by giving the other party 30 days prior notice.

5. Leases for Office Premises

Certain members of the Group lease certain office premises from the BOC Group (other than the BOCHK Holdings Group). The leases are on normal commercial terms or better to the Group.

6. Provision of Insurance Underwriting Services by the BOC Group

Bank of China Group Insurance Company Limited and Bank of China Insurance Company Limited, both wholly-owned subsidiaries of BOC, act as the underwriters of three of the Company’s aircraft contingency insurance policies, which are renewed annually and in respect of which annual premiums are paid by the Company. The provision of insurance underwriting services is on normal commercial terms.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

(a) *Description of the Transactions*

The Group has fixed deposit accounts with the Macau, 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 BOC Deposit Framework Agreement provides that all deposit of funds with the BOC Group (other than the BOCHK Holdings Group) must be (i) in the ordinary and usual course of business of the Group and the BOC Group (other than the BOCHK Holdings Group), (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) to independent third parties for similar or comparable deposits and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

CONNECTED TRANSACTIONS

The BOC Deposit Framework Agreement expires on 31 December 2018 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 three months' prior written notice or otherwise in accordance with the terms of the BOC Deposit Framework Agreement.

(b) ***Historical Transaction Amounts***

The maximum daily balance of deposits placed by the Group with the BOC Group (other than the BOCHK Holdings Group) (including interest accrued thereon) for the three years ended 31 December 2013, 2014 and 2015 were approximately US\$351 million, US\$393 million and US\$349 million, respectively.

(c) ***Caps on Future Transaction Amounts***

The maximum daily balance of deposits placed by the Group with the BOC Group (other than the BOCHK Holdings Group) (including interest accrued thereon) for each of the three years ending 31 December 2016, 2017 and 2018 will not exceed US\$500 million.

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) (including interest accrued thereon) during the three financial years ended 31 December 2015, (ii) the proceeds to the Company from the Global Offering, (iii) the expected growth of the Group's business and the financing needs of the Group over the next three years which are expected to result in an increase in the Group's cash balance and (iv) the cash amounts which the Group would receive from future sales of aircraft.

(d) ***Listing Rules Implications***

As the applicable percentage ratios in respect of each of the caps are, on their own and on an annual basis, 5% or more, such continuing connected transaction will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transactions will be subject to the aggregation set out in "*— Aggregation of Continuing Connected Transactions*" below. After such aggregation, such continuing connected transaction will, upon the Listing, remain subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Bank Deposits with the BOCHK Holdings Group

(a) ***Description of the Transactions***

The Group has fixed deposit accounts with BOCHK in the ordinary and usual course of its business and on normal commercial terms.

CONNECTED TRANSACTIONS

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 BOCHK Deposit Framework Agreement provides that all deposit of funds with the BOCHK Holdings Group must be (i) in the ordinary and usual course of business of the Group and the BOCHK Holdings Group, (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 BOCHK Holdings Group to independent third parties for similar or comparable deposits and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The BOCHK Deposit Framework Agreement expires on 31 December 2018 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 BOCHK Deposit Framework Agreement.

(b) Historical Transaction Amounts

The maximum daily balance of deposits placed by the Group with the BOCHK Holdings Group (including interest accrued thereon) for the three years ended 31 December 2013, 2014 and 2015 were nil, approximately US\$46 million and approximately US\$150 million, respectively.

(c) Caps on Future Transaction Amounts

The maximum daily balance of deposits placed by the Group with the BOCHK Holdings Group (including interest accrued thereon) for each of the three years ending 31 December 2016, 2017 and 2018 will not exceed US\$500 million.

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) during the three financial years ended 31 December 2015, (ii) the proceeds to the Company from the Global Offering, (iii) the expected growth of the Group’s business and the financing needs of the Group over the next three years which are expected to result in an increase in the Group’s cash balance and (iv) the cash amounts which the Group would receive from future sales of aircraft.

The Company considers that the maximum historical daily balance of the deposits of the Group with third party financial institutions during the three financial years ended 31 December 2015 is relevant in calculating the above annual caps for the following reasons: (i) the Group deposits funds with a number of financial institutions (including the BOCHK Holdings Group) in the ordinary and usual course of its business and on normal commercial terms, (ii) when determining whether to place deposits with a particular financial institution (including the BOCHK Holdings Group), the Group will consider whether the terms offered are the most favourable terms available to the Group at the relevant time, (iii) the maximum historical daily

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balance of the deposits of the Group with third party financial institutions have been at or above the above annual caps and (iv) if the terms offered by the BOCHK Holdings Group for the deposit of funds are on terms which are no less favourable than those terms otherwise available to the Group from third party financial institutions at the relevant time during the term of the BOCHK Deposit Framework Agreement, the Group will consider depositing funds with the BOCHK Holdings Group (instead of other third party financial institutions) at the relevant time and such deposits are expected to be of a maximum daily balance not exceeding the above annual caps.

(d) ***Listing Rules Implications***

As the applicable percentage ratios in respect of each of the caps are, on their own and on an annual basis, 5% or more, such continuing connected transaction will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transactions will be subject to the aggregation set out in "*— Aggregation of Continuing Connected Transactions*" below. After such aggregation, such continuing connected transaction will, upon the Listing, remain subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Secured Loans and Other Banking Services from the BOC Group (other than the BOCHK Holdings Group)

(a) ***Description of the Transactions***

In 2009, the Group entered into 15 secured loan agreements with certain branches of BOC and BOCHK on a club basis with an aggregate principal amount of US\$595 million. BOCHK acted as facility agent, arranger and security trustee in respect of these loans. The loans were for the purpose of financing the acquisition of aircraft and were secured by interests in the aircraft and the related lease agreements. These secured loans are for a term of 10 years. As at 31 December 2015, one of these loans had been repaid in full and the outstanding principal amount under the remaining 14 secured loans was US\$417 million, of which BOCHK's portion is US\$60 million. The remaining loans are scheduled to be repaid in 2019.

In 2009, the Group entered into four secured loan agreements with BOC, London Branch with an aggregate principal amount of US\$440 million. The loans were for the purpose of financing the acquisition of aircraft and were secured by interests in the aircraft and the related lease agreements. These secured loans were for a term of seven years. As at 31 December 2015, three of these loans had been repaid in full and the outstanding principal amount under the remaining loan was US\$86 million. The remaining loan is scheduled to be repaid in 2016.

In addition, the BOC Group (other than the BOCHK Holdings Group) may in the future provide services as facility agent, arranger and/or security trustee in respect of any credit facilities provided by the BOC Group (including the BOCHK Holdings Group) to the Group as referred to in "*— Non-exempt Continuing Connected Transactions*" (the "**Other Banking Services**").

CONNECTED TRANSACTIONS

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 BOC Loan Framework Agreement provides that all loans from the BOC Group (other than the BOCHK Holdings Group) 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), (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) to independent third parties for similar or comparable loans and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The BOC Loan Framework Agreement provides that the 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), (ii) 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) 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 also provides that all existing and future secured loan agreements 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) 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 up to 10 years and the Group’s secured loans obtained from other third party financial institutions are typically for a term of seven to 12 years.

The BOC 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.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration that (i) the aircraft financing agreements entered into by the Group with other third party financial institutions are typically for a duration in excess of three years, (ii) the secured loans under the BOC Loan Framework Agreement are to finance the acquisition of aircraft which are the Group’s long-term assets subject to revenue-generating long-term leases to customers, and (iii) such long-term leases are for a duration in excess of three years, it is reasonable for the BOC Loan Framework Agreement and the financing agreements to be entered thereunder to be for a duration of more than three years.

CONNECTED TRANSACTIONS

(b) ***Historical Transaction Amounts***

The aggregate of the outstanding principal amount of the secured loans from the BOC Group (other than the BOCHK Holdings Group) and any fees paid for the provision of the Other Banking Services by the BOC Group (other than the BOCHK Holdings Group) as at and for the financial years ended 31 December 2013, 2014 and 2015 were approximately US\$528 million, US\$495 million and US\$443 million, respectively.

(c) ***Caps on Future Transaction Amounts***

The maximum of the aggregate of the outstanding principal amount of the secured loans from the BOC Group (other than the BOCHK Holdings Group) and the fees payable for the provision of the Other Banking Services by the BOC Group (other than the BOCHK Holdings Group) for each of the ten years ending 31 December 2025 will not exceed US\$500 million.

These caps were calculated by reference to (i) the outstanding principal amount of the existing secured loans from the BOC Group (other than the BOCHK Holdings Group), (ii) the amount of any fees which may be paid by the Group for the provision of the Other Banking Services by the BOC Group (other than the BOCHK Holdings Group) and (iii) the expected growth of the Group's business and the financing needs of the Group for the acquisition of aircraft over the next 10 years.

(d) ***Listing Rules Implications***

As the applicable percentage ratios in respect of each of the caps for the secured loans from BOC are, on their own and on an annual basis, 5% or more, the secured loans from the BOC Group (other than the BOCHK Holdings Group) will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transactions will be subject to the aggregation set out in "*— Aggregation of Continuing Connected Transactions*" below. After such aggregation, such continuing connected transactions will, upon the Listing, remain subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Secured Loans and Other Banking Services from the BOCHK Holdings Group

(a) ***Description of the Transactions***

The Group entered into five secured loan agreements with BOCHK with an aggregate principal amount of US\$444 million in 2009, 2012 and 2013, respectively. The loans were for the purpose of financing the acquisition of aircraft and were secured by interests in the aircraft and the related lease agreements. The secured loans from BOCHK are for a term of between seven and 10 years. As at 31 December 2015, three of these secured loans had been repaid in full and the outstanding principal amount under the remaining two loans was US\$219 million

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which are scheduled to be repaid in 2019 and 2023. US\$60 million was due to BOCHK under the secured loans provided by certain branches of BOC and BOCHK on a club basis as referred to in “— *Non-exempt Continuing Connected Transactions — Secured Loans and Other Banking Services from the BOC Group (other than the BOCHK Holdings Group)*” above.

In addition, BOCHK has provided services as facility agent, arranger and security trustee in respect of the loans provided by various branches of BOC to the Group as referred to in “— *Non-exempt Continuing Connected Transactions*” (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 BOCHK Loan Framework Agreement provides that all loans from the BOCHK Holdings Group 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 BOCHK Holdings Group, (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 BOCHK Holdings Group for similar or comparable loans and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The BOCHK Loan Framework Agreement provides that the Other Banking Services provided must be (i) in the ordinary and usual course of business of the Company and the BOCHK Holdings Group, (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 BOCHK Holdings Group to independent third parties for similar or comparable services and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The BOCHK Loan Framework Agreement also provides that all existing and future secured loan agreements (including in relation to the Other Banking Services) which may from time to time be entered into between members of the Group and members of the BOCHK Holdings Group 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 up to 10 years and the Group’s secured loans obtained from other third party financial institutions are typically for a term of seven to 12 years.

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 BOCHK Loan Framework Agreement.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration that (i) the aircraft financing agreements entered into by the

CONNECTED TRANSACTIONS

Group with other third party financial institutions are typically for a duration in excess of three years, (ii) the secured loans under the BOCHK Loan Framework Agreement are to finance the acquisition of aircraft which are the Group's long-term assets subject to revenue-generating long-term leases to customers, and (iii) such long-term leases are for a duration in excess of three years, it is reasonable for the BOCHK Loan Framework Agreement and the financing agreements to be entered thereunder to be for a duration of more than three years.

(b) *Historical Transaction Amounts*

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 as at and for the financial years ended 31 December 2013, 2014 and 2015 were approximately US\$471 million, US\$449 million and US\$279 million, respectively.

(c) *Caps on Future Transaction Amounts*

The maximum of the aggregate of the outstanding principal amount of the secured loans from the BOCHK Holdings Group and the fees payable for the provision of the Other Banking Services by the BOCHK Holdings Group for each of the ten years ending 31 December 2025 will not exceed US\$500 million.

These caps were calculated by reference to (i) the outstanding principal amount of the existing secured loans which the Group has obtained from the BOCHK Holdings Group and other third party financial institutions, (ii) the amount of the fees which have been paid by the Group for the provision of the Other Banking Services by the BOCHK Holdings Group and (iii) the expected growth of the Group's business and the financing needs of the Group for the acquisition of aircraft over the next 10 years.

The Company considers that the maximum of the aggregate outstanding principal amount of the secured loans which the Group has obtained from third party financial institutions during the three financial years ended 31 December 2015 is relevant in calculating the above annual caps for the following reasons: (i) the Group obtains secured loans from a number of financial institutions (including the BOCHK Holdings Group) in the ordinary and usual course of its business and on normal commercial terms, (ii) when determining whether to obtain secured loans from a particular financial institution (including the BOCHK Holdings Group), the Group will consider whether the terms offered are the most favourable terms available to the Group at the relevant time, (iii) the maximum of the aggregate outstanding principal amount of the secured loans which the Group has obtained from third party financial institutions have been at or above the above annual caps and (iv) if the terms offered by the BOCHK Holdings Group for the provision of the secured loans to the Group are on terms which are no less favourable than those terms otherwise available to the Group from third party financial institutions at the relevant time during the term of the BOCHK Loan Framework Agreement, the Group will consider obtaining secured loans from the BOCHK Holdings Group (instead of other third party financial institutions) at the relevant time and the aggregate principal amount of such secured loans is expected to be of a maximum amount not exceeding the above annual caps.

CONNECTED TRANSACTIONS

(d) *Listing Rules Implications*

As the applicable percentage ratios in respect of each of the caps for the secured loans from BOCHK are, on their own and on an annual basis, 5% or more, the secured loans from the BOCHK Holdings Group will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transactions will be subject to the aggregation set out in "*Aggregation of Continuing Connected Transactions*" below. After such aggregation, such continuing connected transactions will, upon the Listing, remain subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. AGGREGATION OF CONTINUING CONNECTED TRANSACTIONS

As the applicable percentage ratios in respect of the annual caps of (i) the transactions described under "*Non-exempt Continuing Connected Transactions — Bank Deposits with the BOC Group (other than the BOCHK Holdings Group)*" and (ii) the transactions described under "*Non-exempt Continuing Connected Transactions — Bank Deposits with the BOCHK Holdings Group*" above, in aggregate, will be, on an annual basis, 5% or more, such continuing connected transactions will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors are of the view that such continuing connected transactions are of the same nature and are entered into by the Group with parties who are connected with one another, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules.

As the applicable percentage ratios in respect of the annual caps of (i) the transactions described under "*Non-exempt Continuing Connected Transactions — Secured Loans and Other Banking Services from the BOC Group (other than the BOCHK Holdings Group)*" and (ii) the transactions described under "*Non-exempt Continuing Connected Transactions — Secured Loans and Other Banking Services from the BOCHK Holdings Group*" above, in aggregate, will be, on an annual basis, 5% or more, such continuing connected transactions will, upon the Listing, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors are of the view that such continuing connected transactions are of same nature and are entered into by the Group with parties who are connected with one another, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules.

D. WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the non-exempt continuing connected transactions described in this section will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would

CONNECTED TRANSACTIONS

impose unnecessary administrative costs upon us. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions described in this section.

The Company will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

E. CONFIRMATION FROM THE DIRECTORS AND THE JOINT SPONSORS

The Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, that are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by the Company relating to the non-exempt continuing connected transactions described in this section, and have obtained confirmations from the Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board of Directors consists of nine Directors, comprising two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Chen Siqing (陳四清) .	56	Chairman and Non-executive Director	13 December 2011	13 December 2011	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group
Robert James Martin .	51	Managing Director, Chief Executive Officer and Executive Director	5 July 1998	2 January 1998	Responsible for the day-to-day management of the Group
Wang Genshan (王根山)	59	Vice-Chairman and Executive Director	15 December 2006	15 December 2006	Responsible for the day-to-day management of the Group
Li Mang (李芒)	48	Non-executive Director	14 December 2015	14 December 2015	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group
Zhuo Chengwen (卓成文)	45	Non-executive Director	14 December 2015	14 December 2015	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group
Zhu Lin (朱林)	42	Non-executive Director	22 January 2014	22 January 2014	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Fu Shula (付舒拉) . . .	60	Independent Non-executive Director	1 February 2011	1 February 2011	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group
Antony Nigel Tyler . .	61	Independent Non-executive Director	12 May 2016	12 May 2016	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group
Dai Deming (戴德明) .	53	Independent Non-executive Director	12 May 2016	12 May 2016	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group

Chairman and Non-executive Director

Mr. Chen Siqing (陳四清), aged 56, was appointed as the Chairman and a Non-executive Director of the Company in December 2011.

Mr. Chen was appointed President of BOC in February 2014. In April 2014, Mr. Chen was appointed Vice Chairman of the board and an Executive Director of BOC. Mr. Chen joined BOC in 1990 and served as Executive Vice President from June 2008 to February 2014. Mr. Chen held various positions in BOC from June 2000 to May 2008, including Assistant General Manager, Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office and General Manager of the Guangdong Branch. Mr. Chen previously worked in the Hunan Branch of BOC before he was seconded to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Mr. Chen has also been serving as a Non-executive Director of BOC Hong Kong (Holdings) Limited (stock code: 02388) since December 2011 and the Vice Chairman since March 2014.

Mr. Chen graduated from Hubei Institute of Finance and Economics in the PRC in July 1982 and received a Master of Business Administration degree from the Murdoch University of Australia in January 1999. Mr. Chen has been a Certified Public Accountant of The Chinese Institute of Certified Public Accountants since April 1994.

DIRECTORS AND SENIOR MANAGEMENT

Managing Director, Chief Executive Officer and Executive Director

Mr. Robert James Martin, aged 51, was appointed as the Managing Director and an Executive Director of the Company in July 1998.

Mr. Martin joined the Group in January 1998 as Deputy Managing Director and was promoted six months later to the role of Managing Director. He assumed the title of Chief Executive Officer in 2004. Mr. Martin is one of the longest serving chief executive officers of the same company in the aircraft operating lease industry, and he has 28 years of experience in the aircraft and leasing business. Mr. Martin began his career in aircraft financing in London with Bank of America in 1987. He subsequently held senior positions in both London and Singapore with The Long-Term Credit Bank of Japan, Ltd. and in Hong Kong with HSBC Investment Bank.

Mr. Martin graduated from Cambridge University in the United Kingdom with a Master of Arts degree in Economics in March 1991.

Executive Director

Mr. Wang Genshan (王根山), aged 59, was appointed as Vice-Chairman and a Non-executive Director of the Company in December 2006. Since January 2008, he has served as Vice-Chairman and an Executive Director.

Mr. Wang became Deputy Managing Director in January 2008. Since then he has had executive responsibilities for various departments, including the board secretariat, internal audit, procurement and technical departments. Currently, Mr. Wang oversees the procurement and board secretariat departments. Mr. Wang joined BOC in 1978 in the Imports and Exports department of the Shanghai Branch. After being posted to the Sydney Branch of BOC in 1985, he returned to the Shanghai Branch in 1992 where he was subsequently promoted to the position of Deputy General Manager. In July 2006, he was Deputy Head of the Aircraft Leasing Preparatory Team in BOC that was tasked with evaluating the Company and the Company's eventual acquisition.

Mr. Wang graduated from East China Normal University in the PRC with a Diploma in English Linguistics in October 1978.

Non-executive Directors

Mr. Li Mang (李芒), aged 48, was appointed as a Non-executive Director in December 2015. He is the Deputy General Manager of the Corporate Banking Department of BOC.

Mr. Li joined BOC in July 1990. He worked in various divisions in the Banking Department and was promoted to Assistant General Manager of the Banking Department in July 2004. Between July 2005 and August 2008, he worked as Assistant General Manager and

DIRECTORS AND SENIOR MANAGEMENT

subsequently as Customer Relations Director of the International Settlement Department. In August 2008, he began working as Customer Relations Director for the Corporate Banking Unit (Corporate Business) until March 2014. He has held the position of Deputy General Manager of Corporate Banking Department since March 2014.

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. Zhuo Chengwen (卓成文), aged 45, was appointed as a Non-executive Director of the Company in December 2015.

Mr. Zhuo has over 20 years of experience in the banking industry and has extensive knowledge and skills in financial management. Mr. Zhuo joined the Accounting Department of BOC in 1995. Between 2001 and 2008, he was transferred to the Bank of China New York Branch and was appointed Deputy General Manager of New York Branch in 2006. He returned to the Financial Management Department of BOC in April 2008 and worked as Deputy General Manager. He served as the Chief Financial Officer of BOC Hong Kong (Holdings) Limited (stock code: 02388) from June 2009 to August 2014. He has been the General Manager of Financial Management Department of BOC since August 2014.

Mr. Zhuo graduated from the Peking University in the PRC with a Bachelor's Degree in Economics in July 1992 and a Master's Degree in Economics in July 1995 and was awarded a MBA Degree by the City University of New York in the U.S. in February 2005. Mr. Zhuo has been a member of the Chinese Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants since April 1995, August 2005 and November 2009 respectively.

Ms. Zhu Lin (朱林), aged 42, was appointed as a Non-executive Director in January 2014.

Ms. Zhu is the Deputy General Manager of Credit Management Department of BOC, a position she has held since April 2015. She joined BOC in July 1997 and had worked in the Credit Business Department and Corporate Banking Department. She served as Deputy General Manager of Risk Management Department from November 2007 to April 2015.

Ms. 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. Ms. Zhu has been a member of the Chinese Institute of Certified Public Accountants since July 1997.

Independent Non-executive Directors

Mr. Fu Shula (付舒拉), aged 60, was appointed as an independent Director in February 2011 and redesignated as an Independent Non-executive Director on 3 March 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fu has extensive experience in the China aviation industry and in market research, economic analysis, strategic planning, international trade and cooperation, enterprise operation and management and business administration. 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 graduated with a Master’s degree in Aero Engine Design from Northwestern Polytechnical University in the PRC in July 1984.

Mr. Antony Nigel Tyler, aged 61, was appointed as an Independent Non-executive Director of the Company on 12 May 2016.

Mr. Tyler has been the Director General and Chief Executive Officer of the International Air Transport Association (“**IATA**”) since 1 July 2011. Prior to joining IATA, Mr. Tyler joined John Swire & Sons in Hong Kong in 1977 and moved within the Swire Group to Cathay Pacific Airways Limited in 1978. He 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 previously the Chief Operating Officer of Cathay Pacific Airways Limited, to which he was appointed in January 2005, and prior to that he was Director Corporate Development of the airline for eight years. 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) (which are listed on the Stock Exchange) from January 2008 to March 2011. Mr. Tyler was also a member of the Board of Governors of IATA and served as its Chairman from June 2009 to June 2010.

Mr. Tyler graduated with a degree in Jurisprudence from Oxford University in the United Kingdom in July 1977.

Mr. Dai Deming (戴德明), aged 53, was appointed as an Independent Non-executive Director of the Company on 12 May 2016.

Mr. Dai is an independent non-executive director of China Zheshang Bank Co., Ltd. (stock code: 02016) (which is listed on the Stock Exchange), Qingdao Haier Co. Ltd. (stock code: 600690), Beijing Xinwei Telecom Technology Group Co. Ltd. (stock code: 600485) and Beijing Capital Development Co. Ltd. (stock code: 600376) (which are listed on the Shanghai Stock Exchange) and Shanxi Taigang Stainless Steel Co. Ltd. (stock code: 000825) (which is listed on the Shenzhen Stock Exchange). 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

DIRECTORS AND SENIOR MANAGEMENT

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 external supervisor of China Construction Bank Corporation (which is listed on the Shanghai Stock Exchange (stock code: 601939) and the Stock Exchange (stock code: 00939)) from June 2007 to June 2013.

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.

In view of Mr. Dai's experience in reviewing or analysing audited financial statements of private and public companies, we believe that Mr. Dai has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

Mr. Dai was appointed as an independent director and a member of the audit committee of TUS-Guhan Group Corporation Limited (formerly known as Unisplendour Guhan Group Corporation Limited) ("**Unisplendour Guhan**") (stock code: 000590) (which is listed on the Shenzhen Stock Exchange) on 28 May 2002 and subsequently resigned on 10 April 2007. On 19 February 2013, the China Securities Regulatory Commission ("**CSRC**") issued a notice of Administrative Penalty Decision ((2013) No.9) (the "**CSRC Decision**") and imposed administrative penalties on Unisplendour Guhan and a number of its directors and senior managers. According to the CSRC Decision, CSRC found that Unisplendour Guhan (1) fraudulently overstated its profits in the annual reports for the financial years of 2005 to 2008 and (2) entered into a supplemental agreement to a joint venture agreement without board authorisation and failed to disclose such agreement in its annual reports. On 24 July 2013, the Shenzhen Stock Exchange issued the Shenzhen Stock Exchange Public Reprimand (Shenzhengshang [2013] No. 233) ("**SSE Reprimand**") to Unisplendour Guhan and the relevant directors and senior managers regarding the same incidents.

Although Mr. Dai was an independent director and a member of the audit committee of Unisplendour Guhan from the period between 28 May 2002 and 10 April 2007 and, while still a director, together with all other relevant Unisplendour Guhan board and audit committee members, approved the annual report for the financial year 2005, Mr. Dai has confirmed that he was neither aware of, nor did he have any involvement in, the falsification of any Unisplendour Guhan financial information and/or the failure by Unisplendour Guhan to disclose the relevant supplemental agreement, in each case as referred to above. In addition,

DIRECTORS AND SENIOR MANAGEMENT

Mr. Dai was neither named nor referred to in the CSRC Decision and/or the SSE Reprimand. Mr. Dai has also not been subject to any penalty, reprimand or sanction imposed by CSRC, the Shenzhen Stock Exchange or any other regulatory authority in connection with any of the above incidents.

The Company is of the view that the above incidents do not affect Mr. Dai's ability to perform his fiduciary duties as a Director pursuant to Rule 3.08 of the Listing Rules and he is competent to perform his duties as a Director in accordance with Rule 3.09 of the Listing Rules.

Save as disclosed above in *"Directors and Senior Management — Board of Directors"* above and *"Appendix V — Statutory and General Information"*, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT OF THE GROUP

The Executive Directors and members of the senior management of the Group are responsible for the day-to-day management of our business. Certain information relating to the Executive Directors is set out in *"Directors and Senior Management — Board of Directors"* above.

In addition to the Executive Directors, the members of the senior management of the Group include the following:

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
Phang Thim Fatt (彭添發) . . .	59	Deputy Managing Director and Chief Financial Officer	Responsible for the Group's finance and treasury matters	2 January 1996	2 January 1996
Steven Townend	46	Chief Commercial Officer (Europe, Americas and Africa)	Responsible for the Group's revenue activities in Europe, Americas and Africa	1 July 2004	1 January 2001
Gao Jinyue (高進躍)	58	Chief Commercial Officer (Asia Pacific and the Middle East)	Responsible for the Group's revenue activities in Asia Pacific and the Middle East	5 December 2014	15 December 2006

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
David Walton	55	Chief Operating Officer	Responsible for the Group's operations, legal and transaction management, portfolio management, technical, compliance, investor relations & corporate communications functions	3 November 2014	3 November 2014

Mr. Phang Thim Fatt (彭添發), aged 59, is the Deputy Managing Director and Chief Financial Officer of the Group. Mr. Phang was initially seconded to the Company as the Chief Financial Officer from the former shareholder of the Company, Singapore Airlines Limited, in January 1996. He formally joined the Company in March 1999 in the same role. In July 2001, he became the Deputy Managing Director of the Company, while retaining the financing portfolio, corporate accounting and taxation functions. Prior to joining the Group, Mr. Phang gained extensive experience at Singapore Airlines Limited, including in the areas of treasury operations, currency exposure management and financing including export credit financing, tax sparing loans and cross-border leveraged leasing. Mr. Phang was involved in the establishment of the Company and lobbied government agencies for the introduction of Singapore's ALS, introduced in 1995. Mr. Phang has been with the Company for 20 years.

Mr. Phang graduated from the University of Malaya in Malaysia with a Bachelor's Degree in Economics (First Class Honours) in June 1979.

Mr. Steven Townend, aged 46, is the Chief Commercial Officer (Europe, Americas and Africa) of the Group. Mr. Townend joined the Group in January 2001 as Structured Finance Director to establish the Company's first European office and develop the Company's aircraft sales and fee-based activities. He became the Chief Commercial Officer and was based in Singapore from July 2004 to June 2014 when he took responsibility for all marketing and technical activities globally. He is currently based in London and oversees all revenue activities in Europe, Americas and Africa and is primarily responsible for airline leasing and sales within the region. He has accumulated a wealth of aviation finance and leasing experience through his multiple roles in the Company and the corporate and investment banking sector.

Mr. Townend graduated from Loughborough University in the United Kingdom with a Bachelor's Degree in Banking and Finance (Second Class Honours) in July 1991.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Gao Jinyue (高進躍), aged 58, is the Chief Commercial Officer (Asia Pacific and the Middle East) of the Group. Mr. Gao joined the Group as a board director in December 2006 and was appointed Chief Commercial Officer in December 2014. He is responsible for overseeing all revenue activities within the Asia Pacific and the Middle East and is primarily responsible for airline leasing and sales within the region. He joined BOC in July 1986 and has extensive experience in treasury and corporate finance activities. He held various senior positions in BOC Head Office including Vice General Manager of Global Finance Department. Mr. Gao was also the General Manager of BOC, Hong Kong branch.

Mr. Gao graduated with a postgraduate degree in International Finance from Wuhan University in the PRC in October 1986 and a Master in Public Administration degree from the John F. Kennedy School of Government in Harvard University in the United States in June 2003.

Mr. David Walton, aged 55, is the Chief Operating Officer of the Group. Mr. Walton joined the Group in November 2014 as the Chief Operating Officer and has responsibility for legal and transaction management, portfolio management, technical, strategy and market research, compliance and corporate affairs, and investor relations and corporate communications. He has over 25 years of aviation finance and leasing experience, having led global operations, technical and portfolio management teams, developing and directing asset management systems for large fleets of leased aircraft. Prior to joining the Group, he served as a general counsel for both privately held and publicly listed companies, with primary responsibility for structuring and documenting capital raising, joint venture and leasing activities. He was formerly a partner at the law firm of Perkins Coie, based in Seattle and in Hong Kong.

Mr. Walton graduated from Stanford University in the United States with a Bachelor of Arts (Honours) degree in March 1983 and received a law degree from the University of California, Berkeley (Boalt Hall) in the United States in May 1986.

The business address of the members of the senior management is 8 Shenton Way, #18-01, Singapore 068811.

COMPANY SECRETARY

Mr. Jonathan Mahony, aged 48, is the Company Secretary of the Company. Mr. Mahony joined the Company in August 2002 as General Counsel and took on the role of Company Secretary in October 2003. He oversees the Company's Legal and Transaction Management department as well as covering Corporate Affairs and Insurance. Mr. Mahony had previously worked as a solicitor in law firms in London, Tokyo and Hong Kong, specialising in banking and finance and, in particular, aircraft financing and leasing. He became a partner in London law firm Wilde Sapte in 1998.

Mr. Mahony studied law at the University of Leicester, graduating in September 1988 with an Upper 2nd Class Honours degree in law. He was admitted as a Solicitor of the Supreme Court of England and Wales in October 1991 and as a Solicitor of the Supreme Court of Hong Kong in April 1994.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

The Board has established the audit committee, the remuneration committee, the nomination committee, the risk committee and the strategy and budget committee.

Audit Committee

The Company has established the audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to oversee the financial reporting system and internal control procedures of the Company, review the financial information of the Company and consider issues relating to the external auditors and their appointment.

The audit committee consists of five Directors. The members of the Audit Committee are:

Dai Deming (*Chairman*)
Zhuo Chengwen
Zhu Lin
Fu Shula
Antony Nigel Tyler

Remuneration Committee

The Company has established a remuneration committee of the Board in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee consists of three Directors. The members of the remuneration committee are:

Fu Shula (*Chairman*)
Li Mang
Dai Deming

Nomination Committee

The Company has established a nomination committee of the Board as recommended by the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive directors and make recommendations to the Board on the appointment and re-appointment of directors and succession planning for directors.

DIRECTORS AND SENIOR MANAGEMENT

The nomination committee consists of three Directors. The members of the nomination committee are:

Chen Siqing (*Chairman*)
Fu Shula
Dai Deming

Risk Committee

The Company has established the risk committee pursuant to a resolution of the Board. The primary duties of the risk committee is to review all the risks which might impact the Company and to discharge any duties relating to risk matters as delegated by the Board.

The risk committee consists of three Directors. The members of the risk committee are:

Antony Nigel Tyler (*Chairman*)
Robert Martin
Zhu Lin

Strategy and Budget Committee

The Company has established the strategy and budget committee pursuant to a resolution of the Board. The primary duties of the strategy and budget committee is to review the Company's overall strategy and plans and the status of the Company's budget and expenditure.

The strategy and budget committee consists of five Directors. The members of the strategy and budget committee are:

Zhuo Chengwen (*Chairman*)
Robert Martin
Li Mang
Wang Genshan
Antony Nigel Tyler

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For 2013, 2014 and 2015, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to pension schemes) and bonuses paid by the Group to the Directors were approximately US\$6.8 million, US\$7.3 million and US\$9.1 million, respectively.

Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors for 2016 are estimated to be approximately US\$7.8 million.

DIRECTORS AND SENIOR MANAGEMENT

For 2013, 2014 and 2015, two of the five highest paid individuals were Directors. The aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to pension schemes) and bonuses paid by the Group to the three remaining highest paid individuals were approximately US\$6.3 million, US\$5.7 million and US\$7.5 million, respectively.

During the Track Record Period, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. Other than Mr. Chen Siqing, who waived his remuneration for the Track Record Period, and all the Non-executive Directors (with the exception of Mr. Fu Shula), who waived their remuneration for FY 2015, none of the Directors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the letters of appointment entered into between the Company and the Directors is set out in “Appendix V — Statutory and General Information”.

COMPLIANCE ADVISER

The Company has appointed Somerley Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated;
- (c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group’s business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “*Business — Business Strategies*” for a detailed description of our future plans and strategies.

USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions and the estimated expenses in relation to the Global Offering payable by the Company, will be approximately HK\$4,246 million based on the Offer Price of HK\$42.00.

The Company intends to use the entire net proceeds from the Global Offering to fund pre-delivery payments for and future purchases of aircraft to grow the Group’s owned aircraft portfolio.

Pending the deployment of the net proceeds from the Global Offering as described above, the Company currently intends to deposit such net proceeds into short-term interest bearing deposits and/or money market instruments.

The Company will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering. The net proceeds from the Global Offering which the Selling Shareholder will receive, after deducting the underwriting commissions and estimated expenses in relation to the Global Offering payable by the Selling Shareholder, will be approximately HK\$4,246 million based on the Offer Price of HK\$42.00.

The Over-allotment Option will be granted by the Selling Shareholder. If the Over-allotment Option is exercised in full, after deducting the relevant underwriting commissions, the net proceeds which the Selling Shareholder will receive from such exercise of the Over-allotment Option will be approximately HK\$1,285 million based on the Offer Price of HK\$42.00.

CORNERSTONE INVESTORS

CORNERSTONE INVESTMENTS

As part of the International Offering, the Company, the Selling Shareholder and the Joint Global Coordinators have entered into cornerstone investment agreements with 11 cornerstone investors, details of which are set out below (together, the “**Cornerstone Investors**”).

The Cornerstone Investors have agreed to purchase an aggregate of 107,729,400 Offer Shares with an aggregate purchase price of HK\$4,524,634,800. The Offer Shares to be purchased by the Cornerstone Investors represent (a) approximately 15.5% of the total Shares in issue immediately following the completion of the Global Offering, (b) approximately 51.7% of the total number of Offer Shares (assuming the Over-allotment Option is not exercised) and (c) approximately 45.0% of the total number of Offer Shares (assuming the Over-allotment Option is exercised in full).

The Offer Shares to be delivered to each of the Cornerstone Investors pursuant to the relevant cornerstone investment agreements will rank *pari passu* with all other Shares then in issue and to be listed on the Stock Exchange.

Save for the Offer Shares to be delivered to Beijing Hanguang Investment Corporation (which is an indirect wholly-owned subsidiary of China Investment Corporation), the Offer Shares to be delivered to the Cornerstone Investors will count towards the public float of the Shares.

The Offer Shares to be delivered to the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering or any exercise of the Over-allotment Option, as further described in “*Structure of the Global Offering*”.

Save for the Cornerstone Investors which are connected with Central Huijin Investment Ltd. (“**Central Huijin**”) as disclosed below, (a) each Cornerstone Investor is an independent third party, is not a connected person of the Company and is not an existing Shareholder and (b) immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of the Company (as defined in the Listing Rules).

The Cornerstone Investors (a) will not have any representation on the Board immediately following the completion of the Global Offering, (b) will not subscribe for or purchase any Offer Shares pursuant to the Global Offering, other than pursuant to the relevant cornerstone investment agreements and (c) do not have any preferential rights compared with other public Shareholders in their respective cornerstone investment agreements.

CORNERSTONE INVESTORS

DETAILS OF THE CORNERSTONE INVESTORS

Cornerstone Investor	Investment Amount	Number of Offer Shares to be Purchased	Approximate % of the total number of Offer Shares		Approximate % of the total Shares in issue immediately following the completion of the Global Offering
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	
China Investment Corporation					
(investing through Beijing Hanguang Investment Corporation)	HK\$776,097,000	18,478,500	8.9%	7.7%	2.7%
Silk Road Fund Co., Ltd.					
(investing through CIZJ Limited)	HK\$776,097,000	18,478,500	8.9%	7.7%	2.7%
China Development Bank International Holdings Limited					
	HK\$465,658,200	11,087,100	5.3%	4.6%	1.6%
China Life Franklin Asset Management Co., Limited					
	HK\$388,046,400	9,239,200	4.4%	3.9%	1.3%
Oman Investment Fund					
	HK\$388,046,400	9,239,200	4.4%	3.9%	1.3%
Hony Capital Group, L.P.					
(investing through Colour Wish Limited)	HK\$388,046,400	9,239,200	4.4%	3.9%	1.3%
Elion Resources Group Limited					
(investing through Elion International Investment Limited)	HK\$310,438,800	7,391,400	3.6%	3.1%	1.1%
Fullerton Fund Management Company Ltd.					
(acting for and on behalf of certain funds and investment accounts under its management)	HK\$294,915,600	7,021,800	3.4%	2.9%	1.0%
Fosun International Limited					
(investing through Peak Reinsurance Company Limited)	HK\$271,635,000	6,467,500	3.1%	2.7%	0.9%
The Boeing Company					
	HK\$232,827,000	5,543,500	2.7%	2.3%	0.8%
China South Industries Assets Management Co., Ltd.					
	HK\$232,827,000	5,543,500	2.7%	2.3%	0.8%
Total	HK\$4,524,634,800	107,729,400	51.7%	45.0%	15.5%

CORNERSTONE INVESTORS

Information about China Investment Corporation and Beijing Hanguang Investment Corporation

Beijing Hanguang Investment Corporation (“**Beijing Hanguang**”) is a wholly-owned subsidiary of CIC Capital Corporation, which in turn is wholly-owned by China Investment Corporation (“**CIC**”). Headquartered in Beijing, CIC was founded on 29 September 2007 as a wholly state-owned company incorporated in accordance with the Company Law of the People’s Republic of China. CIC invests on a commercial basis, with an objective to seek long-term, risk-adjusted financial returns.

Information about Silk Road Fund Co., Ltd. and CIZJ Limited

CIZJ Limited is wholly owned by Silk Road Fund Co., Ltd. (絲路基金有限責任公司), a limited liability company organised under the laws of the PRC (“**SRF**”). SRF is a medium to long-term development and investment fund. SRF has been established on 29 December 2014 with its initial capital contributed by the State Administration of Foreign Exchange, China Investment Corporation, Export-Import Bank of China and China Development Bank. SRF may invest in a broad spectrum of sectors including infrastructure, resources and energy, industry cooperation and financial cooperation.

Information about China Development Bank International Holdings Limited

China Development Bank International Holdings Limited (“**CDBI**”) is a wholly-owned subsidiary and the overseas strategic investment platform of China Development Bank Corporation (“**CDB**”). It mainly engages in equity investment and asset management business. As at 31 December 2015, CDB had total assets of more than RMB12.3 trillion.

Information about China Life Franklin Asset Management Co., Limited

China Life Franklin Asset Management Co., Limited (“**China Life Franklin**”) is incorporated in Hong Kong and is a joint venture between China Life Asset Management Company Limited, China Life Insurance (Overseas) Company Limited and Franklin Templeton Investments. China Life Franklin holds the licenses granted from the SFC to carry out Type 9 (asset management) and Type 4 (advising on securities) regulated activities.

Information about Oman Investment Fund

Oman Investment Fund is a sovereign wealth fund of the Government of Oman responsible for investment in public equity, private equity and real estate globally.

CORNERSTONE INVESTORS

Information about Hony Capital Group, L.P. and Colour Wish Limited

Colour Wish Limited (“**Colour Wish**”) was incorporated in the British Virgin Island on April 28, 2014. It is a wholly-owned subsidiary of Hony Capital Group, L.P.. Hony Capital Group, L.P. is an exempted limited partnership established under the laws of the Cayman Islands as an investment vehicle and is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. The series of private equity investment funds, together with their respective management companies/general partners (“**Hony Capital**”) was founded in the early 2000s to capture investment opportunities as a private equity platform. Through more than a decade, Hony Capital has become one of the most successful and reputable Chinese private equity firms, especially in the restructuring and reorganisation of China’s state-owned enterprises.

Information about Elion Resources Group Limited and Elion International Investment Limited

Elion International Investment Limited is a wholly-owned subsidiary of Elion Resources Group Limited, and it is also Elion Resources Group Limited’s only investment platform in Hong Kong.

Elion Resources Group Limited has been recognised by the United Nations as one of the leading global enterprises for sand control. During the past 27 years since its inception, its business focus ranges from desert to the restoration of ecological environment in the urban areas. It has successfully implemented the Elion ecological business model of “green land, green energy, green finance and the Internet”. Its main business includes desert ecosystem restoration, efficient and clean use of coal, natural gas, ecological photovoltaic, development and utilisation of mineral resources, investment into research and development, ecological construction and tourism development. Its assets amounted to approximately RMB90 billion as at 31 December 2015. Elion Resources Group Limited has effective control over Elion Clean Energy Co., Ltd, an A share listed company on the Shanghai Stock Exchange (stock code: 600277).

Information about Fullerton Fund Management Company Ltd.

Fullerton Fund Management Company Ltd. (“**Fullerton**”), acting for and on behalf of certain funds and investment accounts under its management, has agreed to participate in the Global Offering and invest in the Shares for the account of those funds and investment accounts as cornerstone investors.

Fullerton is an Asian and emerging market specialist, with investment capabilities that span equities, fixed income, multi-assets and alternatives. It was incorporated in Singapore in 2003, and it is a wholly-owned subsidiary of Temasek Holdings (Private) Limited. With more than 20 years of experience in Asian financial markets, Fullerton provides its clients

CORNERSTONE INVESTORS

investment solutions that are long term, research-based and conviction-led. Presently, its clients include government agencies, pensions plans, insurance companies, endowments, sovereign wealth and private wealth. Fullerton is licensed under the Securities and Futures Act in Singapore and regulated by the Monetary Authority of Singapore.

Information about Fosun International Limited and Peak Reinsurance Company Limited

Based in Hong Kong and authorised by the Office of the Commissioner of Insurance of Hong Kong, Peak Reinsurance Company Limited ("**Peak Re**") was licensed in December 2012.

With shareholder funds of US\$716.9 million as of 31 December 2015, Peak Re offers treaty reinsurance services across Asia Pacific, EMEA and the Americas, tailor-made risk transfer and capital management solutions to best fit clients' needs.

Peak Re is backed by Fosun International Limited ("**Fosun**"), a leading investment group taking roots in China with a global foothold, and the International Finance Corporation, a member of the World Bank Group focusing on private sector development. The two shareholders have respectively invested 85.1% and 14.9% in Peak Re. Fosun is listed on the Hong Kong Stock Exchange (stock code: 656).

Information on The Boeing Company

The Boeing Company ("**Boeing**") is the world's largest aerospace company and leading manufacturer of commercial airplanes and defense, space and security systems. It was incorporated in 1916 and is listed on the New York Stock Exchange. Boeing supports airlines and government customers in more than 150 countries with products and tailored services including commercial and military aircraft, satellites, electronic and defense systems, launch systems, advanced information and communication systems, and performance-based logistics and training. It employs approximately 160,000 people across more than 65 countries.

Information about China South Industries Assets Management Co., Ltd

China South Industries Assets Management Co., Ltd ("**South Industries Assets**") is a company incorporated in the PRC on 28 August 2001 with a registered capital of RMB2 billion. South Industries Assets's principal businesses are investment and information consulting. As a wholly-owned subsidiary of China South Industries Group Co., Ltd ("**China South Industries**"), South Industries Assets is the integrated platform for capital operation and financial asset integration of China South Industries. China South Industries is a company incorporated in the PRC. As one of the Fortune Global 500 Companies, its principal businesses include manufacturing of vehicles and equipment manufacturing.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The obligation of each Cornerstone Investor to purchase, and the obligation of the Selling Shareholder to deliver or cause the delivery of, the Offer Shares pursuant to the relevant cornerstone investment agreement is conditional upon the following:

- (a) the Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto;
- (b) neither of the Underwriting Agreements having been terminated;
- (c) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the purchase of the Offer Shares under the relevant cornerstone investment agreement and there being no order or injunction of a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions;
- (d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (e) the representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor in the relevant cornerstone investment agreement remaining true and accurate in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company, the Selling Shareholder and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares purchased by it pursuant to the relevant cornerstone investment agreement and any other securities of the Company which are derived therefrom (the “**Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares.

CORNERSTONE INVESTORS

Each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor (or, in the case of one Cornerstone Investor, to a wholly-owned subsidiary of its parent company), provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of Relevant Shares imposed on such Cornerstone Investor.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

1. WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Certain members of the Group have entered into certain transactions which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules following the Listing. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. See "*Connected Transactions — Waiver Application for Non-exempt Continuing Connected Transactions*".

2. WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

The Group's headquarters and principal place of business are located in Singapore. All of the Executive Directors and the senior management team are located in Singapore and they manage the Group's business operations from Singapore. Accordingly, the Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rule 8.12 of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement for management presence in Hong Kong under Rule 8.12 of the Listing Rules, subject to the Company adopting the following arrangements to maintain regular communications with the Stock Exchange:

- (a) the Company has appointed Robert James Martin and Jonathan Mahony as its authorised representatives for the purpose of Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. As and when the Stock Exchange wishes to contact the Directors on any matters, each of these authorised representatives will have the means to contact all of the Directors promptly at all times;
- (b) the Company has provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, fax number and e-mail address) to facilitate communication with the Stock Exchange;
- (c) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period; and
- (d) the Company has appointed Somerley Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

3. WAIVER IN RELATION TO THE CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply an alternative clawback mechanism following the closing of the application lists. For further information, please refer to “*Structure of the Global Offering — The Hong Kong Public Offering — Reallocation*”.

4. WAIVER IN RELATION TO THE AIRCRAFT PURCHASE MANDATE

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the circular requirements of Rules 14.38A, 14.40, 14.48 and 14.49 of the Listing Rules in relation to new aircraft purchase transactions entered into by the Company with the aircraft manufacturers pursuant to the Aircraft Purchase Mandate.

5. ALLOCATION OF SHARES TO CORNERSTONE INVESTORS WHO ARE CONNECTED WITH CENTRAL HUIJIN

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) are fulfilled.

Paragraph 5(2) of Appendix 6 to the Listing Rules (“Appendix 6”) provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates (as such term is defined in the Listing Rules), whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

Paragraph 5(1) of Appendix 6 states that without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to “connected clients” of the lead broker or of any distributors.

Paragraph 13(3) and 13(7) of Appendix 6 states that “connected clients” in relation to an exchange participant means any person who is a substantial shareholder of the exchange participant and any client who is a company which is a member of the same group of companies as such exchange participant, respectively.

Beijing Hanguang (being a wholly owned subsidiary of CIC which in turn is the wholly owned parent of Central Huijin) and CDBI (being a wholly owned subsidiary of CDB, in respect of which Central Huijin indirectly controls 30% or more of the issued shares) are close associates of Central Huijin, which is an indirect existing shareholder of the Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Central Huijin also indirectly controls 30% or more of the issued shares of wholly-owned parent companies of BOCI and China Securities (International) Corporate Finance Company Limited. As a result, Beijing Hanguang and CDBI are connected clients of BOCI and China Securities (International) Corporate Finance Company Limited.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, its waiver under Rule 10.04 of the Listing Rules and its consent under paragraphs 5(1) and 5(2) of Appendix 6 of the Listing Rules to permit Beijing Hanguang and CDBI to participate in the Global Offering as cornerstone investors on the following grounds:

- (a) pursuant to Rule 14A.10 of the Listing Rules, the Stock Exchange will not treat a PRC Governmental Body as our connected person and they will be treated in the same light in the application of Rule 10.04 of the Listing Rules;
- (b) Central Huijin does not have direct participation and influence over the allocation process;
- (c) Beijing Hanguang and CDBI operate independently of Central Huijin. Central Huijin does not engage in any commercial operations of Beijing Hanguang and CDBI, and Beijing Hanguang and CDBI have independent decision making procedures in place regarding their investment and management. The investment decisions made by Beijing Hanguang and CDBI have been arrived at independently of Central Huijin;
- (d) Beijing Hanguang and CDBI have no access to material non-public information regarding the Global Offering and no influence over the allocation process; and
- (e) Beijing Hanguang and CDBI have been invited to participate as cornerstone investors in the same manner as other independent cornerstone investors.

UNDERWRITING

HONG KONG UNDERWRITERS

BOCI

Goldman Sachs (Asia) L.L.C.

Morgan Stanley Asia Limited

BNP Paribas Securities (Asia) Limited

Citigroup Global Markets Asia Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 15,615,400 Hong Kong Offer Shares and the International Offering of initially 192,587,600 International Offer Shares, subject, in each case, to reallocation on the basis as described in “*Structure of the Global Offering*” as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 18 May 2016. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

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The Hong Kong Underwriting Agreement is conditional on, amongst other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (jointly for themselves and on behalf of the Hong Kong Underwriters and Joint Lead Managers) shall be entitled in its absolute discretion, by written notice to the Company and the Selling Shareholder, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date, there shall develop, occur, exist or come into effect:

- (a) any statement contained in this prospectus, any of the Application Forms, the preliminary offering circular or the final offering circular in connection with the International Offering, or any amendment or supplement to any of the foregoing (the “**Offer Documents**”) is, or has become, or has been discovered to be untrue, incorrect or misleading in any material respect; or
- (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of an Offer Document, constitute or result in a material misstatement or material omission in the relevant Offer Document; or
- (c) any forecast, expression of opinion, intention or expectation expressed in any Offer Document, when taken as a whole, is not fair or honest, or based on reasonable assumptions; or
- (d) any material breach of any of the obligations imposed upon any party (other than the Joint Global Coordinators) under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, or
- (e) any breach of any of the representations and warranties given by the Company, BOC, BOCGI and/or the Selling Shareholder in the Hong Kong Underwriting Agreement;
- (f) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering;
- (g) any person (other than the Joint Sponsors) has withdrawn its consent to be named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; and
- (h) any of the following:
 - (i) any adverse change or development in or affecting the business, management, prospects, assets and liabilities, shareholders’ equity, profits or losses, results of operations, financial or trading position of the Group;

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- (ii) any moratorium, suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in securities generally on the Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange;
- (iii) any change or development in local, national, international, financial, economic, legal, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, any general moratorium on commercial banking activities or material disruption in commercial banking, foreign exchange trading, securities settlement or clearance services) in or affecting Hong Kong, Singapore, Ireland, United States, United Kingdom, the PRC, the European Union (or any member thereof), the Cayman Islands or Bermuda (together, the “**Relevant Jurisdictions**”);
- (iv) any change or development in or affecting any taxation, exchange controls, currency exchange rates or foreign exchange regulations (including, without limitation, a material devaluation of the United States dollar against any foreign currencies and any disruptions in the monetary, trading or securities settlement or clearance services, procedures or matters), or the implementation of any exchange control in any Relevant Jurisdiction (other than the PRC);
- (v) any new laws or any change or development in or affecting existing laws or the interpretation or application of existing laws by any court or other competent authority in any Relevant Jurisdiction;
- (vi) any authority or political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;
- (vii) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules, or any requirement or request of the Stock Exchange and/or the SFC;
- (viii) any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities, acts of God, acts of terrorism, aviation accidents or disaster, declaration of a national or international emergency, riot, public disorder, outbreaks of diseases, pandemics or epidemics;
- (ix) any litigation or claim being announced, threatened or instigated against any member of the Group, the controlling shareholders of the Company or any Director;

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- (x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (xi) the Chairman, the Chief Executive Officer or the Chief Financial Officer of the Company vacating his office;
- (xii) any order or petition for the winding up of any member of the Group; any composition or arrangement being made by any member of the Group with its creditors; any resolution for the winding up of any member of the Group being entered into, or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group, or anything analogous thereto occurring in respect of any member of the Group; or
- (xiii) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable law;

which, individually or in aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Joint Lead Managers):

- (A) has resulted in, or will or may result in, a material adverse effect on the business, financial or trading condition of the Group taken as a whole;
- (B) has a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering;
- (C) makes it impossible, impracticable, inexpedient or inadvisable for the Global Offering to proceed or to market the Global Offering; or
- (D) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement

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to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except (a) pursuant to the Global Offering (including the exercise of the Over-allotment Option) or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) *Undertakings by BOC, BOCGI and the Selling Shareholder*

Pursuant to Rule 10.07 of the Listing Rules, each of BOC, BOCGI and the Selling Shareholder has undertaken to the Stock Exchange and the Company that, except pursuant to (a) any lending of Shares pursuant to the Stock Borrowing Agreement or (b) any sale of Shares pursuant to the Global Offering, it will not and will procure that the relevant registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of BOC, BOCGI and the Selling Shareholder has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (1) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

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Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by the Company

The Company has undertaken to the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters and each of them not to (except for the offer, allotment and issue of Shares by the Company pursuant to the Global Offering), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or contract or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, any Shares or any other securities of the Company);
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of the Company, or any interest in any of the foregoing;
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether the transaction specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company, or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of the Company, will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

UNDERWRITING

(B) *Undertakings by BOC, BOCGI and the Selling Shareholder*

Each of BOC, BOCGI and the Selling Shareholder has undertaken to the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters and each of them that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not (except for (i) any sale of Shares by it pursuant to the Global Offering, (ii) any lending of Shares by it pursuant to the Stock Borrowing Agreement, (iii) any sale of Shares by it pursuant to any exercise of the Over-allotment Option and (iv) any pledge or charge of Shares (in respect of which it is shown in this prospectus as the beneficial owner) by it as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan)), at any time during the First Six-Month Period:

- (i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, any Shares or any other securities of the Company) beneficially owned by it as at the Listing Date (the “**Locked-up Securities**”);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (a)(ii) or (a)(iii) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise;

- (b) it will not, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above in respect of any Locked-up Securities or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder of the Company; and

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- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above in respect of any Locked-up Securities or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company and the Selling Shareholder expect to enter into the International Underwriting Agreement with the International Underwriters and the Joint Lead Managers on or about 25 May 2016. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. See “*Structure of the Global Offering — The International Offering*”.

Over-allotment Option

The Selling Shareholder is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which the Selling Shareholder may be required to sell up to an aggregate of 31,230,400 Shares, representing not more than approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, amongst other things, cover over-allocations in the International Offering, if any. See “*Structure of the Global Offering — Over-allotment Option*”.

UNDERWRITING

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (based on the Offer Price of HK\$42.00 per Offer Share and assuming the exercise of the Over-allotment Option in full) will be approximately HK\$201.1 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$278.0 million (based on the Offer Price of HK\$42.00 per Offer Share and assuming the exercise of the Over-allotment Option in full) and will be paid by the Company, save for such underwriting commissions, fees and expenses relating to the sale of the Sale Shares by the Selling Shareholder which will be borne by the Selling Shareholder.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters and the Joint Lead Managers for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other

UNDERWRITING

financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "*Structure of the Global Offering*". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BOCI, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

208,203,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 15,615,400 New Shares (subject to reallocation) in Hong Kong as described in “*Structure of the Global Offering — The Hong Kong Public Offering*” below; and
- (b) the International Offering of initially 88,486,100 New Shares and 104,101,500 Sale Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “*Structure of the Global Offering — The International Offering*” below.

Investors may either:

- (a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (b) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 30% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent 34.5% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 15,615,400 New Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 7.5% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.25% of the total Shares in issue immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “*Structure of the Global Offering — Conditions of the Global Offering*” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means

STRUCTURE OF THE GLOBAL OFFERING

the price payable on application therefor. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 7,807,700 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 7.5% of the Global Offering, in the event of over-applications, the Joint Global Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis:

- 15,615,400 Offer Shares, representing approximately 7.5% of the total number of the Offer Shares which are initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 24,984,400 Offer Shares, representing approximately 12% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 60 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 31,230,600 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the

STRUCTURE OF THE GLOBAL OFFERING

International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 62,461,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$42.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$4,242.32 for one board lot of 100 Shares.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 192,587,600 Shares, comprising 88,486,100 New Shares being offered by the Company and 104,101,500 Sale Shares being offered by the Selling Shareholder and representing approximately 92.5% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 27.75% of the total Shares in issue immediately following the completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in *“Structure of the Global Offering — Pricing and Allocation”* below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in *“Structure of the Global Offering — The Hong Kong Public Offering”* above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate

STRUCTURE OF THE GLOBAL OFFERING

of 31,230,400 Shares, representing not more than approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, amongst other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be sold pursuant thereto will represent approximately 4.5% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Thursday, 23 June 2016, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- (f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by, amongst other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, Goldman Sachs International (or any person acting for it) may choose to borrow up to 31,230,400 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from the Selling Shareholder, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between Goldman Sachs International (or any person acting for it) and the Selling Shareholder on or about 25 May 2016.

If the Stock Borrowing Agreement with the Selling Shareholder is entered into, the borrowing of Shares will only be effected by Goldman Sachs International (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to the Selling Shareholder or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Selling Shareholder by Goldman Sachs International (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price is HK\$42.00 unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Offer Price of HK\$42.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,242.32 for one board lot of 100 Shares.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company and the Selling Shareholder, reduce the number of Offer Shares offered and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at www.bocaviation.com and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price will be final and conclusive.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

The level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in *“How to Apply for Hong Kong Offer Shares — Publication of Results”*.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or about 25 May 2016.

These underwriting arrangements, including the Underwriting Agreements, are summarised in *“Underwriting”*.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn;
- (b) the execution and delivery of the International Underwriting Agreement on or about 25 May 2016; and
- (c) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at www.bocaviation.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “*How to Apply for Hong Kong Offer Shares*”. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 1 June 2016 but will only become valid at 8:00 a.m. on that date, provided that the Global Offering has become unconditional in all respects at or before that time.

STRUCTURE OF THE GLOBAL OFFERING

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 1 June 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 1 June 2016.

The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 2588.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at www.bocaviation.com and the Stock Exchange at www.hkexnews.hk under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 19 May 2016 until 12:00 noon on Tuesday, 24 May 2016 at the following locations:

1. any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island . . .	Bank of China Tower Branch	3/F, 1 Garden Road, Central
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	King’s Road Branch	131-133 King’s Road, North Point
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen, Mei Foo
New Territories.	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. any of the following offices of the Joint Global Coordinators:
 - (a) **BOCI Asia Limited**, at 26/F, Bank of China Tower, 1 Garden Road, Hong Kong;
 - (b) **Goldman Sachs (Asia) L.L.C.**, at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong; and
 - (c) **Morgan Stanley Asia Limited**, at Level 46, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; and
3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, 19 May 2016 until 12:00 noon on Tuesday, 24 May 2016, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares or an associate of any such owner;
- you are a Director of the Company or an associate of any such Director;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only through the **White Form eIPO** service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 19 May 2016 until 12:00 noon on Tuesday, 24 May 2016 from:

(a) any of the following offices of the Joint Global Coordinators:

BOCI Asia Limited	Goldman Sachs (Asia) L.L.C.	Morgan Stanley Asia Limited
26/F, Bank of China Tower 1 Garden Road Hong Kong	68th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong	Level 46 International Commerce Centre 1 Austin Road West, Kowloon Hong Kong

(b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island . . .	Bank of China Tower Branch	3/F, 1 Garden Road, Central
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	King's Road Branch	131-133 King's Road, North Point
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan

HOW TO APPLY FOR HONG KONG OFFER SHARES

	Branch Name	Address
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen, Mei Foo
New Territories	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 19 May 2016 until 12:00 noon on Tuesday, 24 May 2016 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — BOC Aviation Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

Thursday, 19 May 2016 — 9:00 a.m. to 5:00 p.m.
Friday, 20 May 2016 — 9:00 a.m. to 5:00 p.m.
Saturday, 21 May 2016 — 9:00 a.m. to 1:00 p.m.
Monday, 23 May 2016 — 9:00 a.m. to 5:00 p.m.
Tuesday, 24 May 2016 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 24 May 2016, the last day for applications, or such later time as described in "*How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, amongst other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Constitution;
- (b) agree to comply with the Constitution of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Singapore Companies Act;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- (f) agree that none of the Company, the Relevant Persons and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (o) authorise (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Constitution of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “Personal Collection” section in the Prospectus to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “*How to Apply for Hong Kong Offer Shares — Who Can Apply*” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, 19 May 2016 until 11:30 a.m. on Tuesday, 24 May 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 24 May 2016, the last day for applications, or such later time as described in “*How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening and Closing of the Application Lists*” below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “BOC AVIATION LIMITED” White Form eIPO application submitted via the website www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre 1/F,
One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- authorise the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Constitution, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Constitution of the Company, the Companies Ordinance and Singapore Companies Act; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 19 May 2016 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 20 May 2016 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 21 May 2016 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 23 May 2016 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 24 May 2016 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 19 May 2016 until 12:00 noon on Tuesday, 24 May 2016 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 24 May 2016, the last day for applications, or such later time as described in “*How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening and Closing of the Application Lists*” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 24 May 2016, the last day for applications, or such later time as described in "*How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

HOW TO APPLY FOR HONG KONG OFFER SHARES

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Offer Price is HK\$42.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$4,242.32.

You must pay the Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “*Structure of the Global Offering — Pricing and Allocation*”.

HOW TO APPLY FOR HONG KONG OFFER SHARES

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 24 May 2016. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 24 May 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “*Expected Timetable*”, an announcement will be made.

D. PUBLICATION OF RESULTS

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Tuesday, 31 May 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at www.bocaviation.com and the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at www.bocaviation.com and www.hkexnews.hk, respectively, by no later than Tuesday, 31 May 2016;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Tuesday, 31 May 2016 to 12:00 midnight on Monday, 6 June 2016;
- from the allocation results telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 31 May 2016 to Friday, 3 June 2016; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving bank branches referred to above from Tuesday, 31 May 2016 to Thursday, 2 June 2016.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “*Structure of the Global Offering*”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- you apply for more than 7,807,700 Hong Kong Offer Shares, being 50% of the 15,615,400 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

HOW TO APPLY FOR HONG KONG OFFER SHARES

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Global Offering as set out in “*Structure of the Global Offering — Conditions of the Global Offering*” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, 31 May 2016.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for.

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be despatched on or before Tuesday, 31 May 2016. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates are expected to be issued on Wednesday, 1 June 2016 but will only become valid at 8:00 a.m. on that date, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) *If you apply using a WHITE Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 31 May 2016, or any other place or date notified by the Company in the newspapers.
- If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Tuesday, 31 May 2016 by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) *If you apply using a **YELLOW** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Tuesday, 31 May 2016 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 31 May 2016 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.
- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Tuesday, 31 May 2016 in the manner as described in "*How to Apply for Hong Kong Offer Shares — Publication of Results*" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 31 May 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(c) *If you apply through **White Form eIPO** service:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 31 May 2016, or any other place or date notified by the Company in the newspapers.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 31 May 2016 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) ***If you apply by giving electronic application instructions to HKSCC via CCASS:***

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 31 May 2016 or on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "*How to Apply for Hong Kong Offer Shares — Publication of Results*" above on Tuesday, 31 May 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 31 May 2016 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System on Tuesday, 31 May 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 31 May 2016.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

19 May 2016

The Board of Directors
BOC Aviation Limited
Goldman Sachs (Asia) LLC
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information of BOC Aviation Limited (the “Company”) and its subsidiary companies (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the year ended 31 December 2013, 2014 and 2015 (the “Track Record Period”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company for the years ended 31 December 2013, 2014 and 2015, together with the notes thereto (the “Financial Information”), prepared on the basis of presentation set out in Note 2.1 of Section II, for inclusion in the prospectus of the Company dated 19 May 2016 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in Singapore as a company with limited liability on 25 November 1993.

As at the date of this report, the Company has direct and indirect interests in the subsidiary companies as set out in Note 1 of Section II. All companies within the Group have adopted 31 December as their financial year end date. The financial statements of the companies within the Group were prepared in accordance with the acceptable accounting principles applicable to these companies in the countries in which they were incorporated and/or established.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards (“IFRSs”), which

include all International Financial Reporting Standards and International Accounting Standards ("IASs") issued by International Accounting Standards Board (the "IASB") and Interpretations issued by IFRS Interpretations Committee. The Underlying Financial Statements for each of the year ended 31 December 2013, 2014 and 2015 were audited by us in accordance with International Standards on Auditing issued by International Federation of Accountants through the International Auditing and Assurance Standards Board ("IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal controls as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Company and of the Group and of the financial performance and cash flows of the Group for each of the financial year in the Track Record Period.

I. FINANCIAL INFORMATION

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015**

	Note	2013 US\$'000	2014 US\$'000	2015 US\$'000
Revenues				
- Lease rental income	4	804,112	936,916	975,485
- Interest and fee income	5	27,951	11,607	39,844
Other income:				
- Net gain on sale of aircraft	6	76,471	30,291	70,144
- Others		10,127	8,820	5,249
- Allowance for doubtful debts written back				
- Trade receivables	17	—	779	—
- Other receivables	18	—	20	—
		918,661	988,433	1,090,722
Costs and expenses				
Depreciation of plant and equipment	14	336,346	381,247	381,951
Finance expenses	7	135,689	150,780	168,771
Amortisation of deferred debt issue costs	8	14,635	14,546	18,129
Amortisation of lease transaction closing costs	15	306	171	345
Staff costs	9	40,654	51,230	58,689
Marketing and travelling expenses		4,254	5,048	5,037
Other operating expenses	11	28,310	9,545	12,467
Impairment of aircraft	14	42,800	23,100	43,900
Bad debts written off		4,736	—	—
		(607,730)	(635,667)	(689,289)
Profit before income tax		310,931	352,766	401,433
Income tax expense	12	(33,870)	(44,192)	(58,126)
Profit for the year attributable to equity holder of the Company		277,061	308,574	343,307

Earnings per share attributed to ordinary equity holder of the Company

Basic and diluted earnings per share (US\$)	13	0.47	0.52	0.58
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The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015**

	<u>Note</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
		US\$'000	US\$'000	US\$'000
Profit for the year		277,061	308,574	343,307
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Effective portion of changes in fair value of cash flow hedges, net of tax	31	<u>1,507</u>	<u>205</u>	<u>—</u>
Other comprehensive income for the year, net of tax		<u>1,507</u>	<u>205</u>	<u>—</u>
Total comprehensive income for the year . . .		<u><u>278,568</u></u>	<u><u>308,779</u></u>	<u><u>343,307</u></u>
Attributable to:				
Equity holder of the Company		<u><u>278,568</u></u>	<u><u>308,779</u></u>	<u><u>343,307</u></u>

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013, 2014 AND 2015**

	Note	2013	2014	2015
		US\$'000	US\$'000	US\$'000
Non-current assets				
Plant and equipment	14	9,594,313	11,015,308	11,717,436
Lease transaction closing costs	15	1,365	661	649
Derivative financial instruments	16	—	1,476	2,011
		9,595,678	11,017,445	11,720,096
Current assets				
Derivative financial instruments	16	722	213	—
Trade receivables	17	55	4,783	400
Prepayments		1,094	1,652	1,542
Other receivables	18	12,949	11,677	22,813
Fixed deposits	19	455,435	212,204	237,415
Cash and bank balances	20	82,727	155,200	269,417
Assets held for sale	21	—	—	222,222
		552,982	385,729	753,809
Total assets		10,148,660	11,403,174	12,473,905
Current liabilities				
Derivative financial instruments	16	5,557	5,030	393
Trade and other payables	22	111,948	67,992	106,104
Deferred income	23	34,803	36,789	62,240
Income tax payables		614	94	874
Loans and borrowings	24	685,686	889,318	963,291
Finance lease payables	25	6,585	8,776	9,148
Security deposits	26	29,034	36,438	36,970
Liabilities associated with assets held for sale	21	—	—	36,299
Deferred asset value guarantee fees		30	—	—
		874,257	1,044,437	1,215,319
Net current liabilities		(321,275)	(658,708)	(461,510)
Total assets less current liabilities		9,274,403	10,358,737	11,258,586

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

APPENDIX I**ACCOUNTANTS' REPORT**

	Note	2013	2014	2015
		US\$'000	US\$'000	US\$'000
Non-current liabilities				
Derivative financial instruments	16	5,390	73,168	146,216
Loans and borrowings	24	6,569,412	7,272,301	7,648,531
Finance lease payables	25	52,812	76,802	67,655
Security deposits	26	164,136	177,107	183,737
Deferred income	23	26,474	19,061	16,867
Maintenance reserves	28	335,456	383,940	432,897
Deferred income tax liabilities	29	175,368	219,953	277,010
Other non-current liabilities	27	18,723	39,994	45,955
		7,347,771	8,262,326	8,818,868
Total liabilities		8,222,028	9,306,763	10,034,187
Net assets		1,926,632	2,096,411	2,439,718
Equity attributable to equity holder of the Company				
Share capital	30	607,601	607,601	607,601
Retained earnings		1,319,236	1,488,810	1,832,117
Hedging reserve	31	(205)	—	—
Total equity		1,926,632	2,096,411	2,439,718
Total equity and liabilities		10,148,660	11,403,174	12,473,905

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015**

	Note	Attributable to the equity holder of the Company			
		Share capital	Retained earnings	Hedging reserve	Total equity
		US\$'000	US\$'000	US\$'000	US\$'000
2013					
Balance at 1 January 2013.....		607,601	1,155,175	(1,712)	1,761,064
Profit for the year		—	277,061	—	277,061
Other comprehensive income for the year		—	—	1,507	1,507
Total comprehensive income for the year.....		—	277,061	1,507	278,568
Dividends paid.....	32	—	(113,000)	—	(113,000)
Balance at 31 December 2013.....		<u>607,601</u>	<u>1,319,236</u>	<u>(205)</u>	<u>1,926,632</u>
2014					
Balance at 1 January 2014.....		607,601	1,319,236	(205)	1,926,632
Profit for the year		—	308,574	—	308,574
Other comprehensive income for the year		—	—	205	205
Total comprehensive income for the year.....		—	308,574	205	308,779
Dividends paid	32	—	(139,000)	—	(139,000)
Balance at 31 December 2014.....		<u>607,601</u>	<u>1,488,810</u>	<u>—</u>	<u>2,096,411</u>

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

	Attributable to equity holder of the Company		
	Share capital	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000
2015			
Balance at 1 January 2015	607,601	1,488,810	2,096,411
Profit for the year	—	343,307	343,307
Other comprehensive income for the year	—	—	—
Total comprehensive income for the year	—	343,307	343,307
Balance at 31 December 2015	<u>607,601</u>	<u>1,832,117</u>	<u>2,439,718</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015**

	Note	2013	2014	2015
		US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit before income tax		310,931	352,766	401,433
Adjustments for:				
Depreciation of plant and equipment	14	336,346	381,247	381,951
Impairment of aircraft	14	42,800	23,100	43,900
Amortisation of deferred debt issue costs	8	14,635	14,546	18,129
Amortisation of lease transaction closing costs	15	306	171	345
Net gain on sale of aircraft	6	(76,471)	(30,291)	(70,144)
Asset value guarantee fees recognised		(84)	(30)	—
Allowance for doubtful debts (trade) written back	17	—	(779)	—
Allowance for doubtful debts (non-trade) written back	18	—	(20)	—
Bad debts written off		4,736	—	—
Interest and fee income		(21,234)	(8,340)	(36,396)
Finance expenses	7	135,689	150,780	168,771
Operating profit before working capital changes		747,654	883,150	907,989
Decrease/(Increase) in receivables		16,295	(5,669)	(10,378)
Decrease in finance lease receivables		17,440	—	—
Increase/(Decrease) in payables		9,732	(25,013)	37,851
Increase in maintenance reserves		79,597	84,375	113,983
Increase in deferred income		—	1,468	19,617
Cash generated from operations		870,718	938,311	1,069,062
Security deposit received/(paid), net		(47,173)	12,962	4,968
Lease transaction closing costs paid	15	(1,062)	(272)	(233)
Income tax refund/(paid), net		29	(127)	(313)
Interest and fee income received		16,143	10,795	38,949
Net cash flows from operating activities		838,655	961,669	1,112,433

APPENDIX I**ACCOUNTANTS' REPORT**

	<u>Note</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
		US\$'000	US\$'000	US\$'000
Cash flows from investing activities:				
Purchase of plant and equipment	14	(2,502,588)	(3,142,775)	(3,409,917)
Proceeds from sale of plant and equipment . . .		<u>913,303</u>	<u>1,315,861</u>	<u>2,092,315</u>
Net cash flows used in investing activities . .		<u>(1,589,285)</u>	<u>(1,826,914)</u>	<u>(1,317,602)</u>
Cash flows from financing activities:				
Proceeds from loans and borrowings		2,359,358	2,153,061	2,824,033
Repayment of loans and borrowings		(1,465,051)	(1,155,185)	(2,287,778)
Finance expenses paid		(135,180)	(151,315)	(171,443)
Debt issue costs paid		(21,154)	(13,075)	(20,215)
Dividends paid	32	(113,000)	(139,000)	—
Decrease in cash and bank balances - encumbered		382,794	130,283	166,278
Increase in cash and bank balances - encumbered		<u>(369,461)</u>	<u>(228,609)</u>	<u>(166,457)</u>
Net cash flows from financing activities		<u>638,306</u>	<u>596,160</u>	<u>344,418</u>
Net (decrease)/increase in cash and cash equivalents		(112,324)	(269,085)	139,249
Cash and cash equivalents at beginning of year		<u>613,553</u>	<u>501,229</u>	<u>232,144</u>
Cash and cash equivalents at end of year . .	33	<u><u>501,229</u></u>	<u><u>232,144</u></u>	<u><u>371,393</u></u>

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

**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY
AS AT 31 DECEMBER 2013, 2014 AND 2015**

	Note	2013	2014	2015
		US\$'000	US\$'000	US\$'000
Non-current assets				
Plant and equipment	41(a)	4,253,037	4,473,501	5,309,578
Lease transaction closing costs		1,910	1,277	1,025
Derivative financial instruments		—	1,476	2,011
Finance lease receivables from a subsidiary company		77,054	71,002	49,059
Amounts due from subsidiary companies	41(b)	818,601	1,851,273	1,962,360
Investments in subsidiary companies	1	697,176	695,630	686,429
		<u>5,847,778</u>	<u>7,094,159</u>	<u>8,010,462</u>
Current assets				
Derivative financial instruments	16	722	213	—
Finance lease receivables from a subsidiary company		5,717	6,052	21,943
Trade receivables		41	65	—
Prepayments		871	1,529	1,410
Other receivables		4,808	9,008	18,584
Fixed deposits	41(c)	387,035	113,948	134,814
Cash and bank balances	41(d)	20,241	105,614	116,156
Assets held for sale	41(e)	—	—	71,110
		<u>419,435</u>	<u>236,429</u>	<u>364,017</u>
Total assets		<u>6,267,213</u>	<u>7,330,588</u>	<u>8,374,479</u>
Current liabilities				
Derivative financial instruments	16	5,557	5,030	393
Trade and other payables	41(f)	94,397	54,993	78,935
Deferred income		17,916	17,711	21,759
Loans and borrowings	41(g)	211,450	448,864	597,113
Finance lease payables		6,585	8,776	9,148
Finance lease payables to subsidiary companies	41(h)	99,973	120,532	100,812
Security deposits		15,278	9,771	14,975
Liabilities associated with assets held for sale	41(e)	—	—	36,299
Deferred asset value guarantee fees		30	—	—
		<u>451,186</u>	<u>665,677</u>	<u>859,434</u>
Net current liabilities		<u>(31,751)</u>	<u>(429,248)</u>	<u>(495,417)</u>
Total assets less current liabilities		<u>5,816,027</u>	<u>6,664,911</u>	<u>7,515,045</u>

	Note	2013	2014	2015
		US\$'000	US\$'000	US\$'000
Non-current liabilities				
Derivative financial instruments	16	5,390	73,168	146,216
Loans and borrowings	41(g)	3,103,275	3,941,054	4,636,370
Finance lease payables		52,812	76,802	67,655
Finance lease payables to subsidiary companies	41(h)	1,001,435	880,928	762,451
Security deposits		109,838	117,202	128,533
Deferred income		20,683	13,130	11,759
Maintenance reserves		122,515	115,718	142,409
Deferred income tax liabilities		25,384	32,135	52,894
Other non-current liabilities		16,985	31,678	34,779
		<u>4,458,317</u>	<u>5,281,815</u>	<u>5,983,066</u>
Total liabilities		<u>4,909,503</u>	<u>5,947,492</u>	<u>6,842,500</u>
Net assets		<u>1,357,710</u>	<u>1,383,096</u>	<u>1,531,979</u>
Equity attributable to equity holder of the Company				
Share capital	30	607,601	607,601	607,601
Retained earnings		<u>750,109</u>	<u>775,495</u>	<u>924,378</u>
Total equity	41(i)	<u>1,357,710</u>	<u>1,383,096</u>	<u>1,531,979</u>
Total equity and liabilities		<u>6,267,213</u>	<u>7,330,588</u>	<u>8,374,479</u>

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

**II. NOTES TO FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015****1. Corporate information**

The Company, incorporated and domiciled in Singapore, was formerly known as BOC Aviation Pte. Ltd.. On 12 May 2016, the Company was converted to a public company limited by shares and the Company's name was changed to BOC Aviation Limited. The immediate holding company is Sky Splendor Limited, which is incorporated in the Cayman Islands. The intermediate holding company 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. Bank of China Limited is owned by Central Huijin Investment Ltd, which is incorporated in the People's Republic of China.

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

Ernst & Young Singapore is the statutory auditor of the Company for 2014 and 2015. The statutory auditor for 2013 was another firm of Public Accountants and Chartered Accountants.

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.

In the Track Record Period and as at the date of this report, the Company had interests in the following subsidiary companies, all of which are private limited liability companies (or, if incorporated outside Singapore, have substantially similar characteristics to a private company incorporated in Singapore), the particulars of which are set out below:

Company name	Country/place of incorporation	Date of incorporation	Principal activities as at 31 December 2015	Nominal value of issued and paid up capital as at 31 December 2015	Percentage of equity held by the Company as at			
					31 December			
					2015	2014	2013	The date of this report
				%	%	%	%	
BOC Aviation (Ireland) Limited	Ireland	12 Jun 1995	Leasing of aircraft	€5.08 + US\$250,000,000	100	100	100	100
Stamford Leasing Limited	Bermuda	02 Dec 1997	Dissolved	—	—	—	100	
BOC Aviation (Labuan) Pte. Ltd.	Malaysia	25 Mar 1998	Leasing of aircraft	US\$275,000	100	100	100	
BOC Aviation (Bermuda) Limited	Bermuda	15 Sep 1998	Holding of funds	US\$12,000	100	100	100	
Quartet Two Limited	Cayman Islands	06 Jan 1999	Dissolved	—	—	—	100	
Quartet Three Limited	Cayman Islands	06 Jan 1999	Dissolved	—	—	—	100	
Quartet Four Limited	Cayman Islands	06 Jan 1999	Dissolved	—	—	—	100	
Emerald One Limited	Cayman Islands	21 Sep 1999	Dissolved	—	—	100	100	
Emerald Two Limited	Cayman Islands	21 Sep 1999	Dissolved	—	—	100	100	
BOC Aviation (USA) Corporation	United States	16 Nov 1999	Leasing of aircraft	US\$186,400,000	100	100	100	
Solitaire Capital Limited	Singapore	04 Mar 2000	Dissolved	—	—	100	100	
Excalibur Express Limited	Cayman Islands	06 Apr 2000	Dissolved	—	—	—	100	
Bluebell Leasing Limited	Cayman Islands	17 Oct 2001	Leasing of aircraft	US\$100	100	100	100	
Avocet Leasing Limited	Cayman Islands	06 May 2002	Leasing of aircraft	US\$1	100	100	100	
Dolphin Leasing Limited	Cayman Islands	21 Mar 2007	Dissolved	—	—	—	100	
Emerald Three Limited	Cayman Islands	05 Jun 2002	Dormant	US\$1	100	100	100	
Emerald Four Limited	Cayman Islands	02 Sep 2002	Leasing of aircraft	US\$1	100	100	100	
SALE Cayman (MP1) Limited	Cayman Islands	17 Mar 2003	Dissolved	—	—	—	100	
Nimue Leasing Limited	Cayman Islands	07 Mar 2013	Dissolved	—	—	100	100	
Penguin Leasing Limited	Cayman Islands	21 Mar 2007	Dissolved	—	—	—	100	
SALE Cayman (VLE1) Limited	Cayman Islands	21 May 2003	Dissolved	—	—	—	100	
BOC Aviation (Cayman) Limited	Cayman Islands	17 Mar 2003	Acquisition of aircraft	US\$100	100	100	100	
SALE Cayman (35073) Limited	Cayman Islands	06 Jun 2006	Leasing of aircraft	US\$100	100	100	100	
SALE Cayman (VLE2) Limited	Cayman Islands	21 May 2003	Leasing of aircraft	US\$1,000	100	100	100	
SALE Cayman (35075) Limited	Cayman Islands	06 Jun 2006	Leasing of aircraft	US\$100	100	100	100	
SALE Cayman (35076) Limited	Cayman Islands	06 Jun 2006	Dormant	US\$100	100	100	100	
SALE Cayman (35077) Limited	Cayman Islands	06 Jun 2006	Dormant	US\$100	100	100	100	
Yasashi Leasing Limited	Cayman Islands	28 Oct 2003	Dissolved	—	—	—	100	

Company name	Country/place of incorporation	Date of incorporation	Principal activities as at 31 December 2015	Nominal value of issued and paid up capital as at 31 December 2015	Percentage of equity held by the Company as at				
					31 December			The date of this report	
					2015	2014	2013		%
Acme Leasing One Limited	Cayman Islands	21 Feb 2008	Dormant	US\$101	100	100	100	100	—
Acme Leasing Two Limited	Cayman Islands	21 Feb 2008	Dormant	US\$101	100	100	100	100	100
Acme Leasing Three Limited	Cayman Islands	16 May 2008	Leasing of aircraft	US\$100	100	100	100	100	100
Echo Leasing One Limited	Cayman Islands	01 Aug 2008	Leasing of aircraft	US\$100	100	100	100	100	100
Echo Leasing Two Limited	Cayman Islands	01 Aug 2008	Leasing of aircraft	US\$100	100	100	100	100	100
Echo Leasing Three Limited	Cayman Islands	01 Aug 2008	Dormant	US\$100	100	100	100	100	100
BOCA Leasing (Bermuda) Limited	Bermuda	22 Jan 2009	Leasing of aircraft	US\$100	100	100	100	100	100
Echo Leasing Four Limited	Cayman Islands	19 Jul 2012	Dormant	US\$10	100	100	100	100	100
Echo Leasing Five Limited	Cayman Islands	19 Jul 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Echo Leasing Six Limited	Cayman Islands	15 Oct 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Echo Leasing Seven Limited	Cayman Islands	15 Oct 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Vanda Leasing One Limited	Cayman Islands	19 Jul 2012	Disposed	—	—	—	—	100	—
Vanda Leasing Two Limited	Cayman Islands	19 Jul 2012	Dormant	US\$10	100	100	100	100	100
Vanda Leasing Three Limited	Cayman Islands	19 Jul 2012	Disposed	—	—	—	—	100	—
Vanda Leasing Four Limited	Cayman Islands	19 Jul 2012	Dormant	US\$10	100	100	100	100	100
Vanda Leasing Five Limited	Cayman Islands	19 Jul 2012	Dormant	US\$10	100	100	100	100	100
Vanda Leasing Six Limited	Cayman Islands	19 Jul 2012	Dormant	US\$10	100	100	100	100	100
Vanda Leasing Seven Limited	Cayman Islands	19 Jul 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Vanda Leasing Eight Limited	Cayman Islands	19 Jul 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Vanda Leasing Nine Limited	Cayman Islands	09 Nov 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Vanda Leasing Ten Limited	Cayman Islands	09 Nov 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Vanda Leasing Eleven Limited	Cayman Islands	09 Nov 2012	Leasing of aircraft	US\$10	100	100	100	100	100
Vanda Leasing Twelve Limited	Cayman Islands	09 Nov 2012	Leasing of aircraft	US\$10	100	100	100	100	100
BOC Aviation (UK) Limited	England and Wales	09 May 2014	Leasing of aircraft	US\$2,001,000	100	100	100	—	100
BOC Aviation Leasing (Tianjin) Limited	People's Republic of China	21 Nov 2014	Leasing of aircraft	US\$1,800,000	100	100	—	—	100
MSN 2441 Leasing Limited	Cayman Islands	20 May 2015	Dormant	US\$1	100	—	—	—	100

Company name	Country/place of incorporation	Date of incorporation	Principal activities as at 31 December 2015	Nominal value of issued and paid up capital as at 31 December 2015	Percentage of equity held by the Company as at			
					31 December		The date of this report	
					2015	2014	2013	%
<i>Deemed subsidiary companies*</i>								
ARCU Aircraft Holdings Pte. Ltd.	Singapore	09 Dec 2009	Investment holding	US\$1	—	—	—	—
Pacific Triangle Holdings Pte. Ltd.	Singapore	21 Oct 2009	Investment holding	US\$1	—	—	—	—
ACME Lease Holdings LLC	United States	12 Nov 2008	Leasing of aircraft	US\$100	—	—	—	—
Laylya Leasing LLC	United States	22 Jun 2011	Leasing of aircraft	US\$1,000	—	—	—	—
Galahad Leasing Limited	Cayman Islands	13 Mar 2012	Leasing of aircraft	US\$250	—	—	—	—
Guinevere Leasing Limited	Cayman Islands	17 May 2012	Leasing of aircraft	US\$250	—	—	—	—
Sunshine Aircraft Leasing LLC	United States	01 Jun 2012	Leasing of aircraft	US\$1,000	—	—	—	—
Gawain Leasing Limited	Cayman Islands	11 July 2012	Leasing of aircraft	US\$250	—	—	—	—
Chilli Leasing LLC	United States	14 Nov 2012	Leasing of aircraft	US\$1,000	—	—	—	—
Green Knight Leasing Limited	Cayman Islands	07 Jun 2013	Leasing of aircraft	US\$250	—	—	—	—

* The companies are deemed subsidiary companies 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.

Company name	Country/place of incorporation	Date of incorporation	Principal activities as at 31 December 2015	Nominal value of issued and paid up capital as at 31 December 2015	Percentage of equity held by the Company as at			The date of this report
					2015	2014	2013	
					%	%	%	
Held by ARCU Aircraft Holdings Pte. Ltd.:								
ARCU Aircraft Leasing Limited*	Cayman Islands	08 Dec 2009	Leasing of aircraft	US\$250	—	—	—	—
Held by Pacific Triangle Holdings Pte. Ltd.:								
Pacific Triangle Leasing Limited*	Cayman Islands	20 Oct 2009	Leasing of aircraft	US\$250	—	—	—	—
Pacific Triangle Leasing 2 Limited*	Cayman Islands	11 Feb 2010	Leasing of aircraft	US\$250	—	—	—	—
Held by BOC Aviation (Ireland) Limited:								
BOC Aviation (France) SARL	France	22 Mar 2012	Leasing of aircraft	€1,000	100	100	100	100
BOC Aviation (France) 2 SARL	France	19 Jun 2013	Dormant	€1,000	100	100	100	100
BOC Aviation (France) 3 SARL	France	08 Jul 2013	Disposed	—	—	100	100	—
BOC Aviation (France) 4 SARL	France	08 Jul 2013	Dormant	€1,000	100	100	100	100
BOC Aviation (France) 5 SARL	France	15 Jul 2013	Leasing of aircraft	€1,000	100	100	100	100
BOC Aviation (France) 6 SARL	France	16 Oct 2013	Leasing of aircraft	€1,000	100	100	100	100
BOC Aviation (France) 7 SARL	France	17 Oct 2013	Disposed	—	—	100	100	—
BOC Aviation (France) 8 SARL	France	17 Oct 2013	Leasing of aircraft	€1,000	100	100	100	100
BOC Aviation (France) 9 SARL	France	12 Dec 2013	Leasing of aircraft	€1,000	100	100	100	100
BOC Aviation (France) 10 SARL	France	10 Dec 2013	Leasing of aircraft	€1,000	100	100	100	100
BOC Aviation (France) 11 SARL	France	23 Apr 2014	Leasing of aircraft	€1,000	100	100	—	100
Held by BOC Aviation (USA) Corporation:								
Apex Leasing Corporation	United States	06 Jan 1998	Dissolved	—	—	—	100	—
Nexus Leasing Limited	United States	27 May 1999	Dissolved	—	—	—	100	—
BOC Aviation (Aruba) A.V.V.	Aruba	19 Jul 2012	Leasing of aircraft	US\$100	100	100	100	100
Held by Solitaire Capital Limited:								
Goldfinch Limited	Bermuda	27 Jan 2000	Dissolved	—	—	—	100	—

* The companies are deemed subsidiary companies 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.

2. Summary of significant accounting policies

2.1 *Basis of presentation and preparation*

As at 31 December 2013, 2014 and 2015, the Group had a net current liability amounting to US\$321.3 million, US\$658.7 million and US\$461.5 million respectively. The Financial Information has 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 Information has been prepared in accordance with IFRSs, which include all International Financial Reporting Standards and International Accounting Standards ("IASs") issued by International Accounting Standards Board (the "IASB") and Interpretations issued by IFRS Interpretations Committee. All IFRSs effective for the accounting periods commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period.

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

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment 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 judgment or complexity, or areas where estimates and assumptions are significant to the financial statements, are disclosed in Note 3.

2.2 (a) *Standards issued but not yet effective*

The Group has not adopted the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information.

<u>Standards/Amendments</u>	<u>Content</u>	<u>Applicable for financial years beginning on/after</u>
IAS 1 (Amendments)	Disclosure Initiative	1 January 2016
IAS 16 and IAS 38 (Amendments) . .	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements	1 January 2016

Standards/Amendments	Content	Applicable for financial years beginning on/after
IFRS 10, IFRS 12 and IAS 28 (2011) (Amendments)	Investment entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15 and IFRS 15 (Amendments)	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Based on initial assessment, the Group does not expect the adoption of the above standards/amendments to have material impact on the financial statements in the period of initial application.

2.2 (b) *Improvements to IFRSs*

“Improvements to IFRSs” contains numerous amendments to IFRSs. It comprises amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual IFRSs. The amendments will be effective for annual periods beginning on or after 1 January 2016. The Group does not expect the adoption of these improvements to IFRSs to have material impact on the financial statements in the period of initial application.

2.3 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies. 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 currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operates (“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 reporting period. Exchange differences arising from the translation of monetary assets and liabilities are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.5 *Plant and equipment*

(a) *Aircraft*

Purchased aircraft on operating lease to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of plant and equipment prior to delivery. Subsequent to recognition, purchased 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 the profit or loss.

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright 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. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset 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 progress payments*

Aircraft progress payments relate to pre-delivery payments for aircraft under construction. These progress payments are recognised under plant and equipment when payments are made.

(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 the profit or loss.

(d) *Depreciation*

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

Depreciation on other plant and equipment is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

Office renovations	- 3 to 5 years
Furniture, fittings and office equipment	- 1 to 3 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 and adjusted, as appropriate, at each year end 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 plant and equipment. The effects of any revision are recognised in the profit or loss when the changes arise.

(e) *Disposal*

An item of 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 the profit or loss in the period the asset is derecognised.

2.6 *Non-current assets held for sale*

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Non-current 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. Property, plant and equipment, once classified as held for sale are not depreciated.

2.7 *Lease transaction closing costs*

Upfront 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 the profit or loss.

Where the lease agreement is terminated or novated prior to its expiry date, the remaining lease transaction closing costs will be written off to the 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. The 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 the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

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 i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial assets 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 assets are recognised in profit or loss.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial

recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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 is recognised in profit or loss.

(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 other 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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

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 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 de-recognised 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.

2.11 *Impairment of financial assets*

The Group assesses at the end of each year whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2.12 *Derivative financial instruments and hedging activities*

The Group uses derivative financial instruments such as cross-currency interest rate swap, interest rate swap, interest rate cap 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 values. 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 taken to the profit or loss for the period.

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

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 the 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 the 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 each year for which they were designated.

Hedges which meet the 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 both are taken to the 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 directly in the hedging reserve, while the ineffective portion is recognised in the profit or loss.

Amounts taken to hedging reserve are transferred to the 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 taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the 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 comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit or loss.

2.13 *Provisions*

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

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

2.14 *Maintenance reserves*

Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessee to make monthly or end of lease maintenance reserves contributions to the Group which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserves balances are accounted for as liabilities. Upon termination of the lease, any unutilised maintenance reserves balance will be released to the profit or loss or continued to be retained as reserves for drawdown by the follow-on operator. Upon sale of the aircraft, any unutilised maintenance reserves balance not transferred to buyer will be released to the profit or loss. Any shortfall identified in the balances held in respect of historic operation of the aircraft that may be required to be made available for drawdown by follow-on operators are provided as a charge to the profit or loss.

2.15 *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 progress payments for aircraft under construction. The interest incurred on such borrowings 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 ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

2.16 *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.

2.17 *Trade and other payables*

Liabilities for trade and other payables including payables to related parties, which are normally settled within 30-day 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 the profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.18 *Employee benefits*

(a) *Short term employee benefits*

All short term employee benefits, including accumulated compensated absences, are recognised in the 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 the 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 the profit or loss.

(c) *Long term incentive plan*

The long term incentive plan is payable to selected employees of the Group based on the achievement of certain key performance targets at the end of a pre-determined period. The bonus is accrued and recognised in the 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 the profit or loss. Payment of accrued bonus will be made over a period after each pre-determined period.

(d) *Employer's defined contribution benefits*

As required by law, the Group makes contributions to Central Provident Fund ("CPF") in Singapore, National Insurance 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.

2.19 Leases*(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 2.20. Contingent rents are recognised as revenue in the period in which they are earned.

Finance leases, which effectively transfer to lessee substantially all the risks and benefits incidental to ownership of the leased 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 are charged directly to the profit or loss.

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

Finance leases, which effectively transfer to the Group or the Company substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised 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 and disclosed under Note 36. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership of the leased asset by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

2.20 Revenue recognition

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 at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) *Lease income*

The Company and certain of its subsidiary companies, as lessors, lease aircraft under operating leases. Lease income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

Lease income is not recognised if the collections are not probable due to prolonged financial difficulties of lessees.

(b) *Arrangement, remarketing and lease management fees*

Arrangement, remarketing and lease management fees are recognised as revenue upon rendering of services.

(c) *Dividend income*

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

(d) *Interest income*

Interest income is recognised on an accrual basis unless collectability is in doubt.

(e) *Lease termination fees*

Lease termination fees are recognised based on contractual agreement with third parties to the extent that it is probable that the economic benefits will flow to the Group.

2.21 **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:

- 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
- 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:

- 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
- 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.

2.22 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 on 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.

2.23 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 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 and fellow subsidiary 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); or
 - (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).

2.24 Segment reporting

IFRS 8 'Operating Segments' sets out the requirements for disclosure of financial and descriptive information about the Group's operating segments. For management and reporting purposes the Group's activities are organised in one reportable segment based on information provided internally to the Company's key management personnel. The principal activities of the Group involve the leasing and management of aircraft leases and other related activities.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 *Judgments made in applying accounting policies*

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

(a) *Maintenance of aircraft by lessees*

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make monthly or end of lease contributions to the Group which can subsequently be drawn on for certain maintenance events carried out. Management has made a judgment based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements. For any shortfall identified, a provision for aircraft maintenance will be charged to the profit or loss.

(b) *Impairment of financial assets*

The Group follows the guidance of IAS 39 in determining when a financial asset is other-than-temporarily impaired and this requires judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost.

(c) *Fair value of financial instruments*

Where the fair values of financial instruments recorded on 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 38.

(d) *Classification of leases*

- *Operating lease — As lessor*

The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

- *Finance lease — As lessor*

The Group has entered into aircraft leases whereby the Group has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Group has recorded the transaction as a sale of aircraft and finance lease receivables on the statement of financial position.

- *Finance lease — As lessee*

The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft on the statement of financial position.

(e) *Deferred income taxes*

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies 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 judgment 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 2013, 2014 and 2015 were US\$542.1 million, US\$640.4 million and US\$817.4 million respectively 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 losses can be utilised. Management judgment 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 tax planning strategies.

The Company was granted a renewal of the concessionary tax rate of 5% with effect from 1 July 2012 under the 5-year Aircraft Leasing Scheme incentive by the Economic Development Board of Singapore. To qualify for 5 years of concessionary tax rate of 5%, the Company is required to achieve certain conditions within the 5-year period. Management is reasonably confident that the conditions can be met and is unaware of any reason that the extension of the enhanced concessionary rate after the expiry will not be considered.

Details have been disclosed in Note 12 and Note 29.

(f) *Non-current assets held for sale*

Non-current 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 its sale must be highly probable. Management judgment is required to assess whether the asset meets the conditions to be classified as asset held for sale and details have been disclosed in Note 21.

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) *Impairment of aircraft*

The Group follows the guidance of IAS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. This determination requires estimation of the fair value less cost to sell and the value in use of an aircraft. To estimate the fair value, the management uses independent aircraft appraisers' valuations which were derived based on certain assumptions or recent sale transactions. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the lease and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Analysis of impairment loss provision is disclosed in Note 14 in the financial statements.

(b) *Depreciation of aircraft and estimation of residual values*

Aircraft are depreciated on a straight-line basis over 25 years less aircraft's age with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years. The 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 which is approximately US\$13.6 million, US\$16.6 million and US\$16.4 million for 2013, 2014 and 2015, respectively. Such a decrease in the useful lives of the Group's aircraft could affect the Group's annual profit before tax in future.

(c) *Fair values*

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 16.

Fair values of other financial instruments have been disclosed in Note 38.

(d) *Income taxes and deferred income taxes*

The Group has exposure to income taxes in numerous 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 29.

4. Lease rental income

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Lease rental income			
- Third parties	790,899	916,038	951,861
- Related parties	<u>13,213</u>	<u>20,878</u>	<u>23,624</u>
	<u>804,112</u>	<u>936,916</u>	<u>975,485</u>

5. Interest and fee income

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Interest and fee income			
- Finance leases	1,211	—	—
- Fixed deposits and bank balances	3,048	2,983	1,400
- Aircraft pre-delivery payments	16,029	4,861	34,909
- Lease management fee income	3,383	704	2,284
- Remarketing fee income	3,250	2,533	1,164
- Asset value guarantee fee income	84	30	—
- Others	<u>946</u>	<u>496</u>	<u>87</u>
	<u>27,951</u>	<u>11,607</u>	<u>39,844</u>

6. Net gain on sale of aircraft

	Note	Year ended 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Sale of aircraft				
- Proceeds from sale of aircraft		913,303	1,315,861	1,822,618
- Maintenance reserves released	28	45,745	35,891	65,026
- Net book value of aircraft		(880,642)	(1,319,484)	(1,798,652)
- Expenses		(1,935)	(1,977)	(18,848)
Net gain on sale of aircraft		<u>76,471</u>	<u>30,291</u>	<u>70,144</u>

7. Finance expenses

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Interest expense and other charges on:			
- Finance leases	781	995	1,156
- Loans and borrowings	<u>136,730</u>	<u>152,159</u>	<u>169,063</u>
	137,511	153,154	170,219
Net fair value gains on derivative financial instruments	<u>(1,822)</u>	<u>(2,374)</u>	<u>(1,448)</u>
	<u>135,689</u>	<u>150,780</u>	<u>168,771</u>

8. Amortisation of deferred debt issue costs

	Note	Year ended 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Arising from:				
- Loans and borrowings	24	14,605	14,491	18,060
- Finance lease payables	25	<u>30</u>	<u>55</u>	<u>69</u>
		<u>14,635</u>	<u>14,546</u>	<u>18,129</u>

9. Staff costs

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Salaries, bonuses and other staff costs	39,483	49,387	56,892
Employer's defined contribution benefits	1,171	1,843	1,797
	<u>40,654</u>	<u>51,230</u>	<u>58,689</u>

10. Emoluments of directors and five highest paid individuals

(a) Directors' emoluments paid during the year:

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employer's defined contribution benefits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Year ended 31 December					
2013					
<i>Chairman, non-executive director</i>					
Chen Siqing ⁽¹⁾	—	—	—	—	—
<i>Executive directors</i>					
Wang Genshan (Vice-Chairman)	—	472	1,557	—	2,029
Robert James Martin	—	834	3,770	—	4,604
<i>Independent non-executive director</i>					
Fu Shula	45	—	—	—	45
<i>Non-executive directors</i>					
Dr Xiao Wei	23	—	—	—	23
Chen Jianzhong ⁽²⁾	14	—	—	—	14
Fang Yu ⁽³⁾	9	—	—	—	9
Gao Jinyue	28	—	—	—	28
Liu Jiandong	28	—	—	—	28
Shi Jing	26	—	—	—	26
	<u>173</u>	<u>1,306</u>	<u>5,327</u>	<u>—</u>	<u>6,806</u>

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employer's defined contribution benefits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Year ended 31 December					
2014					
<i>Chairman, non-executive director</i>					
Chen Siqing ⁽¹⁾	—	—	—	—	—
<i>Executive directors</i>					
Wang Genshan (Vice-Chairman)	—	544	1,636	—	2,180
Robert James Martin	—	843	4,090	—	4,933
Gao Jinyue ⁽⁴⁾	25	37	—	—	62
<i>Independent non-executive director</i>					
Fu Shula	43	—	—	—	43
<i>Non-executive directors</i>					
Dr Xiao Wei	21	—	—	—	21
Fang Yu	21	—	—	—	21
Liu Jiandong	26	—	—	—	26
Shi Jing	26	—	—	—	26
Zhu Lin ⁽⁵⁾	20	—	—	—	20
	<u>182</u>	<u>1,424</u>	<u>5,726</u>	<u>—</u>	<u>7,332</u>

	Fees	Salaries, allowances and other benefits	Discretionary bonus	Employer's defined contribution benefits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Year ended 31 December 2015					
<i>Chairman, non-executive director</i>					
Chen Siqing ⁽¹⁾	—	—	—	—	—
<i>Executive directors</i>					
Wang Genshan (Vice-Chairman)	—	543	2,044	—	2,587
Robert James Martin	—	836	5,037	—	5,873
Gao Jinyue ⁽⁴⁾	—	548	21	38	607
<i>Independent non-executive director</i>					
Fu Shula	43	—	—	—	43
<i>Non-executive directors</i> ⁽⁶⁾					
Dr Xiao Wei	—	—	—	—	—
Fang Yu ⁽⁸⁾	—	—	—	—	—
Li Mang ⁽⁷⁾	—	—	—	—	—
Liu Jiandong ⁽⁸⁾	—	—	—	—	—
Ren Li ⁽⁷⁾	—	—	—	—	—
Shi Jing ⁽⁸⁾	—	—	—	—	—
Zhu Lin	—	—	—	—	—
Zhuo Chengwen ⁽⁷⁾	—	—	—	—	—
	<u>43</u>	<u>1,927</u>	<u>7,102</u>	<u>38</u>	<u>9,110</u>

(1) In 2013, 2014 and 2015, the non-executive Chairman waived his emoluments.

(2) Resigned on 23 August 2013

(3) Appointed on 23 August 2013

(4) Appointed as Executive Director with effect from 5 December 2014

(5) Appointed on 22 January 2014

(6) In 2015, the non-executive directors waived their emoluments.

(7) Appointed on 14 December 2015

(8) Resigned on 14 December 2015

(b) Five highest paid individuals

In the Track Record Period, the five individuals whose emoluments were the highest in the Group include two executive directors for each of the year ended 31 December 2013, 2014 and 2015, whose emoluments are reflected in the analysis above.

The emoluments paid to the remaining three individuals during each of the year ended 31 December 2013, 2014 and 2015 were as follows:

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Salaries, allowances and other benefits	1,448	1,433	1,385
Discretionary bonus	4,811	4,080	5,864
Employer's defined contribution benefits	7	158	223
	<u>6,266</u>	<u>5,671</u>	<u>7,472</u>

The number of such individuals whose emoluments paid during each of the year ended 31 December 2013, 2014 and 2015 fell within the following bands:

	Year ended 31 December		
	2013	2014	2015
HK\$7,500,001 to HK\$8,000,000	—	1	—
HK\$14,000,001 to HK\$14,500,000	1	—	—
HK\$16,000,001 to HK\$16,500,000	1	—	1
HK\$16,500,001 to HK\$17,000,000	—	1	—
HK\$18,000,001 to HK\$18,500,000	1	—	—
HK\$19,500,001 to HK\$20,000,000	—	1	1
HK\$21,500,001 to HK\$22,000,000	—	—	1
	<u>3</u>	<u>3</u>	<u>3</u>

During the years ended 31 December 2013, 2014 and 2015, 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.

11. Other operating expenses

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
General office expenses	2,695	3,531	3,305
Operating lease expenses	1,432	2,383	2,294
Technical services expenses	18,927	(1,665)	1,448
Professional fees	4,866	4,406	4,975
Auditors' remuneration	309	342	316
Net foreign exchange losses	18	9	105
Others	63	539	24
	<u>28,310</u>	<u>9,545</u>	<u>12,467</u>

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

12. Income tax expense

Major components of income tax expense

The major components of income tax expense in the Track Record Period are:

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Current tax			
- Singapore	(94)	(46)	(43)
- Foreign	618	156	1,112
- Write-back of provision in respect of prior years	—	(503)	—
	524	(393)	1,069
Deferred tax			
- Singapore	14,072	10,303	20,759
- Foreign	25,665	37,834	36,298
- Write-back of provision in respect of prior years	(6,391)	(3,552)	—
	<u>33,346</u>	<u>44,585</u>	<u>57,057</u>
	<u>33,870</u>	<u>44,192</u>	<u>58,126</u>

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate in the Track Record Period are as follows:

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Profit before income tax	<u>310,931</u>	<u>352,766</u>	<u>401,433</u>
Tax at the domestic rate of 17%*	52,858	59,970	68,244
Adjustments:			
Different tax rates in other countries	3,558	7,661	178
Effects of Aircraft Leasing Scheme incentive on Company's results	(20,221)	(21,105)	(13,125)
Income not subject to tax	(1,772)	(773)	(286)
Expenses not deductible for tax purposes	5,631	2,895	3,107
Others	207	(401)	8
Write-back of provision in respect of prior years . . .	<u>(6,391)</u>	<u>(4,055)</u>	<u>—</u>
	<u>33,870</u>	<u>44,192</u>	<u>58,126</u>

* Domestic rate in Singapore remained at 17% in the Track Record Period.

As at 31 December 2013, 2014 and 2015, the Group had unabsorbed capital allowances of approximately US\$849.9 million, US\$763.9 million and US\$638.3 million, respectively, and unutilised tax losses of approximately US\$775.5 million, US\$800.7 million and US\$718.2 million respectively which, subject to the provisions of relevant local tax legislation and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profits.

13. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holder 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 ordinary equity holder 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.

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

	Note	Year ended 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Earnings				
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holder of the Company)		<u>277,061</u>	<u>308,574</u>	<u>343,307</u>
		2013	2014	2015
		'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	30	<u>589,909</u>	<u>589,909</u>	<u>589,909</u>
Basic and diluted earnings per share (US\$)		0.47	0.52	0.58

14. Plant and equipment

	As at 31 December				
	Aircraft	Aircraft progress payments	Office renovations	Furniture, fittings and office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost:					
At 1 January 2013	8,642,699	885,086	126	5,058	9,532,969
Additions	2,116,673	383,820	545	1,550	2,502,588
Disposals	(1,062,902)	—	—	(73)	(1,062,975)
Transfers	801,169	(801,169)	—	—	—
Adjustments	280	—	—	—	280
At 31 December 2013 and 1 January 2014	10,497,919	467,737	671	6,535	10,972,862
Additions	1,984,074	1,158,015	327	1,766	3,144,182
Disposals	(1,664,200)	—	—	—	(1,664,200)
Transfers	536,275	(536,275)	—	—	—
Adjustments	644	—	—	—	644
At 31 December 2014 and 1 January 2015	11,354,712	1,089,477	998	8,301	12,453,488
Additions	1,464,504	1,952,823	60	1,025	3,418,412
Disposals	(2,193,081)	(269,697)	—	—	(2,462,778)
Transfers	532,261	(532,261)	—	—	—
Transfer to assets held for sale (Note 21)	(266,972)	—	—	—	(266,972)
Adjustment	138	—	—	—	138
At 31 December 2015	10,891,562	2,240,342	1,058	9,326	13,142,288

As at 31 December					
	Aircraft	Aircraft progress payments	Office renovations	Furniture, fittings and office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Accumulated depreciation and impairment:					
At 1 January 2013	1,178,386	—	95	3,255	1,181,736
Charge for the year	335,012	—	34	1,300	336,346
Disposals	(182,260)	—	—	(73)	(182,333)
Impairment on aircraft	42,800	—	—	—	42,800
At 31 December 2013 and 1 January 2014	1,373,938	—	129	4,482	1,378,549
Charge for the year	378,997	—	264	1,986	381,247
Disposals	(344,716)	—	—	—	(344,716)
Impairment on aircraft	23,100	—	—	—	23,100
At 31 December 2014 and 1 January 2015	1,431,319	—	393	6,468	1,438,180
Charge for the year	379,863	—	314	1,774	381,951
Disposals	(394,429)	—	—	—	(394,429)
Impairment on aircraft	43,900	—	—	—	43,900
Transfer to assets held for sale (Note 21)	(44,750)	—	—	—	(44,750)
At 31 December 2015	1,415,903	—	707	8,242	1,424,852
	Aircraft	Aircraft progress payments	Office renovations	Furniture, fittings and office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net book value:					
At 31 December 2013	<u>9,123,981</u>	<u>467,737</u>	<u>542</u>	<u>2,053</u>	<u>9,594,313</u>
At 31 December 2014	<u>9,923,393</u>	<u>1,089,477</u>	<u>605</u>	<u>1,833</u>	<u>11,015,308</u>
At 31 December 2015	<u>9,475,659</u>	<u>2,240,342</u>	<u>351</u>	<u>1,084</u>	<u>11,717,436</u>

(a) Impairment of assets

Provision for impairment loss on the Group's plant and equipment of US\$48.9 million, US\$57.5 million and US\$80.5 million as at 31 December 2013, 2014 and 2015, respectively, was included in accumulated depreciation and impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value in use. For the calculation of value in use, the weighted average discount rates is 2.6%, 3.0% and 2.8% per annum for 2013, 2014 and 2015, respectively.

Movement of impairment loss provision:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Balance at beginning of year	12,632	48,932	57,532
Impairment of aircraft	42,800	23,100	43,900
Disposal of assets	<u>(6,500)</u>	<u>(14,500)</u>	<u>(20,927)</u>
Balance at end of year	<u>48,932</u>	<u>57,532</u>	<u>80,505</u>

(b) Assets held under finance leases

The net book value of aircraft owned by the Group held under finance lease arrangements amounted to US\$70.5 million, US\$104.7 million and US\$100.8 million, as of 31 December 2013, 2014 and 2015, respectively.

These assets are pledged as security for the related finance lease liabilities.

(c) Assets pledged as security

The net book value of aircraft and aircraft held for sale (Note 21) owned by the Group, including aircraft held under finance lease arrangements in Note 14(b), that have been charged for loan facilities granted (Note 24 and Note 25) 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 titles to such aircraft amounted to US\$7,708.7 million, US\$7,516.7 million and US\$6,409.7 million as at 31 December 2013, 2014 and 2015, respectively.

(d) *Capitalisation of borrowing costs*

The borrowing costs capitalised as cost of aircraft amounted to US\$1.4 million and US\$8.5 million for year 2014 and 2015, respectively. There was no capitalised borrowing cost in year 2013. The rate used to determine the amount of borrowing costs eligible for capitalisation was approximately 2.6% and 2.5% per annum for 2014 and 2015, respectively.

15. Lease transaction closing costs

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Cost:			
At beginning of year	1,759	2,619	1,129
Additions	1,062	272	233
Written off to profit or loss upon sale of aircraft . . .	(211)	(205)	(59)
Adjustments	34	(740)	134
Fully amortised costs written off	<u>(25)</u>	<u>(817)</u>	<u>(387)</u>
At end of year	<u>2,619</u>	<u>1,129</u>	<u>1,050</u>
Accumulated amortisation:			
At beginning of year	1,116	1,254	468
Charge for the year	306	171	345
Written off to profit or loss upon sale of aircraft . . .	(148)	(140)	(25)
Adjustments	5	—	—
Fully amortised costs written off	<u>(25)</u>	<u>(817)</u>	<u>(387)</u>
At end of year	<u>1,254</u>	<u>468</u>	<u>401</u>
Net book value:			
At end of year	<u><u>1,365</u></u>	<u><u>661</u></u>	<u><u>649</u></u>

16. Derivative financial instruments

	As at 31 December					
	2013		2014		2015	
	Outstanding notional amounts	Outstanding notional amounts	Outstanding notional amounts	Outstanding notional amounts	Outstanding notional amounts	Outstanding notional amounts
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current:						
Cross-currency interest rate swaps	63,967	(415)	59,971	(2,976)	—	—
Interest rate swaps	145,276	(5,142)	93,276	(2,054)	21,121	(393)
Interest rate caps	722	—	470,205	—	294,102	—
	<u>722</u>	<u>(5,557)</u>	<u>213</u>	<u>(5,030)</u>	<u>—</u>	<u>(393)</u>
Non-current:						
Cross-currency interest rate swaps	306,838	(5,390)	915,427	(73,168)	1,112,612	(145,287)
Interest rate swaps	—	—	300,000	—	500,000	(929)
	<u>—</u>	<u>—</u>	<u>1,476</u>	<u>—</u>	<u>2,011</u>	<u>(929)</u>
	<u>—</u>	<u>(5,390)</u>	<u>1,476</u>	<u>(73,168)</u>	<u>2,011</u>	<u>(146,216)</u>
Total	<u>722</u>	<u>(10,947)</u>	<u>1,689</u>	<u>(78,198)</u>	<u>2,011</u>	<u>(146,609)</u>

The fair values of cross-currency interest rate swaps, interest rate swaps and interest rate caps shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

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

(a) ***Fair value hedges***

The Group uses interest rate swaps to hedge against changes in fair value of medium term notes, issued at a fixed coupon rate, from changes in interest rates.

There were no fair value hedges which applied hedge accounting as at 31 December 2013.

During the year 2014 and 2015, the Group issued US\$300 million notes and US\$500 million notes, respectively, under its EMTN programme and GMTN program at fixed coupon rate which were swapped to floating rates. As at 31 December 2014 and 2015, the Group has interest rate swap contracts with a total notional amount of US\$300 million and US\$500 million, respectively, to hedge the interest rate exposure whereby the Group receives fixed rate and pays floating rate pegged to USD LIBOR on the notional amount on a half yearly basis. The terms of the interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the fair value hedges are assessed to be highly effective. The fair value of the derivative financial asset was US\$1.5 million and US\$2.0 million as at 31 December 2014 and 2015, respectively. The fair value of the derivative liability was US\$Nil and US\$0.9 million as at 31 December 2014 and 2015 respectively.

(b) ***Cash flow hedges***

The Group borrows at floating interest rates pegged to USD LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates.

As at 31 December 2013, the Group had an interest rate swap contract with a notional amount of US\$24.2 million to hedge the interest rate exposure whereby the Group pays fixed rate and receives floating rate pegged to USD LIBOR on the notional amount on a half yearly basis. The terms of the interest rate swap contracts had been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The ineffective portion, if any, has been recognised in the statement of profit or loss. The fair value of the derivative financial liability was US\$0.2 million.

There were no cash flow hedges which applied hedge accounting as at 31 December 2014 and 2015.

17. Trade receivables

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Trade receivables (gross)	834	4,783	400
Allowance for impairment	(779)	—	—
Trade receivables (net)	<u>55</u>	<u>4,783</u>	<u>400</u>

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Subsequent to each year end, the trade receivables had been received.

The Group's trade receivables (gross) are secured by cash security deposits held by the Group or letters of credit issued by acceptable banks.

(a) *Receivables that were past due but not impaired*

The Group had trade receivables amounting to US\$0.05 million and US\$4.1 million as at 31 December 2013 and 2014, respectively, that were past due but not impaired. These receivables were within the age bracket of 1 to 30 days.

(b) *Trade receivables that were impaired*

As at 31 December 2013, 2014 and 2015, the movement in the allowance for impairment accounts is as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
At beginning of year	779	779	—
Write-back during the year	—	(779)	—
At end of year	<u>779</u>	<u>—</u>	<u>—</u>

18. Other receivables

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Deposits	794	780	716
Sundry receivables	83	1,260	14,423
Accrued income	12,092	9,637	7,674
Allowance for impairment	(20)	—	—
	<u>12,949</u>	<u>11,677</u>	<u>22,813</u>

Sundry receivables are non-interest bearing. They are recognised at costs which represent their fair values on initial recognition.

Certain of the balances past due are secured by security deposits collected and recognised on the statement of financial position or through letters of credit from banks. The unsecured amounts not collected, if any, have been fully provided for.

(a) *Other receivables that were impaired*

In the Track Record Period, the movement in the allowance for impairment accounts is as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
At beginning of year	20	20	—
Write-back during the year	—	(20)	—
At end of year	<u>20</u>	<u>—</u>	<u>—</u>

19. Fixed deposits

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Unencumbered	33	<u>455,435</u>	<u>212,204</u>	<u>237,415</u>

Short term fixed deposits are placed for varying periods between one day and two months, depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term fixed deposits was 0.7%, 0.7% and 0.4% per annum in 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, fixed deposits placed with intermediate holding company amounted to US\$163.6 million, US\$101.5 million and US\$23.2 million, respectively. As at 31 December 2015, fixed deposits placed with other related party amounted to US\$89.2 million. As at 31 December 2013 and 2014, there was no fixed deposit placed with other related party.

20. Cash and bank balances

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Encumbered	24	36,933	135,260	135,439
Unencumbered	33	<u>45,794</u>	<u>19,940</u>	<u>133,978</u>
		<u>82,727</u>	<u>155,200</u>	<u>269,417</u>

The Group's encumbered cash and bank balances have been pledged for loan obligations and contingency provisions under such obligations as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, the Group's cash and bank balances included an amount of US\$28.1 million, US\$4.5 million and US\$111.5 million, respectively, placed in daily sweep accounts which are available upon demand.

Cash at banks of the Group earned interest at floating rates based on daily bank interest rates at an average rate of 0.05%, 0.01% and 0.02% per annum during the year 2013, 2014 and 2015, respectively.

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

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Australian Dollar	247	236	156
Euro	688	733	801
Japanese Yen	118	101	75
Malaysian Ringgit	—	—	84
Chinese Yuan	—	—	14
Sterling Pounds	—	623	582
Singapore Dollar	2,134	2,500	516
	<u>3,187</u>	<u>4,193</u>	<u>2,228</u>

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

As at 31 December 2013, 2014 and 2015, the Group's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Assets held for sale				
Property, plant and equipment - aircraft . .	14	<u>—</u>	<u>—</u>	<u>222,222</u>
Liabilities associated with assets held for sale				
Loans and borrowings	24	<u>—</u>	<u>—</u>	<u>26,856</u>
Maintenance reserves payable		<u>—</u>	<u>—</u>	<u>9,443</u>
		<u>—</u>	<u>—</u>	<u>36,299</u>

22. Trade and other payables

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Trade payables	3,814	1,228	4,572
Sundry payables	1,676	2,629	2,187
Accrued interest expenses	26,948	29,486	35,246
Maintenance reserves payable	17,144	2,491	22,306
Accrued technical expenses	15,979	528	560
Other accruals and liabilities	<u>46,387</u>	<u>31,630</u>	<u>41,233</u>
	<u>111,948</u>	<u>67,992</u>	<u>106,104</u>

Trade payables and sundry payables are substantially denominated in United States Dollar, non-interest bearing, current in nature and are normally settled on 30-day credit terms.

23. 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 the difference between the nominal value of the security deposits (Note 26) and its fair value. The deferred income is charged to the profit or loss on a straight-line basis over the lease term.

24. Loans and borrowings

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Current:				
Medium Term Notes		63,967	59,971	—
Fair value adjustments		(415)	(2,976)	—
		<u>63,552</u>	<u>56,995</u>	<u>—</u>
USD bank loans		635,149	844,994	1,001,499
Deferred debt issue costs		(13,015)	(12,671)	(11,352)
		<u>685,686</u>	<u>889,318</u>	<u>990,147</u>
Non-current:				
Medium Term Notes		1,356,838	2,265,427	3,212,612
Medium Term Notes discount (net of premium)		(856)	(3,268)	(5,823)
Fair value adjustments		(5,390)	(71,692)	(144,206)
		<u>1,350,592</u>	<u>2,190,467</u>	<u>3,062,583</u>
USD bank loans		5,306,867	5,163,865	4,665,246
Deferred debt issue costs		(88,047)	(82,031)	(79,298)
		<u>6,569,412</u>	<u>7,272,301</u>	<u>7,648,531</u>
Total loans and borrowings		<u>7,255,098</u>	<u>8,161,619</u>	<u>8,638,678</u>
Statement of financial position:				
Loans and borrowings (current)		685,686	889,318	963,291
Loans and borrowings (non-current)		6,569,412	7,272,301	7,648,531
Liabilities associated with assets held for sale	21	—	—	26,856
		<u>7,255,098</u>	<u>8,161,619</u>	<u>8,638,678</u>

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

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Cost:			
At beginning of year	125,985	141,808	140,227
Additions	22,161	9,645	16,150
Written off to profit or loss upon sale of aircraft . . .	(1,694)	(3,837)	(5,679)
Fully amortised costs written off	(4,656)	(7,002)	(7,906)
Adjustments	12	(387)	31
At end of year	<u>141,808</u>	<u>140,227</u>	<u>142,823</u>
Accumulated amortisation:			
At beginning of year	31,326	40,746	45,525
Charge for the year (Note 8)	14,605	14,491	18,060
Written off to profit or loss upon sale of aircraft . . .	(529)	(2,710)	(3,506)
Fully amortised costs written off	(4,656)	(7,002)	(7,906)
At end of year	<u>40,746</u>	<u>45,525</u>	<u>52,173</u>
Net book value:			
At end of year	<u>101,062</u>	<u>94,702</u>	<u>90,650</u>
Deferred debt issue costs, net	101,062	94,702	90,650
Less: Current portion	<u>(13,015)</u>	<u>(12,671)</u>	<u>(11,352)</u>
Non-current portion	<u>88,047</u>	<u>82,031</u>	<u>79,298</u>

As at 31 December 2013, 2014 and 2015, total loans and borrowings of the Group included secured liabilities of US\$5,882 million, US\$5,744 million and US\$4,657 million, respectively. These amounts are secured by the related aircraft (Note 14), certain cash and bank balances and designated bank accounts (Note 20) and/or a pledge of the shares in certain subsidiary companies that hold title to the aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to all of the companies' 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).

The table below summarises the maturity profile of the Group's gross loans and borrowings before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes at the end of each year in the Track Record Period.

	<u>One year or less</u>	<u>One to two years</u>	<u>Two to five years</u>	<u>Over five years</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2013					
Bank loans	635,149	219,574	2,000,215	3,087,078	5,942,016
Medium term notes	<u>63,967</u>	<u>59,971</u>	<u>746,867</u>	<u>550,000</u>	<u>1,420,805</u>
Total gross loans and borrowings	<u>699,116</u>	<u>279,545</u>	<u>2,747,082</u>	<u>3,637,078</u>	<u>7,362,821</u>

	<u>One year or less</u>	<u>One to two years</u>	<u>Two to five years</u>	<u>Over five years</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2014					
Bank loans	844,994	915,368	2,588,257	1,660,240	6,008,859
Medium term notes	<u>59,971</u>	<u>—</u>	<u>1,292,225</u>	<u>973,202</u>	<u>2,325,398</u>
Total gross loans and borrowings	<u>904,965</u>	<u>915,368</u>	<u>3,880,482</u>	<u>2,633,442</u>	<u>8,334,257</u>

	<u>One year or less</u>	<u>One to two years</u>	<u>Two to five years</u>	<u>Over five years</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2015					
Bank loans	1,001,499	498,343	2,838,133	1,328,770	5,666,745
Medium term notes	<u>—</u>	<u>500,000</u>	<u>1,769,845</u>	<u>942,767</u>	<u>3,212,612</u>
Total gross loans and borrowings	<u>1,001,499</u>	<u>998,343</u>	<u>4,607,978</u>	<u>2,271,537</u>	<u>8,879,357</u>

(a) Bank loans

Interest on floating rate bank loans of the Group is set at specified margins above USD LIBOR. Interest rate for floating rate bank loans is reset at intervals of up to six months and the weighted average effective interest rate was 1.5% per annum for each year in the Track Record Period. The bank loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the bank loans are between 2014 and 2025, 2015 and 2026 and 2016 to 2026 as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, the Group's bank loans in terms of term loans due to intermediate holding company amounted to US\$527.8 million, US\$495.4 million and US\$442.5 million, respectively. The intermediate holding company granted two US\$1 billion committed revolving credit facilities to the Group which have been aggregated into a single US\$2 billion committed revolving credit facility in 2015 and extended to 28 April 2022. There were no outstanding drawings under these committed revolving credit facilities as at 31 December 2013, 2014 and 2015. Included in the Group's bank loans was an amount of US\$628.7 million, US\$476.5 million and US\$574.1 million, due to related parties, as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, the Group had unutilised unsecured committed revolving credit facilities of US\$2,335 million, US\$2,250 million and US\$2,510 million, respectively. The Group had signed documentation in place for two unsecured term loans totalling US\$525 million as at 31 December 2015, each of which were undrawn as of that date.

The Group had committed long term credit facilities pending the provision of new replacement aircraft as collateral of US\$123.9 million, US\$181.2 million and US\$165.8 million as at 31 December 2013, 2014 and 2015, respectively.

(b) Medium Term Notes

The Company set up a US\$300 million Multi-Currency Medium Term Note Programme (the "Programme") on 2 September 2009. The Programme was increased to US\$600 million on 12 December 2011. The Company had fully repaid its last series outstanding notes of US\$64 million in April 2014.

The Company has set up a US\$2 billion Euro Medium Term Note Programme ("EMTN Programme") on 20 September 2012 and this was increased to US\$5 billion on 16 April 2014. The EMTN Programme was converted to a US\$5 billion Global Medium Term Note Program ("GMTN Program") on 16 March 2015.

Outstanding notes denominated in various currencies issued were:

			<u>As at 31 December 2013</u>	
			<u>Outstanding</u>	<u>Amounts swapped to USD and floating rates</u>
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	US\$'000	US\$'000
Chinese Yuan	4.5%	2018	246,867	246,867
Singapore Dollar	2% to 3.25%	2014 to 2015	123,938	123,938
United States Dollar . . .	2.875% to 4.375%	2017 to 2023	1,050,000	—
			<u>1,420,805</u>	<u>370,805</u>
			<u>As at 31 December 2014</u>	
			<u>Outstanding</u>	<u>Amounts swapped to USD and floating rates</u>
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	US\$'000	US\$'000
Australian Dollar	5.375%	2020 to 2021	373,493	373,493
Chinese Yuan	4.2% to 5.5%	2018 to 2024	541,934	541,934
Singapore Dollar	2%	2015	59,971	59,971
United States Dollar . . .	2.875% to 4.375%	2017 to 2023	1,350,000	300,000
			<u>2,325,398</u>	<u>1,275,398</u>

As at 31 December 2015					
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	Outstanding	Amounts swapped to	Amounts
			amounts	USD and floating rates	swapped to USD
			US\$'000	US\$'000	US\$'000
Australian					
dollar	5.375%	2020 to 2021	373,493	373,493	—
Chinese Yuan	4.2% to 5.5%	2018 to 2024	630,236	590,236	40,000
Singapore					
Dollar	3.93%	2025	108,883	—	108,883
United States	2.875% to				
Dollar	4.375%	2017 to 2023	2,100,000	500,000	—
			<u>3,212,612</u>	<u>1,463,729</u>	<u>148,883</u>

As at 31 December 2013, 2014 and 2015, US\$370.8 million, US\$1,275.4 million and US\$1,463.7 million, respectively, have been swapped to floating rate liabilities and United States dollar (for non-USD denominated notes) via interest rate swap and cross-currency interest rate swap contracts. All notes are liabilities designated as at fair value through profit or loss and classified under Level 2 of the fair value hierarchy, except for the fixed rate notes amounting to US\$1,050.0 million, US\$1,050.0 million and US\$1,748.9 million as at 31 December 2013, 2014 and 2015, respectively. The floating interest rate ranged from 1.9% to 2.7%, 1.7% to 2.7% and 1.7% to 2.9% per annum during the year 2013, 2014 and 2015, respectively.

25. Finance lease payables

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Current:			
Finance lease payables	6,615	8,845	9,217
Deferred debt issue costs	(30)	(69)	(69)
Finance lease payables, net	<u>6,585</u>	<u>8,776</u>	<u>9,148</u>
Non-current:			
Finance lease payables	52,910	77,119	67,903
Deferred debt issue costs	(98)	(317)	(248)
Finance lease payables, net	<u>52,812</u>	<u>76,802</u>	<u>67,655</u>
Total finance lease payables, net	<u>59,397</u>	<u>85,578</u>	<u>76,803</u>
Finance lease payables (Note 36 (c))	59,525	85,964	77,120
Less: Current portion	(6,615)	(8,845)	(9,217)
Non-current portion	<u>52,910</u>	<u>77,119</u>	<u>67,903</u>

The finance lease payables are secured by a charge over leased assets (Note 14). Interest on the leases ranged from 0.8% to 2.7%, 0.7% to 2.4% and 0.8% to 2.6% per annum in 2013, 2014 and 2015, respectively.

The deferred debt issue costs relating to finance lease payables are analysed as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Cost:			
At beginning of year	191	191	504
Adjustments	—	313	—
At end of year	<u>191</u>	<u>504</u>	<u>504</u>
Accumulated amortisation:			
At beginning of year	33	63	118
Charge for the year (Note 8)	30	55	69
At end of year	<u>63</u>	<u>118</u>	<u>187</u>
Net book value:			
At end of year	<u>128</u>	<u>386</u>	<u>317</u>
Deferred debt issue costs, net	128	386	317
Less: Current portion	(30)	(69)	(69)
Non-current portion	<u>98</u>	<u>317</u>	<u>248</u>

The table below summarises the maturity profile of the Group's gross finance lease payable before adjustments for debt issue costs at the end of each year in the Track Record Period.

	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
2013	6,615	6,896	46,014	—	59,525
2014	8,845	9,217	45,415	22,487	85,964
2015	9,217	9,606	38,188	20,109	77,120

26. Security deposits

In addition to the cash security deposits recorded on the statement of financial position, the security deposits received by the Group in the form of irrevocable letters of credit amounted to US\$110.5 million, US\$98.7 million and US\$118.0 million as at 31 December 2013, 2014 and 2015 respectively.

27. Other non-current liabilities

Included in other non-current liabilities are non-current portion of bonuses payable and provided for under the staff incentive plans. These bonuses are payable over a 3-year period from the second year after the end of each year in the Track Record Period.

28. Maintenance reserves

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
At beginning of year		301,604	335,456	383,940
Contributions		173,764	184,477	171,478
Utilisation		(57,215)	(13,344)	(26,818)
Transfers to buyers		(36,952)	(86,124)	(29,403)
Release to profit or loss for excess written off		—	(634)	(1,274)
Release to profit or loss upon sale of aircraft	6	(45,745)	(35,891)	(65,026)
At end of year		<u>335,456</u>	<u>383,940</u>	<u>432,897</u>

Irrevocable letters of credit received by the Group from lessees to cover their maintenance reserves (or equivalent) obligations amounted to US\$58.7 million, US\$90.2 million and US\$117.5 million as at 31 December 2013, 2014 and 2015, respectively.

29. Deferred income tax liabilities

Deferred income tax liabilities as at the end of each year in the Track Record Period relate to the following:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Gross deferred tax liabilities	425,648	454,507	470,819
Gross deferred tax assets	<u>(250,280)</u>	<u>(234,554)</u>	<u>(193,809)</u>
Net deferred tax liabilities	<u>175,368</u>	<u>219,953</u>	<u>277,010</u>

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

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

	Differences in depreciation	Unremitted overseas income	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax liabilities arising from:				
At 1 January 2013	375,735	392	624	376,751
Charged/(Credited) to profit or loss . . .	<u>45,074</u>	<u>4,178</u>	<u>(355)</u>	<u>48,897</u>
At 31 December 2013 and 1 January				
2014	420,809	4,570	269	425,648
Charged/(Credited) to profit or loss . . .	<u>31,109</u>	<u>(2,045)</u>	<u>(205)</u>	<u>28,859</u>
At 31 December 2014 and 1 January				
2015	451,918	2,525	64	454,507
Charged/(Credited) to profit or loss . . .	<u>6,744</u>	<u>8,918</u>	<u>650</u>	<u>16,312</u>
At 31 December 2015	<u>458,662</u>	<u>11,443</u>	<u>714</u>	<u>470,819</u>

	Unabsorbed capital allowances and unutilised			
	tax losses	Provisions	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets arising from:				
At 1 January 2013	(227,198)	(4,206)	(3,325)	(234,729)
Charged/(Credited) to profit or loss . .	<u>(15,105)</u>	<u>414</u>	<u>(860)</u>	<u>(15,551)</u>
At 31 December 2013 and 1 January 2014	(242,303)	(3,792)	(4,185)	(250,280)
Charged/(Credited) to profit or loss . .	<u>14,108</u>	<u>1,355</u>	<u>263</u>	<u>15,726</u>
At 31 December 2014 and 1 January 2015	(228,195)	(2,437)	(3,922)	(234,554)
Charged/(Credited) to profit or loss . .	<u>41,974</u>	<u>(1,975)</u>	<u>746</u>	<u>40,745</u>
At 31 December 2015	<u>(186,221)</u>	<u>(4,412)</u>	<u>(3,176)</u>	<u>(193,809)</u>

30. Share capital

	Note	As at 31 December 2013, 2014, 2015	
		No. of shares	
		'000	US\$'000
Issued and fully paid ordinary shares:			
At beginning and end of the year	13	<u>589,909</u>	<u>607,601</u>

The holder of ordinary shares is 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 reserve

Hedging reserve records 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.

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
At beginning of year	(1,712)	(205)	—
Net change in the reserve.	<u>1,507</u>	<u>205</u>	<u>—</u>
At end of year	<u>(205)</u>	<u>—</u>	<u>—</u>

32. Dividends

During the year 2013, 2014 and 2015, the Company declared and paid a dividend of US\$113 million, US\$139 million and US\$Nil, respectively, to its sole shareholder. Dividends per share amounted to US\$0.19, US\$0.24 and US\$Nil for 2013, 2014 and 2015, respectively.

Subsequent to year end and to the date of this report, the Company has not proposed any dividend to its sole shareholder in respect of the year ended 31 December 2015.

33. Cash and cash equivalents

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

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Fixed deposits	19	455,435	212,204	237,415
Cash and bank balances.	20	<u>45,794</u>	<u>19,940</u>	<u>133,978</u>
		<u>501,229</u>	<u>232,144</u>	<u>371,393</u>

34. Segmental analysis

All revenues are derived from the Group's principal activities and business segment of leasing and management of aircraft leases and other related activities. Revenue and assets are analysed by geographical region (by country of origin) as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income by operator's geographic region based on each airline's principal place of business is as follows:

	2013		2014		2015	
	US\$'000	%	US\$'000	%	US\$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	228,529	28.4	292,190	31.2	323,979	33.2
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	113,665	14.1	116,507	12.5	163,098	16.7
Americas	194,227	24.2	212,957	22.7	189,981	19.5
Europe	197,735	24.6	243,719	26.0	233,214	23.9
Middle East & Africa	69,956	8.7	71,543	7.6	65,213	6.7
	<u>804,112</u>	<u>100.0</u>	<u>936,916</u>	<u>100.0</u>	<u>975,485</u>	<u>100.0</u>

In the Track Record Period, other than the lease rental income attributable to Spain which accounted for 10.4% of the total lease rental income in 2014, there was no other country concentration in excess of 10% of the total lease rental income.

In the Track Record Period, other than one major customer (operators under common control) which accounted for 10.7% of the total lease rental income in 2014, there was no other customer concentration in excess of 10% of the total lease rental income.

(b) *Net book value of aircraft*

The distribution of net book value of the aircraft by operator's geographic region based on each airline's principal place of business is as follows:

	2013		2014		2015	
	US\$'000	%	US\$'000	%	US\$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	2,879,831	31.6	3,336,209	33.6	3,307,446	34.9
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	1,257,370	13.8	1,486,917	15.0	1,816,589	19.2
Americas	2,002,563	21.9	1,997,051	20.1	1,591,160	16.8
Europe	2,341,823	25.7	2,521,920	25.4	2,154,034	22.7
Middle East & Africa	642,394	7.0	581,296	5.9	606,430	6.4
	<u>9,123,981</u>	<u>100.0</u>	<u>9,923,393</u>	<u>100.0</u>	<u>9,475,659</u>	<u>100.0</u>

In the Track Record Period, other than the net book value of aircraft leased to operators in Spain which accounted for 10.2% of the total net book value as at 31 December 2014, there was no other country concentration in excess of 10% of total net book value.

35. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Income and expense			
<i>(a) Intermediate holding company:</i>			
Interest income	2,269	1,541	830
Interest expense	<u>(9,339)</u>	<u>(9,122)</u>	<u>(8,727)</u>
<i>(b) Other related parties:</i>			
Lease rental income	13,213	20,878	23,624
Interest expense	<u>(11,483)</u>	<u>(10,753)</u>	<u>(7,074)</u>
Liabilities			
<i>(c) Intermediate holding company:</i>			
Loans due to intermediate holding company	<u>527,821</u>	<u>495,455</u>	<u>442,517</u>
<i>(d) Other related parties:</i>			
Loans due to other related parties	<u>628,719</u>	<u>476,483</u>	<u>574,148</u>
	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Directors' and key executives' remuneration paid during the year			
<i>(a) Directors of the Company:</i>			
Salary, fees, bonuses and other costs	6,806	7,332	9,072
CPF and other employer's defined contributions	—	—	38
	<u>6,806</u>	<u>7,332</u>	<u>9,110</u>
<i>(b) Key executives (excluding executive directors)</i>			
Salary, bonuses and other costs	9,611	6,544	10,820
CPF and other employer's defined contributions	7	158	223
	<u>9,618</u>	<u>6,702</u>	<u>11,043</u>

As at 31 December 2013, 2014 and 2015, deferred bonus of US\$19.9 million, US\$18.2 million and US\$16.0 million, respectively, was payable to directors of the Company and key executives of the Group.

36. Commitments

(a) *Operating lease commitments*

(i) *Operating lease commitments - As lessor*

Aircraft

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

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year in the Track Record Period for existing aircraft are as follows:

	<u>As at 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Within one year	870,403	959,757	994,684
After one year but not more than five years	3,146,525	3,416,607	3,536,017
After five years	<u>2,532,504</u>	<u>2,761,994</u>	<u>2,820,281</u>
	<u>6,549,432</u>	<u>7,138,358</u>	<u>7,350,982</u>

Future net minimum lease receivables committed as at the end of each year in the Track Record Period for aircraft yet to be delivered are as follows:

	<u>As at 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Within one year	78,696	55,646	83,453
After one year but not more than five years	755,576	1,002,921	1,101,553
After five years	<u>1,193,995</u>	<u>1,835,795</u>	<u>1,833,578</u>
	<u>2,028,267</u>	<u>2,894,362</u>	<u>3,018,584</u>

(ii) *Operating lease commitments - As lessee*Offices

The Group leases office spaces under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Future minimum lease payments for the office leases with initial or remaining terms of one year or more are as follows:

	<u>As at 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Within one year	2,091	2,029	1,621
After one year but not more than five years	<u>3,648</u>	<u>1,502</u>	<u>187</u>
	<u>5,739</u>	<u>3,531</u>	<u>1,808</u>

(b) *Capital expenditure commitments*

As at 31 December 2015, the Group had committed to purchase various aircraft delivering between 2016 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery as at the relevant year end date, was approximately US\$4,919.2 million, US\$9,850.0 million and US\$9,580.8 million as at 31 December 2013, 2014 and 2015, respectively.

(c) *Finance lease commitments**Finance lease commitments - As lessee*

The Group lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Group upon the Group discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Group by entering into these leases.

	As at 31 December					
	Minimum lease payments 2013	Present value of payments (Note 25) 2013	Minimum lease payments 2014	Present value of payments (Note 25) 2014	Minimum lease payments 2015	Present value of payments (Note 25) 2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease with third parties:						
Not later than one year	7,830	6,615	11,041	8,845	11,069	9,217
Later than one year but not later than five years	55,858	52,910	60,195	54,633	51,872	47,794
Later than five years	—	—	24,033	22,486	20,947	20,109
Total minimum lease payments	63,688	59,525	95,269	85,964	83,888	77,120
Less: Amounts representing finance charges	(4,163)	—	(9,305)	—	(6,768)	—
Present value of minimum lease payments	<u>59,525</u>	<u>59,525</u>	<u>85,964</u>	<u>85,964</u>	<u>77,120</u>	<u>77,120</u>

37. 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 2013, 2014 and 2015, the corporate guarantees for loans to subsidiary companies amounted to approximately US\$4,028.9 million, US\$3,852.0 million and US\$3,451.7 million, respectively.

38. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities are disclosed either in the statement of financial position or in the notes to the financial statements.

Loans and receivables comprise trade receivables (Note 17), other receivables (Note 18), fixed deposits and cash and bank balances (Note 19 and Note 20).

As at 31 December 2013, 2014 and 2015, the loans and receivables for the Group were US\$551.2 million, US\$383.9 million and US\$530.0 million respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 22), loans and borrowings (except as disclosed in Note 24), finance lease payables (Note 25) and liabilities associated with assets held for sale (Note 21).

As at 31 December 2013, 2014 and 2015, the financial liabilities measured at amortised cost for the Group were US\$7,061.0 million, US\$7,114.5 million and US\$7,499.1 million respectively.

(a) *Financial instruments carried at fair values*

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 fair values cannot be reliably measured*

Amounts due from subsidiary companies are included in this category. The amounts will be derecognised where the contractual rights to receive cash flows from the subsidiary companies have ceased.

(c) *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, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Non-current loans and borrowings reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of each year in the Track Record Period.

(d) *Financial instruments carried at other than fair values*

Set out below is a comparison of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Medium term notes			
Carrying amounts	<u>1,048,740</u>	<u>1,049,153</u>	<u>1,744,971</u>
Fair values	<u>994,511</u>	<u>1,050,155</u>	<u>1,744,396</u>

39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's exposure to financial risks and the objectives, policies and processes for the management of these risks.

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

(a) *Interest rate risk*

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings, finance lease payables, finance lease receivables, and lease rental income fees and expenses.

The Group obtains financing through bank borrowings and capital market bond issues. The Group's objective is to obtain the most favourable interest rates available at acceptable terms and conditions.

A significant portion of the Group's loans and borrowings and finance lease payables are contracted at floating interest rates pegged to USD LIBOR. Interest rate exposure arises when the Group collects fixed rate rentals but pays floating interest rate under the borrowings.

A significant portion of the Group's financial assets and liabilities are based on floating interest rates pegged to USD LIBOR and are contractually repriced at intervals of less than 12 months from the end of each year in the Track Record Period.

The Group's policy is to hedge at least 50% of its mismatched interest rate exposure through appropriate interest rate financial derivative instruments and borrowing fixed rate debts. At the end of each year in the Track Record Period, the Group has hedged approximately 96%, 54% and 60% as at 31 December 2013, 2014 and 2015, respectively, of the Group's mismatched interest rate exposure.

Sensitivity analysis for interest rate risk

Sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of each year in the Track Record Period:

- Changes in interest rates affect the interest income and finance expenses of variable interest financial instruments which include deposits and floating rate loans.
- Changes in interest rates affect the fair values of derivative financial instruments.
- 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 each year in the Track Record Period.

For a more meaningful analysis on the impact of interest rate on the Group, the sensitivity analysis includes the effect of interest rate fluctuation on the lease rental income.

Under these assumptions, an increase or decrease in interest rate of 10 basis points as at the end of each year in the Track Record Period, 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 currently observable market environment.

	<u>Basis points</u>	<u>Effect on profit net of tax</u>	<u>Effect on hedging reserve in equity</u>
		US\$'000	US\$'000
2013			
Increase in interest rate	+10	375	1
Decrease in interest rate.	-10	(502)	—
	<u> </u>	<u> </u>	<u> </u>
2014			
Increase in interest rate	+10	(730)	—
Decrease in interest rate.	-10	1,198	—
	<u> </u>	<u> </u>	<u> </u>
2015			
Increase in interest rate	+10	(1,668)	—
Decrease in interest rate.	-10	1,690	—
	<u> </u>	<u> </u>	<u> </u>

(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 due to refinancing risk.

To ensure that the Group is able to meet its financial obligations, the Group's current policy is to have its loan repayments spread over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2013, 2014 and 2015, the Group had unutilised unsecured committed revolving credit facilities of US\$2,335 million, US\$2,250 million and US\$2,510 million, respectively. The Group had signed documentation in place for two unsecured term loan financing totalling US\$525.0 million as at 31 December 2015 which were undrawn as of that date.

The Group had committed long term credit facilities pending the provision of new replacement aircraft as collateral of US\$123.9 million, US\$181.2 million and US\$165.8 million as at 2013, 2014 and 2015, respectively.

Revenue from lease rentals and other operating revenues will be sufficient to meet annual interest payments and regular loan repayment over the next one year period.

As at 31 December 2013, 2014 and 2015, approximately 10%, 11% and 11%, respectively, of the Group's gross debt, comprising loans and borrowings and finance lease payables, would have matured in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of each year in the Track Record Period based on contractual undiscounted repayment obligations.

	One year or less	One to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
2013				
Financial liabilities:				
Trade and other payables	111,948	—	—	111,948
Loans and borrowings	699,116	3,026,627	3,637,078	7,362,821
Estimated interest payments	141,003	432,113	168,481	741,597
Finance lease payables	6,615	52,910	—	59,525
Security deposits	29,034	107,012	83,598	219,644
Estimated net swap payments	3,200	2,551	—	5,751
Other non-current liabilities	—	18,723	—	18,723
Total undiscounted financial liabilities .	<u>990,916</u>	<u>3,639,936</u>	<u>3,889,157</u>	<u>8,520,009</u>

	One year or less	One to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
2014				
Financial liabilities:				
Trade and other payables	67,992	—	—	67,992
Loans and borrowings	904,965	4,795,850	2,633,442	8,334,257
Estimated interest payments	158,083	459,258	154,570	771,911
Finance lease payables	8,845	54,632	22,487	85,964
Security deposits	36,438	112,722	83,446	232,606
Estimated net swap payments	2,136	578	—	2,714
Other non-current liabilities	—	36,994	—	36,994
Total undiscounted financial liabilities .	<u>1,178,459</u>	<u>5,460,034</u>	<u>2,893,945</u>	<u>9,532,438</u>

	One year or less	One to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
2015				
Financial liabilities:				
Trade and other payables	106,104	—	—	106,104
Loans and borrowings	974,643	5,606,321	2,271,537	8,852,501
Estimated interest payments	206,713	586,584	145,325	938,622
Finance lease payables	9,217	47,794	20,109	77,120
Security deposits	36,970	46,916	153,688	237,574
Estimated net swap payments	495	—	—	495
Liabilities associated with assets held for sale	36,299	—	—	36,299
Other non-current liabilities	—	42,955	—	42,955
Total undiscounted financial liabilities .	<u>1,370,441</u>	<u>6,330,570</u>	<u>2,590,659</u>	<u>10,291,670</u>

(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, derivative financial instruments, fixed 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 many 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's policy is to undertake deposit and derivatives transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard and Poor's "A-".

(i) *Exposure to credit risk*

At the end of each year in the Track Record Period, the Group's maximum exposure to credit risk is 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 banks on bank 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 lessee and regional exposure to its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of each year in the Track Record Period is as follows:

	2013		2014		2015	
	US\$'000	%	US\$'000	%	US\$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan) . .	807	96.8	53	1.1	—	—
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	—	—	38	0.8	—	—
Americas	—	—	27	0.6	—	—
Europe	27	3.2	4,665	97.5	400	100.0
	<u>834</u>	<u>100.0</u>	<u>4,783</u>	<u>100.0</u>	<u>400</u>	<u>100.0</u>

(iii) *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment records with 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 are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 and 18.

(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 borrowings which are denominated in Australian Dollar, Chinese Yuan and Singapore Dollar are swapped into United States Dollar denominated liabilities. Foreign currency exposure arises because the Group collects all revenues and other income in United States Dollars while certain borrowings are denominated in non-United States Dollars. To hedge this foreign currency exposure, the Group utilises cross-currency interest rate swap contracts to convert its Australian Dollar, Chinese Yuan and Singapore Dollar denominated borrowings into United States Dollar denominated financial liabilities.

Accordingly, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Capital management

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

The Group manages its capital structure and makes adjustments to it 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 shareholder, adjust dividend payment to the shareholder or return capital to the shareholder. No changes were made in the objectives, policies or processes during the years ended 31 December 2013, 2014 and 2015.

The Group monitors capital using a gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in the loan facilities. Gross debts comprise the Group's loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes. Total equity refers to the equity attributable to the equity holder of the Company.

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Gross debt	<u>7,422,346</u>	<u>8,420,221</u>	<u>8,956,477</u>
Total equity	<u>1,926,632</u>	<u>2,096,411</u>	<u>2,439,718</u>
Gearing (times)	<u>3.85</u>	<u>4.02</u>	<u>3.67</u>

41. Notes to the statements of financial position of the Company as at 31 December 2013, 2014 and 2015

(a) *Plant and equipment*

	Aircraft	Aircraft progress payments	Office renovations	Furniture, fittings and office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost:					
At 1 January 2013	3,926,546	363,284	126	5,034	4,294,990
Additions	1,497,267	68,588	545	1,549	1,567,949
Disposals	(1,172,823)	—	—	(67)	(1,172,890)
Transfers to subsidiary companies	—	(1,071)	—	—	(1,071)
Transfers	<u>430,716</u>	<u>(430,716)</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2013 and 1 January 2014	4,681,706	85	671	6,516	4,688,978
Additions	982,800	15,822	297	1,715	1,000,634
Disposals	(716,146)	—	—	—	(716,146)
Transfers to subsidiary companies	—	(1,582)	—	—	(1,582)
Adjustments	<u>696</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>696</u>

	Aircraft	Aircraft progress payments	Office renovations	Furniture, fittings and office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 31 December 2014 and 1 January 2015.....	4,949,056	14,325	968	8,231	4,972,580
Additions	1,589,458	122,494	1	933	1,712,886
Disposals	(710,925)	—	—	—	(710,925)
Transfers	18,519	(18,519)	—	—	—
Transfers to subsidiary companies.....	—	(1,048)	—	—	(1,048)
Transfer to assets held for sale (Note 41(e))	(80,500)	—	—	—	(80,500)
At 31 December 2015	<u>5,765,608</u>	<u>117,252</u>	<u>969</u>	<u>9,164</u>	<u>5,892,993</u>
Accumulated depreciation and impairment:					
At 1 January 2013.....	396,604	—	95	3,232	399,931
Charge for the year.....	148,969	—	34	1,298	150,301
Disposals	(115,624)	—	—	(67)	(115,691)
Impairment on aircraft....	1,400	—	—	—	1,400
At 31 December 2013 and 1 January 2014.....	431,349	—	129	4,463	435,941
Charge for the year.....	162,300	—	252	1,975	164,527
Disposals	(101,389)	—	—	—	(101,389)
At 31 December 2014 and 1 January 2015.....	492,260	—	381	6,438	499,079
Charge for the year.....	179,601	—	281	1,714	181,596
Disposals	(95,070)	—	—	—	(95,070)
Impairment on aircraft....	7,200	—	—	—	7,200
Transfer to assets held for sale (Note 41(e))	(9,390)	—	—	—	(9,390)
At 31 December 2015	<u>574,601</u>	<u>—</u>	<u>662</u>	<u>8,152</u>	<u>583,415</u>

	Aircraft	Aircraft progress payments	Office renovations	Furniture, fittings and office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net book value:					
At 31 December 2013	<u>4,250,357</u>	<u>85</u>	<u>542</u>	<u>2,053</u>	<u>4,253,037</u>
At 31 December 2014	<u>4,456,796</u>	<u>14,325</u>	<u>587</u>	<u>1,793</u>	<u>4,473,501</u>
At 31 December 2015	<u>5,191,007</u>	<u>117,252</u>	<u>307</u>	<u>1,012</u>	<u>5,309,578</u>

(i) *Assets held under finance leases*

The net book value of aircraft owned by the Company held under finance lease arrangements amounted to US\$1,620.2 million, US\$1,502.3 million, US\$1,522.9 million, as of 31 December 2013, 2014 and 2015, respectively. These assets are pledged as security for the related finance lease liabilities.

(ii) *Assets pledged as security*

The net book value of aircraft and aircraft held for sale (Note 41(e)) owned by the Company, including aircraft held under finance lease arrangements above, that have been charged for loan facilities granted (Note 41(g)) 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 titles to such aircraft amounted to US\$3,785.2 million, US\$3,654.9 million and US\$3,555.4 million, as of 31 December 2013, 2014 and 2015, respectively.

(b) *Amounts due from subsidiary companies*

The amounts due from subsidiary companies including interest bearing loans are non-trade related and unsecured. They are not expected to be repaid within the next 12 months. The amounts are repayable only when the cash flows of the subsidiary companies permit.

(c) *Fixed deposits*

Short term fixed deposits are placed for varying periods between one day and two months, depending on cash requirements of the Company, and earned interest at the respective short term deposit rates.

As at 31 December 2013, 2014 and 2015, fixed deposits placed with intermediate holding company amounted to US\$115.5 million, US\$76.5 million and US\$10.0 million, respectively. As at 31 December 2015, fixed deposits placed with other related party amounted to US\$82.9 million. As at 31 December 2013 and 2014, there was no fixed deposit placed with other related party.

(d) Cash and bank balances

The Company's cash and bank balances included encumbered cash and bank balances of US\$4.7 million, US\$97.9 million and US\$50.5 million which have been pledged for loan obligations and contingency provisions under such obligations as at 31 December 2013, 2014 and 2015, respectively.

(e) Assets held for sale and liabilities associated with assets held for sale

As at 31 December 2015, the Company's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were US\$71.1 million and US\$36.3 million respectively.

(f) Trade and other payables

Trade payables and sundry payables are substantially denominated in United States Dollar, non-interest bearing, current in nature and are normally settled on 30-day credit terms

(g) Loans and borrowings

	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Current:			
Medium Term Notes	63,967	59,971	—
Fair value adjustments	(415)	(2,976)	—
	<u>63,552</u>	<u>56,995</u>	<u>—</u>
USD bank loans	149,674	393,789	625,599
Deferred debt issue costs	(1,776)	(1,920)	(1,630)
	<u>211,450</u>	<u>448,864</u>	<u>623,969</u>
Non-current:			
Medium Term Notes	1,356,838	2,265,427	3,212,612
Medium Term Notes discount (net of premium)	(856)	(3,268)	(5,823)
Fair value adjustments	(5,390)	(71,692)	(144,206)
	<u>1,350,592</u>	<u>2,190,467</u>	<u>3,062,583</u>
USD bank loans	1,763,423	1,763,033	1,589,436
Deferred debt issue costs	(10,740)	(12,446)	(15,649)
	<u>3,103,275</u>	<u>3,941,054</u>	<u>4,636,370</u>
Total	<u><u>3,314,725</u></u>	<u><u>4,389,918</u></u>	<u><u>5,260,339</u></u>

As at 31 December 2013, 2014 and 2015, total loans and borrowings included secured liabilities of US\$1,873.1 million, US\$1,912.0 million and US\$1,775.0 million for the Company respectively. These amounts are secured by the related aircraft (Note 41(a)), certain cash and bank balances and designated bank accounts (Note 41(d)) and/or a pledge of the shares in certain subsidiary companies (Note 1) that hold title to aircraft.

(i) *Bank loans*

Interest on floating rate bank loans of the Company is set at specified margins above USD LIBOR. The bank loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the bank loans are between 2014 and 2023, 2015 and 2024 and 2016 and 2025 for 31 December 2013, 2014 and 2015 respectively.

As at 31 December 2013, 2014 and 2015, the Company's bank loans due to the intermediate holding company amounted to US\$392.9 million, US\$367.9 million and US\$346.0 million and due to related parties amounted to US\$497.9 million, US\$353.2 million and US\$348.8 million respectively.

(ii) *Medium Term Notes*

Details of medium term notes are disclosed in Note 24.

(h) ***Finance lease payables to subsidiary companies***

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$'000	US\$'000	US\$'000
Current:			
Finance lease payables	104,859	125,415	105,683
Deferred debt issue costs	<u>(4,886)</u>	<u>(4,883)</u>	<u>(4,871)</u>
Finance lease payables, net	<u>99,973</u>	<u>120,532</u>	<u>100,812</u>
Non-current:			
Finance lease payables	1,044,749	919,334	795,903
Deferred debt issue costs	<u>(43,314)</u>	<u>(38,406)</u>	<u>(33,452)</u>
Finance lease payables, net	<u>1,001,435</u>	<u>880,928</u>	<u>762,451</u>
Total finance lease payables, net	<u>1,101,408</u>	<u>1,001,460</u>	<u>863,263</u>

As at 31 December 2013, 2014 and 2015, the finance lease payables to subsidiary companies of US\$1,149.6 million, US\$1,044.7 million and US\$901.6 million are secured by a charge over leased assets (Note 41(a)) with interest on the leases ranged from 0.5% to 1.7%, 0.4% to 1.5% and 0.5% to 1.9% per annum respectively.

(i) *Summary of the Company's changes in equity*

	Share capital	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000
2013			
Balance at 1 January 2013.....	607,601	677,292	1,284,893
Profit net of tax	—	185,817	185,817
Other comprehensive income for the year	—	—	—
Total comprehensive income for the year	—	185,817	185,817
Dividends paid	—	(113,000)	(113,000)
Balance at 31 December 2013	<u>607,601</u>	<u>750,109</u>	<u>1,357,710</u>
2014			
Balance at 1 January 2014.....	607,601	750,109	1,357,710
Profit net of tax	—	164,386	164,386
Other comprehensive income for the year	—	—	—
Total comprehensive income for the year	—	164,386	164,386
Dividends paid	—	(139,000)	(139,000)
Balance at 31 December 2014	<u>607,601</u>	<u>775,495</u>	<u>1,383,096</u>
2015			
Balance at 1 January 2015.....	607,601	775,495	1,383,096
Profit net of tax	—	148,883	148,883
Other comprehensive income for the year	—	—	—
Total comprehensive income for the year	—	148,883	148,883
Dividends paid	—	—	—
Balance at 31 December 2015	<u>607,601</u>	<u>924,378</u>	<u>1,531,979</u>

III. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group or the Company after 31 December 2015.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiary companies in respect of any period subsequent to 31 December 2015.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 31 December 2015 and based on the audited consolidated net tangible assets attributable to equity holder of the Company as at 31 December 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and because of its nature, it may not give a true and fair picture of the financial position of our Group after the completion of the Global Offering or at any future dates.

	Consolidated net tangible assets attributable to equity holder of the Company as at 31 December 2015	Estimated net proceeds to the Company from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holder of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holder of the Company per Share
	US\$'000	US\$'000	US\$'000	US\$
	(Note 1)	(Notes 2 and 4)	(Note 4)	(Notes 3 and 4)
Based on the Offer Price of HK\$42.00 per Share.	2,439,718	547,187	2,986,905	4.30

Notes:

- (1) The consolidated net tangible assets attributable to equity holder of our Company as at 31 December 2015 has been extracted from the Accountants' Report set forth in Appendix I to this prospectus which is based on the consolidated net tangible assets to our Group attributable to equity holder of our Company of US\$2,439,718,000 as at 31 December 2015.

- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$42.00 per Share, after deduction of the estimated underwriting commission and other estimated expenses mainly including legal and professional expenses in relation to the Listing and does not take into account any Shares which maybe allotted or repurchased by the Company pursuant to the issue mandate and the repurchase mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holder of the Company per Share is arrived at after the adjustment referred to in note (2) above and is based on the 694,010,334 Shares assuming the Global Offering had been completed on 31 December 2015 but does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted or repurchased by the Company pursuant to the issue mandate and the repurchase mandate.
- (4) No adjustment has been made to the consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

19 May 2016

To the Directors of BOC Aviation Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of BOC Aviation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2015, and related notes as set out on pages II-1 and II-2 of the prospectus dated 19 May 2016 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages II-1 and II-2 of the prospectus dated 19 May 2016 issued by the Company.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2015 as if the transaction had taken place at 31 December 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2015, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Certified Public Accountants
Hong Kong

The following summary of certain Hong Kong and Singapore tax consequences of the purchase, ownership and disposition of the Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of Hong Kong and Singapore tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Shares arising under the laws of any other taxing jurisdiction.

The taxation of the Company and that of the Shareholders is described below. Where Hong Kong and Singapore tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change. The statements below are based on the assumption that the Company is tax resident in Singapore for Singapore tax purposes.

A. OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

1. Hong Kong Taxation of the Company

Profits Tax

The Company has no presence in Hong Kong and is not subject to Hong Kong profits tax.

2. Hong Kong Taxation of Shareholders

Tax on Dividends

No tax is payable in Hong Kong in respect of dividends paid by the Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

B. OVERVIEW OF TAX IMPLICATIONS OF SINGAPORE**Individual income tax**

An individual is a tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller of Income Tax in Singapore (the “**Comptroller**”) is satisfied that the tax exemption would be beneficial to the individual.

A Singapore tax resident individual is taxed at progressive rates ranging from 0% to 22% with effect from the year of assessment 2017. Non-resident individuals, subject to certain exceptions and conditions, are subject to Singapore income tax on income accruing in or derived from Singapore at the rate of 22% with effect from the year of assessment 2017.

Corporate income tax

A corporate taxpayer is regarded as resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore. Foreign-sourced

income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Singapore tax resident companies are exempt from tax if certain prescribed conditions are met, including the following:

- (a) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received; and
- (b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever named called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%.

Certain concessions and clarifications have also been announced by the Inland Revenue Authority of Singapore (“**IRAS**”) with respect to such conditions.

A non-resident corporate taxpayer is subject to income tax on income that is accrued in or derived from Singapore, and on foreign-sourced income received or deemed received in Singapore, subject to certain exceptions.

The corporate tax rate in Singapore is currently 17%. In addition, three-quarters of up to the first S\$10,000, and one-half of up to the next S\$290,000, of a company’s chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate tax rate. New companies will also, subject to certain conditions and exceptions, be eligible for full exemption on their normal chargeable income of up to S\$100,000 a year for each of the company’s first three years of assessment.

Dividend distributions

All Singapore-resident companies are currently under the one-tier corporate tax system (“**one-tier system**”).

Dividends received in respect of the Shares by either a resident or non-resident of Singapore are not subject to Singapore withholding tax, on the basis that the Company is a tax resident of Singapore and under the one-tier system.

Under the one-tier system, the tax on corporate profits is final and dividends paid by a Singapore-resident company are tax exempt in the hands of a Shareholder, regardless of whether the Shareholder is a company or an individual and whether or not the Shareholder is a Singapore tax resident.

Gains on disposal of the Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. Gains arising from the disposal of the Shares may be construed to be of an income nature and subject to Singapore income tax, especially if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore. Singapore taxation law does not provide for any specific relief or exemption, or procedure for claiming any such relief or exemption, for such gains that are construed to be of an income nature and subject to Singapore income tax.

Holders of the Shares who apply, or who are required to apply, the Singapore Financial Reporting Standard 39 — Financial Instruments: Recognition and Measurement (“**FRS 39**”) for the purposes of Singapore income tax may be required to recognise gains or losses (not being gains or losses in the nature of capital) in accordance with the provisions of FRS 39 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of Shares is made.

Stamp Duty

There is no stamp duty payable on the subscription for the Shares.

Where the Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of their transfer at the rate of 0.2% of the consideration for, or market value of, the Shares, whichever is higher.

Stamp duty is borne by the purchaser unless there is an agreement to the contrary. Where an instrument of transfer is executed outside Singapore or no instrument of transfer is executed, no stamp duty is payable on the acquisition of the Shares. However, stamp duty may be payable if the instrument of transfer is executed outside Singapore and is received in Singapore.

Estate duty

Singapore estate duty was abolished with respect to all deaths occurring on or after 15 February 2008.

Goods and services tax (“GST”)

The sale of the Shares by a GST-registered investor belonging in Singapore for GST purposes to another person belonging in Singapore is an exempt supply not subject to GST. Any input GST incurred by the GST-registered investor in making an exempt supply is generally not recoverable from the Singapore Comptroller of GST.

Where the Shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by such investor contractually to and for the direct benefit of a person

belonging outside Singapore, the sale should generally, subject to satisfaction of certain conditions, be considered a taxable supply subject to GST at 0%. Any input GST incurred by the GST-registered investor in making such a supply in the course of or furtherance of a business may be fully recoverable from the Singapore Comptroller of GST.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of the Shares.

Services consisting of arranging, brokering, underwriting or advising on the issue, allotment or transfer of ownership of the Shares rendered by a GST-registered person to an investor belonging in Singapore for GST purposes in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the standard rate of 7.0%. Similar services rendered by a GST-registered person contractually to and for the direct benefit of an investor belonging outside Singapore should generally, subject to the satisfaction of certain conditions, be subject to GST at 0%.

Tax Treaties between Hong Kong and Singapore

There is no comprehensive double tax treaty entered into between Hong Kong and Singapore.

Effect of holding Shares through CCASS or outside CCASS on tax payable

The holding of the Shares through CCASS or outside CCASS should not give rise to any additional Singapore income tax implications.

The following is a brief summary of the laws and regulations in the PRC and Labuan, Malaysia that currently materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulation applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of his prospectus, which may be subject to change.

INTRODUCTION

As summarised in “*Business — Regulations, Licences and Permits*”, while the airline industry is highly regulated, since we do not operate aircraft in commercial service we are generally not directly subject to the extensive regulation which applies to our airline customers under the laws and regulations of the jurisdictions in which they are registered or countries where they operate. The extensive laws and regulations which regulate our airline customers govern, amongst other things, the registration, operation, maintenance and condition of aircraft, including the aircraft which our airline customers lease from us.

Given the nature of our operations, we are however subject to a limited number of laws and regulations which currently materially affect the Group's operations in the PRC and Labuan, Malaysia. A summary of these laws and regulations is set out below.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN THE PRC

Overview

The key laws and regulations which regulate our business operations in the PRC comprise the following:

1. Measures on Administration of Foreign Investment in the Leasing Industry (Order of the Ministry of Commerce [2005] No. 5) (《外商投資租賃業管理辦法》商務部令2005年第5號).
2. Notice of Ministry of Commerce on the Promulgation of Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《商務部關於印發融資租賃企業監督管理辦法的通知》商流通發 [2013] 337號).
3. The Contract Law of the People's Republic of China (Order of the President of the PRC No.15) (《中華人民共和國合同法》主席令第15號).
4. Accounting Standards for Enterprises No. 21 — Leases (the Ministry of Finance [2006] No. 3) (《會計準則第21號-租賃》財會 [2006] 3號).
5. Civil Aviation Law of the People's Republic of China (Order of the President of the PRC No. 26) (《中華人民共和國民用航空法》主席令第26號).
6. Circular of the General Office of the State Council on Strengthening the Management of Imported Civil Aircraft (Guo Fa Ban (1997) No.17) (《國務院辦公廳關於加強進口民用飛機管理的通知》國辦發(1997)17號).
7. Regulation of the People's Republic of China on the Administration of the Import and Export of Goods (Order of the State Council of the PRC No. 332) (《中華人民共和國貨物進出口管理條例》國務院令第332號).
8. Measures on the Administration of Automatic Import Licences for Goods (Order of the Ministry of Commerce and the General Administration of Customs [2004] No. 26) (《貨物自動進口許可管理辦法》商務部、海關總署令2004年第26號).
9. Announcement from the State Administration of Taxation on Taxation Issues Concerning the Sale of Assets by Tenants in Connection with Financial Sale and Leaseback Transactions (Announcement of the State Administration of Taxation [2010] No. 13) (《關於融資性售後回租業務中承租方出售資產行為的有關稅收問題的公告》國家稅務總局公告2010年第13號).

10. Notice of the Ministry of Finance and the State Administration of Taxation on Including the Railway Transportation and Postal Industries in the Pilot Programme of Replacing Business Tax with Value-Added Tax (Order of the Ministry of Finance [2013] No. 106) (《財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》財稅 [2013]106號).

Measures on Administration of Foreign Investment in the Leasing Industry (Order of the Ministry of Commerce [2005] No. 5)

The Ministry of Commerce (“**MOFCOM**”) enacted the Measures on Administration of Foreign Investment in the Leasing Industry (the “**Measures**”) on 3 February 2005 to regulate the operation of foreign-invested leasing and financial leasing businesses. The Measures were further amended by MOFCOM on 28 October 2015.

The Measures apply to the establishment and operation of foreign-invested enterprises by non-PRC investors such as foreign companies, enterprises and other economic organisations in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises in the PRC which are engaged in the leasing or financial leasing business. For the purposes of the Measures, a “leasing business” means the business of a lessor offering a lessee the use and proceeds of a leased property, in exchange for the payment of rent. A “financial leasing” business for the purposes of the Measures means the business of a lessor acquiring a particular asset or assets from a seller based on the lessee’s selection of seller and asset(s), providing the lessee with the use of the relevant asset(s) during the term of the lease, in exchange for the payment of rent.

Under the terms and conditions of the Measures non-PRC investors with total assets of no less than US\$5,000,000 are permitted to apply to MOFCOM for approval to establish wholly foreign-owned financial leasing companies in the PRC. Foreign-invested financial leasing companies are required to satisfy the following requirements (i) the term of operation of a foreign-invested financial leasing company in the form of a limited liability company shall generally not exceed 30 years, and (ii) it shall be staffed by appropriate professionals and its senior management personnel shall possess the relevant professional qualifications and have at least three years’ of relevant experience in the financial leasing business.

According to the Measures, foreign-invested financial leasing companies may undertake the following types of business activities (i) financial leasing, (ii) leasing, (iii) domestic and overseas purchases of leased property, (iv) disposals of the residual value of, and maintenance of, leased property, (v) leasing consultancy and guaranty activities, and (vi) such other business activities as are approved by the relevant examination and approval department.

The types of leased assets regulated by the Measures include (i) movable property such as production, communication, medical, scientific and research, inspection and testing, engineering and mechanical and office equipment, (ii) various transport-related assets such as aircraft, automobiles and vessels, and (iii) intangible assets relating to those assets referred to in (i) and (ii), such as software and technology, subject to the requirement that the value of

the relevant leased intangible assets may not exceed one half of the value of the relevant leased property. In addition, if any special policy administration requirements, such as quota or licensing requirements, apply in relation to any particular lessee and/or particular type of leased asset, the relevant lessee and/or financial leasing company is required to satisfy all applicable application and other administrative procedures.

The Measures also require that certain risk assets of foreign-invested financial leasing companies shall not, as a general matter, exceed ten times the company's net assets as of the end of each financial year. The Measures further require that foreign-invested financial leasing companies are to submit a report on their business operations and audited financial statements for the previous financial year to MOFCOM before 31 March of each year.

Notice of MOFCOM on the Promulgation of Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337)

MOFCOM enacted the Notice of MOFCOM on the Promulgation of Administrative Measures on the Supervision of Financial Leasing Enterprises on 18 September 2013 to standardise the business activities of financial leasing enterprises and prevent business risks.

Under this Notice, financial leasing enterprises may, subject to satisfying the relevant criteria stipulated in relevant laws, rules and regulations, carry out financial leasing business activities in the form of direct leasing, subleasing, sale and leasebacks, leveraged leasing, trust leasing or joint leasing, amongst other activities. Financial leasing enterprises engaging in financial leasing business activities are required use leased assets with clear ownership rights, which are tangible and able to generate income rights. Where the business process of a financial leasing enterprise involves foreign exchange control matters, the relevant provisions of PRC laws and regulations on foreign exchange controls are required to be complied with.

In order to control and reduce risks, financial leasing enterprises are required to establish and improve their financial accounting system to accurately record and reflect the enterprise's financial status, business performance and cash flows pursuant to the relevant provisions. Certain risk assets of foreign-invested financial leasing companies shall not, as a general matter, exceed ten times the company's net assets as of the end of each financial year.

Contract Law of the People's Republic of China (Order of the President of the PRC No.15)

The National People's Congress enacted the Contract Law of the People's Republic of China (the "**Contract Law**") on 15 March 1999 to regulate civil contractual relationships amongst natural persons, legal persons and other organisations. Chapter 14 of the Contract Law sets mandatory rules regarding financial leasing contracts.

Under the terms of the Contract Law, financial leasing contracts are required be concluded in written form and are to include terms such as the name, quantity, specifications, technical performance and inspection method of the leased property, the lease term, the rental components, the payment term, the payment method and currency of the rent, as well as the

ownership of the leased property upon expiration of the lease. Under a sales contract concluded by the lessor based on the lessee's selection of seller and leased property, the seller is required to deliver the property to a lessee in accordance with the terms of the sales contract and a lessee is entitled to enjoy the rights relating to delivery of the property as a buyer. Without the consent of the lessee, a lessor may not amend any lessee-related term in the sales contract.

The Contract Law requires lessees to take due care of leased property and to use it properly. The obligation to maintain and repair leased property while in the possession of the lessee lies with the lessee. The lessor will not, under the Contract Law, be liable for injuries or damage to the property of any third party caused by the leased property while in the possession of the lessee. If the leased property fails to meet the requirements stipulated by the parties in the lease contract or it is otherwise not fit for the purpose for which it is intended to be used by the lessee, under the terms of the Contract Law the lessor shall not be liable unless the lessee selected the leased property in reliance on the technical ability of the lessor or the lessor otherwise interfered with the lessee's specific selection of the leased property.

Ownership in leased property vests in the lessor throughout the term of a lease. Under the terms of the Contract Law, if a lessee is declared bankrupt the leased property will not form part of the property of the lessee which is available for distribution in bankruptcy proceedings. Where the parties agree that ownership of the leased property shall transfer to the lessee upon the expiry of the lease term, the lessee has paid the majority of the rent payable during the term of the lease but is unable to pay the remaining rental amounts and the lessor terminates the lease for this reason and takes back ownership of the leased property, if the value of the leased property taken back by the lessor exceeds the rent and other expenses which the lessee owes to the lessor, the lessee may request the lessor to return a certain part of the monies paid to the lessor by the lessee. The lessor and the lessee may agree on the ownership of the leased property upon the expiry of the lease term. Where the terms of the lease do not specify who will own the leased property upon expiry of the lease or the agreement is not clear, nor can it be determined in accordance with Article 61 of the Contract Law to whom ownership will transfer, ownership of the leased property will transfer to the lessor.

Accounting Standards for Enterprises No. 21 — Leases (the Ministry of Finance [2006] No. 3)

The Ministry of Finance enacted the Accounting Standards for Enterprises No. 21 — Leases (the "**Lease Standards**") on 15 February 2006 regulating the accounting for and disclosure of information relating to financial leasing and operating leasing. Under the Lease Standards, "lease" refers to an agreement pursuant to the terms of which the lessor conveys to the lessee, in return for rent, the right to use an asset for an agreed period of time. These Lease Standards do not apply to the leasing of land-use rights or buildings through operating lease or the licensing of films, video tapes, scripts, writings, patents and copyrights, and the impairment losses of long-term credits formed by the financial leasing of a lessor.

The Lease Standards provide for different accounting treatments for lessors and lessees in relation to financial leases and operating leases, respectively. The Lease Standards also require lessors and lessees to comply with several disclosure requirements in respect of their lease transactions in the notes to their balance sheets.

Civil Aviation Law of the People’s Republic of China (Order of the President of the PRC No. 26)

The Standing Committee of the National People’s Congress enacted the Civil Aviation Law of the People’s Republic of China (the “**Civil Aviation Law**”) on 24 April 2015 for regulating the operation of civil aviation. Section 4 of the Civil Aviation Law sets mandatory rules concerning leases of civil aircraft, including leasing and financial leasing of civil aircraft. Under the Civil Aviation Law, financial leasing of civil aircraft refers to the purchase by a lessor of an aircraft in kind or from the supplier designated by lessee and the lease of the civil aircraft from the lessor to the lessee for use, in consideration for the payment of rent at regular intervals.

The Civil Aviation Law states that civil aircraft lease contracts, including financial leasing and other leasing contracts should be concluded in written form. The Civil Aviation Law also provides for rights and obligations of lessors and lessees. During the term of a financial lease, the lessor acquires the ownership over the civil aircraft according to PRC law and the lessee has the right to hold, use and derive income from the aircraft according to PRC law. During the term of a financial lease, the Civil Aviation Law stipulates that the lessor shall not interfere with the lessee’s holding and use of the aircraft according to PRC law. The lessee is required to take due care of the aircraft so as to keep it in the original condition at the time of its delivery, excepting reasonable wear and tear and modifications of the aircraft with the lessor’s consent.

Circular of the General Office of the State Council on Strengthening the Management of Imported Civil Aircraft (Guo Fa Ban 1997 No.17)

Under this circular (the “**Circular**”), the plan for large volume aircraft imports into the PRC is to be prepared by the Civil Aviation Administration of China (the “**CAAC**”) in conjunction with relevant departments and, after being examined, reported to the State Council for approval. If the volume of aircraft imports is small or any civil aviation company in the preparation stage intends to import aircraft, the plan should be examined by the CAAC and then reported the State Planning Commission (now known as the National Development and Reform Commission) for approval.

Under the terms of the Circular, the plan for short-term aircraft leasing activities (of one year or less), aircraft leased on a trial basis, small aircraft given as gifts, and the import of utility aircraft and light aircraft is to be examined and approved by the CAAC with strict controls and then reported to the State Planning Commission for filing purposes.

Regulation of the People's Republic of China on the Administration of the Import and Export of Goods (Order of the State Council of the PRC No. 332)

The State Council enacted the Regulation of the People's Republic of China on the Administration of the Import and Export of Goods (the "**Regulations**") on 10 December 2001 for the purpose of standardising the administration of the import and export of goods, maintaining the order of import and export of goods and promoting the healthy development of foreign trade.

Under the Regulations, the PRC state exercises uniform administration over the import and export of goods. Licences are to be issued for the import of goods subject to the automatic import licensing regime and the import of goods that are subject to the automatic import licensing regime is permitted. Pursuant to the latest 2016 Catalogue of Goods Subject to the Automatic Licensing Regime, aircraft are categorised as goods subject to automatic import licensing regime.

Measures on the Administration of Automatic Import Licences for Goods (Order of the Ministry of Commerce and the General Administration of Customs [2004] No. 26)

MOFCOM and General Administration of Customs enacted the Measures on the Administration of Automatic Import Licences for Goods (the "**Licensing Measures**") on 10 November 2004 to effectively regulate foreign trade operators and other entities undertaking the import of goods. Under the Licensing Measures, a "consignee" (including an importer and end-user) shall, when importing goods which are subject to the automatic import licensing regime, submit an application for an automatic import licence to the local or corresponding licence issuing authority and obtain an Automatic Import Licence before it makes customs declaration. Any consignee that complies with PRC laws and regulations on undertaking the import of goods subject to the automatic import licensing regime may apply for and acquire an Automatic Import Licence. An Automatic Import Licence is effective within a Gregorian calendar year and is valid for a period of six months from the date of issue.

Announcement from the State Administration of Taxation on Taxation Issues Concerning the Sale of Assets by Tenants in Connection with Financial Sale and Leaseback Transactions (Announcement of the State Administration of Taxation [2010] No. 13)

On 8 September 2010, the State Administration of Taxation enacted the Announcement on Taxation Issues Concerning the Sale of Assets by Tenants in Connection with Financial Sale and Leaseback Transactions (the "**Announcement**") which introduced various preferential tax treatments for lessees in connection with financial sale and leaseback transactions. The Announcement covers transactions in connection with which a lessee sells an asset(s) to an enterprise approved to provide financial leasing services and then leases the asset(s) back from the financial leasing enterprise.

Under the terms of the Announcement, a lessee who executes a financial sale and leaseback transaction is entitled to benefit from the following preferential tax treatments (i) the sale of assets by the lessee is not be subject to value added tax or business tax, and (ii) the

income from the sale of assets by the lessee is not recognised as sales income, and the depreciation of the relevant assets is still to be computed by reference to the original book value of the assets subject to the transaction. The monies paid by a lessee as interest in connection with financing during the lease term is to be deducted before tax as the enterprise's financial expenses.

Notice of the Ministry of Finance and the State Administration of Taxation on Including the Railway Transportation and Postal Industries in the Pilot Programme of Replacing Business Tax with Value-Added Tax (Order of the Ministry of Finance [2013] No. 106)

The State Administration of Taxation and the Ministry of Finance enacted the Notice of the Ministry of Finance and the State Administration of Taxation on Including the Railway Transportation and Postal Industries in the Pilot Programme of Replacing Business Tax with Value-Added Tax (the “**Notice**”) on 12 December 2013.

According to Annex 1 of the Notice, entities and individuals providing rental services of tangible movable property within the territory of the PRC are required to pay PRC Value-Added Tax at a rate of 17%. “Tangible personal property Rental” includes financial leasing of tangible personal property and operating leasing of tangible personal property. According to Annex 3 of the Notice, financial leasing taxpayers are entitled to benefit from various preferential tax treatments.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN LABUAN, MALAYSIA

Section 87(1) of the Labuan Financial Services and Securities Act 2010 (the “**Act**”) provides that no person shall carry on any Labuan financial business (which includes any leasing business) unless it is a Labuan company, a foreign Labuan company or it is a Malaysian bank.

“Leasing business” under the Act means the business of letting or sub-letting property on hire for the purpose of the use of such property by the hirer regardless of whether or not the letting is with or without an option to purchase the property, including charters of ships, and for the purpose of this definition, property includes any plant, machinery, equipment or other chattel attached or to be attached to the earth and charters of ships means bareboat charters only and does not include the transportation of passengers or cargo by sea or the charter of ships on a voyage or time charter. Any person who contravenes the above restrictions commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000,000 or to imprisonment for a term not exceeding 5 years or to both, and in the case of a continuing offence, shall, in addition, be liable to a daily fine not exceeding RM10,000 for each day the offence continues to be committed.

An approved leasing company is required to:

- maintain bank account(s) under its name, preferably in the Labuan International Business and Financial Centre, Malaysia and Malaysia to facilitate its leasing operations, including lease remittances/lease rentals;
- comply with any other requirements stipulated by the Labuan Financial Services Authority from time to time;
- ensure that each lease agreement is duly stamped and endorsed by the Collector of Stamp Duties, at the stamp duty office of the Inland Revenue Board of Malaysia;
- transact business only in foreign currency and not deal in Malaysian Ringgit except for the purpose of defraying administrative and statutory expenses as permitted under the Malaysian Financial Services Act 2013;
- notify the Labuan Financial Services Authority of any changes to its constituent documents and business plans within 30 days;
- obtain approval from the Labuan Financial Services Authority for any new appointments or changes to its directors and shareholding information;
- ensure that all leasing transactions and agreements are executed through Labuan and adequate and proper records and books of accounts be maintained in Labuan;
- notify the Labuan Financial Services Authority on the termination and extension of any leasing transactions within 30 days upon their termination or extension;
- conduct its business with due diligence and sound principles and comply with the laws and regulations where it conducts its leasing business;
- ensure all its leased assets are adequately insured;
- ensure that the directors and officers responsible for the management of the relevant company are fit and proper persons pursuant to section 4 of the Labuan Financial Services and Securities Act 2010 and the Guidelines on Fit and Proper Person issued by the Labuan Financial Services Authority; and
- ensure that all leasing transactions with its related parties comply with the transfer pricing rules issued by the related party's relevant authorities.

An approved leasing company is also required to (a) appoint an approved external auditor to undertake an audit in respect of its accounts and business operations, (b) submit to the Supervision and Enforcement Department of the Labuan Financial Services Authority within 6 months after the close of each financial year, a copy of its audited statements, and (c) provide statistics and information as may be required by the Labuan Financial Services Authority in relation to prudential information, general business conduct and volume and direction of business in Labuan.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

This Appendix contains a summary of the Constitution of the Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Constitution of the Company and salient provisions of the laws of Singapore applicable to a Singapore incorporated company.

The Company was incorporated in Singapore under the Singapore Companies Act as a private company limited by shares on 25 November 1993. It was converted to a public company limited by shares on 12 May 2016.

A. CONSTITUTION OF THE COMPANY

The discussion below provides information about certain provisions of the Company's Constitution. A summary of the salient provisions of the laws of Singapore is set out in the section entitled "Salient Provisions of the Laws of Singapore" below. This description is only a summary and is qualified by reference to Singapore law and the Constitution. The instrument that constitutes and defines the Company is the Constitution of the Company.

(a) Liability of members

Article 5

The liability of the members of the Company is limited.

(b) Objects

Article 4

The objects for which the Company is established are prescribed under this article and include, *inter alia*, the acquisition and ownership of a fleet of aircraft and the leasing of the whole or any part of its fleet of aircraft.

Section 33(1) of the Singapore Companies Act provides that the provisions of the constitution with respect to the objects of a company incorporated in Singapore may be altered by Special Resolution.

(c) Director's duty to disclose his interest in contracts with the Company

Article 102

Every Director shall observe the provisions of Section 156 of the Singapore Companies Act relating to the disclosure of the interests of the Directors in transactions or proposed transactions with the Company or of any office or property possessed by a Director which might create duties or interests in conflict with his duties or interests as a Director.

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**(d) Director's power to vote on a proposal, arrangement or contract in which the
Director is interested**

Article 84(A)

Other than the office of Auditor, a Director may hold any other office or place of profit under the Company and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from transacting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such transaction or arrangement or any transaction or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so transacting or being so interested be liable to account to the Company for any profit realised by any such transaction or arrangement by reason only of such Director holding that office or of the fiduciary relationship thereby established.

Article 84(B)

A Director may be or become a director of or hold any office or place of profit (other than as Auditor) or be otherwise interested in any company in which the Company may be interested as vendor, purchaser, shareholder or otherwise and unless otherwise agreed shall not be accountable for any fees, remuneration or other benefits received by him as a director or officer of or by virtue of his interest in such other company.

Article 84(C)

The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

Article 102

A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates has any personal material interest, directly or indirectly, but this prohibition shall not apply to any of the following:

- (a) any contract or arrangement or any other proposal for the giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or

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any of his close associate(s) or obligations incurred or undertaken by him or any of his close associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;

- (b) any contract or arrangement or any other proposal for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement or any other proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any contract or arrangement or any other proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;
- (e) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries, including the adoption, modification or operation of either (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates both to Directors or his close associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates; and
- (f) any contract or arrangement or any other proposal in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

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- (e) Director's power to vote on remuneration (including pension or other benefits) for himself or for any other Director, and whether the quorum at a meeting of the Board of Directors to vote on the Director's remuneration may include the Director whose remuneration is the subject of the vote**

Article 81

Subject to the provisions of Section 169 of the Singapore Companies Act, the remuneration of the Directors shall from time to time be determined by an Ordinary Resolution of the Company, and shall (unless such resolution otherwise provides) be divisible amongst the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. For the avoidance of doubt, the foregoing provision shall not apply to sums paid to a Director in his capacity as a salaried employee of the Company.

Article 82

Subject to the provisions of Section 169 of the Singapore Companies Act, any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

Article 83

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

Article 87

The remuneration of a Chief Executive Officer (or person holding an equivalent position) shall from time to time be fixed by the Directors and may subject to the Constitution be by way of salary or commission or participation in profits or by any or all these modes.

Article 102

A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates has any personal material interest, directly or indirectly, save for a few exceptions provided in the Constitution (which exceptions include any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries, including: (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close

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associate(s) may benefit, or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors or his close associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(f) Borrowing powers exercisable by the Directors and how such borrowing powers can be varied

Article 109

Subject as provided in the Constitution and to the provisions of the Singapore Companies Act and every other act for the time being in force concerning companies incorporated in Singapore and affecting the Company (the “**Statutes**”), the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(g) Appointment, Retirement, Resignation and Removal of Directors

Article 79

Subject to the other provisions of Section 145 of the Singapore Companies Act, there shall be at least one Director who is ordinarily resident in Singapore.

Section 145 of the Singapore Companies Act provides that no person other than a natural person who, among others, has attained the age of 18 years shall be a director of a company.

Article 85

The Directors may from time to time appoint one or more of their body to be Chief Executive Officer or Chief Executive Officers (or other equivalent position) of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

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Article 89

The office of a Director shall be vacated in any of the following events, namely:

- (a) if he becomes prohibited from being a Director by reason of any order made under the Singapore Companies Act; or
- (b) if he ceases to be a director by virtue of any of the provisions of the Singapore Companies Act or the Constitution; or
- (c) if he shall become disqualified from being a director by virtue of his disqualification or removal or the revocation of his appointment as a director, as the case may be, under the provisions of the Singapore Companies Act and any other written law in Singapore; or
- (d) subject to the provisions of Section 145 of the Singapore Companies Act, if he resigns by writing under his hand left at the registered office of the Company for the time being; or
- (e) if he shall have a bankruptcy order made against him or if he shall make any arrangement or composition with his creditors generally; or
- (f) if he becomes mentally disordered and incapable of managing himself or his affairs or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or
- (g) if he is removed by the Company in General Meeting pursuant to the Constitution.

Article 90

Notwithstanding any other provisions in the Constitution, 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 provided that every Director shall be subject to retirement at an Annual General Meeting at least once every three years.

Article 91

The Directors to retire in every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors

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subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Article 92

The Company at the meeting at which a Director retires under any provision of the Constitution may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. A retiring Director shall continue to act as a Director throughout the meeting at which he retires. The retirement shall not have effect until the conclusion of the meeting and accordingly a retiring Director who is re-elected will continue in office without a break.

Article 94

No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for appointment as a Director at any General Meeting unless there shall have been lodged at the registered office of the Company or the Company's place of business in Hong Kong as registered under the Companies Ordinance notice in writing signed by some member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and notice in writing signed by the person to be proposed giving his consent to the nomination and signifying his candidature for the office, Provided always that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notice(s) are submitted after the despatch of the notice of the meeting appointed for such appointment) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the meeting appointed for such appointment and end no later than seven days prior to the date of such meeting.

Article 95

The Company may by Ordinary Resolution remove any Director before the expiration of his period of office, notwithstanding anything in the Constitution or in any agreement between the Company and such Director, but without prejudice to any claim he may have for damages for breach of any such agreement.

Article 96

The Company may by Ordinary Resolution appoint another person in place of a Director removed from office under article 95 of the Constitution and any person so appointed shall be treated for the purpose of determining the time at which he or any other Director is to retire by rotation as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

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Article 97

The Company may by Ordinary Resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Without prejudice thereto the Directors shall have power at any time so to do, but any person so appointed by the Directors shall hold office only until the next Annual General Meeting. He shall then be eligible for re-election, but shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at such meeting.

In accordance with the provisions of Section 152 of the Singapore Companies Act, the Company may by Ordinary Resolution remove any Director before the expiration of his period of office, notwithstanding any provision in the Constitution or of any agreement between the Company and such Director. Special notice shall be required of any resolution to so remove a Director or to appoint some person in place of a Director so removed at the meeting at which he is removed. A vacancy created by such removal of a Director, if not filled at the meeting at which he is removed, may be filled as a casual vacancy.

Article 106

The Directors may delegate any of their powers or discretion to committees consisting of one or more members of their body and (if thought fit) one or more other persons co-opted as hereinafter provided. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations which may from time to time be imposed by the Directors. Any such regulations may provide for or authorise the co-option to the committee of persons other than Directors and for such co-opted members to have voting rights as members of the committee.

(h) The number of Shares, if any, required for Director's qualification

Article 80

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(i) Rights, preferences and restrictions attaching to each class of Shares

Change in Capital

Article 6

The Company has power to issue different classes of shares, including shares which confer special, limited or conditional voting rights, or which do not confer voting rights.

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The rights attaching to shares of a class other than ordinary shares shall be expressed in the Constitution.

Notwithstanding anything as set out in the preceding two sub-paragraphs, the Company shall not undertake any issuance of shares that confer special, limited or conditional voting rights, or that confer no voting rights, unless it is approved by the members of the Company by Special Resolution.

Where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

Subject to the Statutes, the Company may issue shares for which no consideration is payable to the Company.

Article 7

Subject to the Statutes and the Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over shares or issue warrants convertible into shares or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions, or which confer special, limited or conditional voting rights, or which do not confer voting rights, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors.

Article 8 read with Article 143

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. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those

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shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this article.

Except so far as otherwise provided by the conditions of issue or by the Constitution, all new shares shall be subject to the provisions of the Statutes and of the Constitution with reference to allotments, payment of calls, liens (i.e. security interests), transfers, transmissions, forfeiture and otherwise.

Notice of every General Meeting shall be given in the manner authorised in the Constitution to:

- (a) every member;
- (b) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a member who but for the same would be entitled to receive notice of the Meeting; and
- (c) the Auditor,

Provided always that a member who (having no registered address within Singapore):

- (i) has not supplied to the Company an address for the service of notices; or
- (ii) has supplied to the Company an address, whether within Singapore or outside Singapore, for the service of notices where the service or delivery of such notices or other documents to any such address shall, in the opinion of the Directors, be unlawful or impracticable,

shall not be entitled to receive notices or other documents from the Company.

No other person shall be entitled to receive notices of General Meetings.

Article 9

Subject to the provisions of the Constitution and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all new shares shall be at the disposal of the Directors and they may allot shares (with or without conferring a right of renunciation), grant options over shares, issue warrants convertible into shares or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

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Article 11

Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

Registered Member as Absolute Owner*Article 16*

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by the Constitution or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the person entered in the Register of Members as the registered holder thereof.

Share Certificate*Article 20*

Every person whose name is entered as a member in the Register of Members shall be entitled to receive, in accordance with the Singapore Companies Act, a certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

Article 37

Subject to the Singapore Companies Act and the Constitution, any member may transfer all or any of his shares, but every transfer must be in writing and in the usual or common form, or in any other form which the Directors may approve. The instrument of transfer of a share shall be signed both by the transferor and by the transferee, and by the witness or witnesses thereto and may be signed under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof. Shares of different classes shall not be comprised in the same instrument of transfer.

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Article 40

No share shall in any circumstances be transferred to any infant or bankrupt or person who is mentally disordered and incapable of managing himself or his affairs.

Article 41

The Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien (i.e. a security interest) and in the case of shares not fully paid may refuse to register a transfer to a transferee of whom they do not approve but shall in such event:

- (a) within 30 days after the date on which the transfer was lodged with the Company, send to the transferor and to the transferee notice of the refusal; and
- (b) within 30 days beginning with the day on which the application for a transfer of shares was made to the Company send to the applicant a notice in writing stating the facts which are considered to justify refusal in the exercise of that discretion.

The Directors may, in their sole discretion, refuse to register any instrument of transfer of shares unless:

- (a) a maximum fee of the lower of S\$2 or the relevant maximum amount that a stock exchange in respect of which the shares of the Company are listed or quoted and where such stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company (the “**Designated Stock Exchange**”) may from time to time determine or such other fee as the Directors may from time to time determine, is paid to the Company in respect thereof; and
- (b) the instrument of transfer is deposited at the registered office of the Company for the time being or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do.

Voting

Article 67

Every member shall have a right to attend any General Meeting and to speak on any resolution at the Meeting. Subject and without prejudice to any special rights or restrictions as to voting for the time being attached to any class or classes of shares for the time being forming part of the capital of the Company and to article 15(C) (which relates to treasury

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shares), each member entitled to vote may vote on a resolution at a General Meeting in person or by proxy or by attorney or other duly authorised representative. Every member who is present in person or by proxy, or by attorney or other duly authorised representative at the meeting shall:

- (a) on a show of hands, have one vote, Provided always that:
 - (i) in the case of a member who is not a clearing house or its nominee(s) and who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the chairman of the meeting (or by a person authorised by him) in his sole discretion, shall be entitled to vote on a show of hands; and
 - (ii) in the case of a member who is a clearing house or its nominee(s) and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands; and
- (b) on a poll, have one vote for each share which he holds or represents.

Article 69

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that respect to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy or by attorney or other duly authorised representative at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.

Article 70(B)

Where the Company has knowledge that any member is, under the rules and regulations of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Joint Holders

Article 19

The Company shall not be bound to register more than four persons as the registered holders of a share except in the case of executors or administrators (or trustees) of the estate of a deceased member.

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In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate for such share to any one of the registered joint holders shall be sufficient delivery to all such holders.

Article 23

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

Article 132

If two or more persons are registered in the Register of Members as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

Article 141

Any notice given to that one of the joint holders of a share whose name stands first in the Register of Members in respect of the share shall be sufficient notice to all the joint holders in their capacity as such. For such purpose a joint holder having no registered address in Singapore and:

- (a) not having supplied an address for the service of notices; or
- (b) having supplied an address, whether within Singapore or outside Singapore, for the service of notices where the service or delivery of such notice to any such address shall, in the opinion of the Directors, be unlawful or impracticable,

shall be disregarded.

(j) Any change in capital

Article 14

The Company may by Ordinary Resolution:

- (a) consolidate and divide all or any of its shares;

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- (b) sub-divide its shares, or any of them (subject always to the provisions of the Statutes and the Constitution), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares;
- (c) subject to the provisions of the Constitution and the Statutes, convert its share capital or any class of shares from one currency to another currency; and
- (d) cancel the number of shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person or which have been forfeited, and diminish the amount of its share capital by the number of the shares so cancelled.

The Company may by Special Resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares.

Article 15

The Company may, subject to and in accordance with the Statutes, reduce its share capital or any undistributable reserve in any manner and with any consent required by law.

The Company may, subject to and in accordance with the Singapore Companies Act and the rules and regulations of the Designated Stock Exchange, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. In the case of purchases of redeemable shares, purchases not made through the market or by tender shall, subject to the provisions of the Singapore Companies Act and the rules and regulations of the Designated Stock Exchange, be limited to a maximum price and if purchases are by tender, tenders shall be available to all members holding redeemable shares in the Company alike. If required by the Singapore Companies Act or the rules and regulations of the Designated Stock Exchange, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Singapore Companies Act and the rules and regulations of the Designated Stock Exchange, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Singapore Companies Act and the rules and regulations of the Designated Stock Exchange. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to the Constitution, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

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(k) Any change in the respective rights of the various classes of Shares including the action necessary to change the rights

Article 12

If at any time the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class, or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting.

To every such separate General Meeting, all the provisions of the Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that:

- (a) the necessary quorum shall be two persons at least holding or representing by proxy or by attorney or other duly authorised representative one-third of the issued shares of the class; and
- (b) any holder of shares of the class present in person or by proxy or by attorney or other duly authorised representative may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him,

Provided always that where all the issued shares of the class are held by one person, the necessary quorum shall be one person and such holder of shares of the class present in person or by proxy or by attorney or other duly authorised representative may demand a poll.

The foregoing provisions of this article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

Article 13

The special rights attached to any class of shares having preferential rights shall unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking equally therewith.

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(I) Dividends and distribution

Article 122

The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

Article 123

If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Article 124

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Singapore Companies Act:

- (a) all dividends in respect of shares shall be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Article 125

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes or shall bear interest against the Company.

Article 126

The Directors may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

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Article 127

The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien (i.e. a security interest) and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien (i.e. a security interest) exists.

The Directors may retain any dividend payable on or in respect of a share for which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such share or shall transfer the same.

Article 128

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable shall be forfeited and shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture.

Article 129

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Notwithstanding the foregoing, whenever the Directors have resolved that an interim dividend be declared and paid under article 123, the Directors may further resolve that such interim dividend be paid in whole or in part by the distribution of specific assets (and in particular of paid shares or debentures of any other company). Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

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Article 130(A)

Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on shares of a particular class in the capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of shares of that class credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

- (a) the basis of any such allotment shall be determined by the Directors;
- (b) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of shares of the relevant class credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this article;
- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded, Provided always that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the shares of the relevant class in respect whereof the share election has been duly exercised (the "elected shares") and, in lieu and in satisfaction thereof, shares of the relevant class shall be allotted and credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid. For such purpose and notwithstanding the provisions of article 133, the Directors shall (i) capitalise and apply out of the amount standing to the credit of any of the Company's reserve accounts or any amount standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of shares for allotment and distribution to and among the holders of the elected shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected shares towards payment of the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis.

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Article 131

Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post directed to the registered address appearing in the Register of Members of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

(m) Any limitation on the right to own Shares

Article 8

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. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this article.

Except so far as otherwise provided by the conditions of issue or by the Constitution, all new shares shall be subject to the provisions of the Statutes and of the Constitution with reference to allotments, payment of calls, liens (i.e. security interests), transfers, transmissions, forfeiture and otherwise.

Article 16

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by the Constitution or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder thereof.

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Article 37

Subject to the Singapore Companies Act and the Constitution, any member may transfer all or any of his shares, but every transfer must be in writing and in the usual or common form, or in any other form which the Directors may approve. The instrument of transfer of a share shall be signed both by the transferor and by the transferee, and by the witness or witnesses thereto and may be signed under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof. Shares of different classes shall not be comprised in the same instrument of transfer.

Article 40

No share shall in any circumstances be transferred to any infant or bankrupt or person who is mentally disordered and incapable of managing himself or his affairs.

Article 41

The Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien (i.e. a security interest) and in the case of shares not fully paid may refuse to register a transfer to a transferee of whom they do not approve but shall in such event:

- (a) within 30 days after the date on which the transfer was lodged with the Company, send to the transferor and to the transferee notice of the refusal; and
- (b) within 30 days beginning with the day on which the application for a transfer of shares was made to the Company send to the applicant a notice in writing stating the facts which are considered to justify refusal in the exercise of that discretion.

The Directors may, in their sole discretion, refuse to register any instrument of transfer of shares unless:

- (a) a maximum fee of the lower of S\$2 or the relevant maximum amount as the Designated Stock Exchange may from time to time determine or such other fee as the Directors may from time to time determine, is paid to the Company in respect thereof; and
- (b) the instrument of transfer is deposited at the registered office of the Company for the time being or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do.

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(n) Approval for issue of new ordinary Shares

Article 7

Subject to the Statutes and the Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over shares or issue warrants convertible into shares or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions, or which confer special, limited or conditional voting rights, or which do not confer voting rights, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors.

(o) Transfer of ordinary Shares and replacement of share certificates

Article 21

Subject to the provisions of the Singapore Companies Act and the Companies Ordinance, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, the Company shall issue a duplicate certificate or document in lieu thereof on such evidence being produced and a letter of indemnity (if required) being given by the member, transferee, person entitled or purchaser, as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of a maximum fee of the lower of S\$2 or the relevant maximum amount as the Designated Stock Exchange may from time to time determine or such other fee as the Directors may from time to time determine. In the case of destruction, loss or theft, a member or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

Article 37

Subject to the Singapore Companies Act and the Constitution, any member may transfer all or any of his shares, but every transfer must be in writing and in the usual or common form, or in any other form which the Directors may approve. The instrument of transfer of a share shall be signed both by the transferor and by the transferee, and by the witness or witnesses thereto and may be signed under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof. Shares of different classes shall not be comprised in the same instrument of transfer.

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Article 38

Notwithstanding article 37 but subject to the Singapore Companies Act, transfers of shares which are listed on the Designated Stock Exchange may be effected by any method of transferring or dealing in securities permitted by the rules and regulations of the Designated Stock Exchange and which has been approved by the Directors for such purpose.

Article 40

No share shall in any circumstances be transferred to any infant or bankrupt or person who is mentally disordered and incapable of managing himself or his affairs.

Article 41

The Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien (i.e. a security interest) and in the case of shares not fully paid may refuse to register a transfer to a transferee of whom they do not approve but shall in such event:

- (a) within 30 days after the date on which the transfer was lodged with the Company, send to the transferor and to the transferee notice of the refusal; and
- (b) within 30 days beginning with the day on which the application for a transfer of shares was made to the Company send to the applicant a notice in writing stating the facts which are considered to justify refusal in the exercise of that discretion.

The Directors may, in their sole discretion, refuse to register any instrument of transfer of shares unless:

- (a) a maximum fee of the lower of S\$2 or the relevant maximum amount as the Designated Stock Exchange may from time to time determine or such other fee as the Directors may from time to time determine, is paid to the Company in respect thereof; and
- (b) the instrument of transfer is deposited at the registered office of the Company for the time being or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do.

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Article 43

The Register of Members may be closed at such times and for one or more periods as the Directors may from time to time determine not exceeding 30 days in the aggregate in any year.

(p) General Meeting of Shareholders

Article 50

Except as otherwise permitted under the Singapore Companies Act and the rules and regulations of the Designated Stock Exchange, an Annual General Meeting shall be held in accordance with the provisions of the Singapore Companies Act and the rules and regulations of the Designated Stock Exchange. All other General Meetings (other than the Annual General Meeting) shall be called Extraordinary General Meetings.

Article 51

The Directors may whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall be convened on such requisition or in default may be convened by such requisitionists as provided by the Singapore Companies Act.

Article 52

Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by 21 days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by 14 days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all members and such persons as are under the provisions of the Constitution and the Singapore Companies Act entitled to receive such notices from the Company; Provided always that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

- (a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the members having a right to vote at that meeting.

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The accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting (including the passing of any resolution at such General Meeting).

In cases where instruments of proxy are sent out with notices, the accidental omission to send such instrument of proxy to or the non-receipt of such instrument of proxy by any person entitled to receive notice shall not invalidate the proceedings at any General Meeting (including the passing of any resolution at such General Meeting).

Article 53 read with Article 140

Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company. Where the Company has one or more classes of shares that confer special, limited or conditional voting rights, or that confer no voting rights, the notice shall also specify the special, limited or conditional voting rights, or the absence of voting rights, in respect of each such class of shares.

In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

Any notice or document (including a share certificate and any corporate communication) may be served on or delivered to any member by the Company either personally or by sending it through the post in a prepaid cover addressed to such member at his registered address appearing in the Register of Members, or (if he has no registered address within Singapore) to the address, if any, whether within Singapore or outside Singapore, supplied by him to the Company as his address for the service of notices, or by delivering it to such address as aforesaid Provided always that the service or delivery of such notice or document to any such address shall not, in the opinion of the Directors, be unlawful or impracticable. Where a notice or other document is served or sent by post, service or delivery shall be deemed to be effected on the date following that on which the cover containing the same is posted and in proving such service or delivery it shall be sufficient to prove that such cover was properly addressed, stamped and posted.

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Without prejudice to the foregoing, but subject otherwise to the Singapore Companies Act and any regulations made thereunder and the rules and regulations of the Designated Stock Exchange relating to electronic communications, any notice or document (including, without limitation, any corporate communication, accounts, balance-sheet, financial statements or report) which is required or permitted to be given, sent or served under the Singapore Companies Act or under the Constitution by the Company, or by the Directors, to a member may be given, sent or served using electronic communications (i) to the current address of that person; or (ii) by making it available on the websites of the Company and the Designated Stock Exchange, in accordance with the provisions of the Constitution, the Singapore Companies Act and/or any other applicable regulations or procedures (including the rules and regulations of the Designated Stock Exchange).

Article 54

Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:

- (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;
- (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 per cent. (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); and
- (h) granting of any mandate or authority to the Directors to repurchase shares.

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Article 56

No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Except as herein otherwise provided, two members present in person shall form a quorum save that:

- (a) in the event of a corporation being beneficially entitled to the whole of the issued shares in the capital of the Company, one person representing such corporation shall be a quorum and shall be deemed to constitute a meeting and, if applicable, the provisions of Section 179 of the Singapore Companies Act shall apply; and
- (b) in the event the Company has only one member, the Company may pass a resolution by that member recording the resolution and signing the record in accordance with the provisions of Section 184G of the Singapore Companies Act.

Provided always that (i) a proxy representing more than one member shall only count as one member for the purpose of determining the quorum; and (ii) where a member is represented by more than one proxy such proxies shall count as only one member for the purpose of determining the quorum.

For the purpose of this article, “member” includes a person attending by proxy or by attorney or other duly authorised representative.

Article 57

If within 30 minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday in Hong Kong or Singapore then to the next business day following that public holiday) at the same time and place or to such other day, and at such other time and place as the Directors may determine. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the meeting shall be dissolved. No notice of any such adjournment as aforesaid shall be required to be given to the members.

Article 59

Subject to the provisions of the Singapore Companies Act and the rules and regulations of the Designated Stock Exchange, a resolution in writing signed by every member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an Ordinary Resolution of the Company passed at a General Meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one or more of such members.

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Article 72

On a poll, votes may be given either personally or by proxy or by attorney or other duly authorised representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Article 73

Except as otherwise provided in the Singapore Companies Act:

- (a) a member who is not a clearing house or its nominee(s) may appoint not more than two proxies in relation to a General Meeting to exercise all or any of his rights to attend, speak and vote at such meeting but for each proxy, the proportion of the shareholding to be represented by each proxy shall be specified in the form of proxy; and
- (b) a member who is a clearing house or its nominee(s) may appoint more than one proxy in relation to a General Meeting to exercise all or any of his rights to attend, speak and vote at such meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member which number and class of shares shall be specified in the form of proxy.

A proxy need not be a member of the Company.

Article 74

The instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve (provided that this shall not preclude the use of the two-way form) and:

- (a) in the case of an individual, shall be:
 - (i) signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or
 - (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and
- (b) in the case of a corporation or a limited liability partnership, shall be:
 - (i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation or the limited liability partnership, as the case may be, if the instrument is delivered personally or sent by post; or

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- (ii) authorised by that corporation or the limited liability partnership, as the case may be, through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

Article 75

The instrument appointing a proxy or the power of attorney or other authority, if any:

- (a) if sent personally or by post, shall be deposited at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting or adjourned meeting (or, if no place is so specified, at the registered office of the Company for the time being); or
- (b) if submitted by electronic communication, shall be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting or adjourned meeting,

and in either case, not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default the instrument of proxy shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Provided always that an instrument of proxy or the power of attorney or other authority, if any, relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

Article 76

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.

Article 77

A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid notwithstanding the previous death or mental disorder of the principal or revocation of the instrument or of the authority under which the instrument was executed or the transfer of the share in respect of which the instrument was given, if no intimation in writing of such death, mental disorder or revocation or transfer as aforesaid has been received by the Company at

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the registered office of the Company for the time being or at the Company's place of business in Hong Kong as registered under the Companies Ordinance at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Article 78

In accordance with the provisions of Section 179 of the Singapore Companies Act, any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall, in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of the Constitution (but subject to the Singapore Companies Act) be deemed to be personally present at any such meeting if the person so authorised is present thereat.

If a clearing house (or its nominee(s)), being a corporation, is a member, it may, subject to the Singapore Companies Act, authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

Any reference in the Constitution to a duly authorised representative of a member being a corporation shall mean a representative authorised under the provisions of the Constitution.

(q) Voting rights

Article 62

Subject to any additional requirements as may be imposed by the Singapore Companies Act or the Constitution, all resolutions of the members shall be adopted by a simple majority vote of the members present and voting.

In addition, Section 184(1) of the Singapore Companies Act provides that a resolution shall be a Special Resolution when it has been passed by a majority of not less than three-fourths of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy present at a general meeting of which, in the case of a public company incorporated in Singapore, not less than 21 days' written notice, specifying the intention to propose the resolution as a Special Resolution has been duly given.

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Article 63

If required by the rules and regulations of the Designated Stock Exchange, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by such relevant Designated Stock Exchange).

Subject to the foregoing, at any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (a) by the chairman of the meeting; or
- (b) by at least two members present in person or by proxy or by attorney or other duly authorised representative and entitled to vote at the meeting; or
- (c) by a member present in person or by proxy or by attorney or other duly authorised representative and representing not less than five per cent. of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member present in person or by proxy or by attorney or other duly authorised representative, and holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid equal to not less than five per cent. of the total sum paid on all the shares conferring that right.

Article 64

If a poll is duly demanded, it shall be taken in such manner (including the use of ballot or voting papers) as the chairman of the meeting directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may, or if so directed by the meeting shall, appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Article 66

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Article 67

Every member shall have a right to attend any General Meeting and to speak on any resolution at the meeting. Subject and without prejudice to any special rights or restrictions as to voting for the time being attached to any class or classes of shares for the time being forming part of the capital of the Company and to article 15(C) (which relates to treasury

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shares), each member entitled to vote may vote on a resolution at a General Meeting in person or by proxy or by attorney or other duly authorised representative. Every member who is present in person or by proxy, or by attorney or other duly authorised representative at the meeting shall:

- (a) on a show of hands, have one vote, Provided always that:
 - (i) in the case of a member who is not a clearing house or its nominee(s) and who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the chairman of the meeting (or by a person authorised by him) in his sole discretion, shall be entitled to vote on a show of hands; and
 - (ii) in the case of a member who is a clearing house or its nominee(s) and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands; and
- (b) on a poll, have one vote for each share which he holds or represents.

Article 68

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy or by attorney or other duly authorised representative, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the share.

Article 69

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that respect to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy or by attorney or other duly authorised representative at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.

Article 70(A)

No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at any General Meeting either personally or by proxy or by attorney or other duly authorised representative, or to exercise any other right conferred by membership in relation to meetings of the Company, unless all calls or other sums presently payable by him to the Company in respect of such shares have been paid.

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Article 70(B)

Where the Company has knowledge that any member is, under the rules and regulations of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(r) Capitalisation and rights issues

Article 133

The Directors may, with the sanction of an Ordinary Resolution (but subject to article 6(C) (which relates to the requirement for Special Resolution for issuance of shares with special voting rights, amongst other things)):

- (a) issue bonus shares for which no consideration is payable to the Company, to the persons registered as holders of shares in the Register of Members at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares; and/or
- (b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid to and amongst them as bonus shares in the proportion aforesaid.

The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

(s) Indemnity*Article 148*

Subject to the provisions of and so far as may be permitted by the Statutes, every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto. Without prejudice to the generality of the foregoing, no Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, wilful default, breach of duty or breach of trust.

(t) Accounts and audit*Article 135*

Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Statutes shall be kept at the registered office of the Company for the time being, or at such other place as the Directors think fit.

Article 136

In accordance with the provisions of the Singapore Companies Act, the Directors shall cause to be prepared and to be laid before the Company in General Meeting such financial statements, balance sheets, reports, statements and other documents as may be necessary.

Article 137

A copy of the financial statements and, if required, the balance sheet (including every document required by law to be attached thereto), which is duly audited and which is to be laid before the Company in General Meeting accompanied by a copy of the Auditor's report thereon and the Directors' statement, shall not less than 21 days before the date of the meeting be sent

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to every member of the Company and to every other person who is entitled to receive notices of meetings from the Company under the provisions of the Statutes or of the Constitution; Provided always that:

- (a) these documents may be sent less than 14 days before the date of the meeting if all persons entitled to receive notices of meetings from the Company so agree; and
- (b) this article shall not require a copy of these documents to be sent to more than one of any joint holders or to any person of whose address the Company is not aware, but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the registered office of the Company for the time being or the Company's place of business in Hong Kong as registered under the Companies Ordinance.

(u) Alteration of Constitution and the Company's name

Unless otherwise provided in the Singapore Companies Act, a company's constitution may be altered by way of Special Resolution, except that any entrenching provision in the constitution and any provision contained in the constitution before 1 April 2004 which could not be altered before that date may be removed or altered only if all members of the company agree.

For these purposes, the term "**entrenching provision**" means a provision of the constitution of a company to the effect that other specified provisions of the constitution (a) may not be altered in the manner provided by the Singapore Companies Act, or (b) may not be so altered except by a resolution passed by a specified majority greater than 75.0%, or where other specified conditions are met.

Section 28(1) of the Singapore Companies Act provides that a company incorporated in Singapore may by Special Resolution resolve to change its name.

(v) Liquidation

Article 145

The Directors shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

Article 146

If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority of a Special Resolution, divide amongst the members *in specie* or kind the whole or any part of the assets of the Company, whether the assets consist of property of the same kind or not, and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the

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division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other securities in respect of which there is a liability.

Article 147

In the event of a winding up of the Company every member of the Company who is not for the time being in Singapore shall be bound, within 14 days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some householder, whether within Singapore or outside Singapore, upon whom all summonses, notices, processes, orders and judgments in relation to or under the winding up of the Company may be served Provided always that such householder shall be a person to whom service of such summonses, notices, processes, orders and judgments shall not, in the opinion of the Directors, be unlawful or impracticable. In default of such nomination the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertisement in any leading daily newspaper in the English language in circulation in Singapore and Hong Kong, as the case may be, or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register of Members, and such notice shall be deemed to be served on the day following that on which the advertisement appears or the letter is posted.

(w) Call on Shares and forfeiture of Shares

Article 22

The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

Article 24

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding 10 per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.

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Article 25

Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of the Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment all the relevant provisions of the Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Article 27

The Directors may if they think fit receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish *pro tanto* the liability upon the shares in respect of which it is made and upon the money so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent. per annum as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right on the holder of such share or shares to participate in respect thereof in a dividend and any other distribution subsequently declared.

Article 28

If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

Article 29

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.

Article 30

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and any other distribution declared or made in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

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Article 31

A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.

Article 32

A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at that time of forfeiture or surrender or waive payment in whole or in part.

Article 33

The Company shall have a first and paramount lien (i.e. a security interest) on every share (not being a fully paid share) and dividends and any other distribution from time to time declared or made in respect of such shares. Such lien (i.e. a security interest) shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien (i.e. a security interest) which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this article.

Article 34

The Company may sell in such manner as the Directors think fit any share on which the Company has a lien (i.e. a security interest), but no sale shall be made unless some sum in respect of which the lien (i.e. a security interest) exists is presently payable nor until the expiration of 14 days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

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Article 35

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.

Article 36

A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien (i.e. a security interest) of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

Article 70(A)

No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at any General Meeting either personally or by proxy or by attorney or other duly authorised representative, or to exercise any other right conferred by membership in relation to meetings of the Company, unless all calls or other sums presently payable by him to the Company in respect of such shares have been paid.

(x) Untraceable members

Article 49

Without prejudice to the rights of the Company under the next paragraph, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

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The Company shall have the power to sell, in such manner as the Directors think fit and in accordance with the requirements of any applicable law, any shares of a member who is untraceable, but no such sale shall be made unless:

- (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Constitution have remained uncashed;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
- (c) the Company, if so required by the rules and regulations of the Designated Stock Exchange, has given notice to the Designated Stock Exchange, and caused advertisement to be made in newspapers in accordance with the requirements of the Designated Stock Exchange, of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing 12 years before the date of publication of the advertisement referred to in sub-paragraph (c) above and ending at the expiry of the period referred to in that sub-paragraph.

To give effect to any such sale the Directors may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this article shall be valid and effective notwithstanding that the member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

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(y) Power to dispose of the assets of the Company or any of its subsidiaries

Article 110

The Directors shall not carry into effect any proposals for selling or disposing of the whole or substantially the whole of the Company's undertaking unless such proposals have been approved by the Company in General Meeting in accordance with the provisions of the Singapore Companies Act.

(z) Proceedings of the Board

Article 99

Subject to the provisions of the Constitution, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

Article 101

Questions arising at any meeting of the Directors shall be determined by a majority of votes. In case of an equality of votes (except where only two Directors are present and form the quorum or when only two Directors are competent to vote on the question in issue) the chairman of the meeting shall have a second or casting vote.

B. SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

The following is a summary of the salient provisions of the laws of Singapore as at the date of this prospectus which are applicable to a Singapore incorporated company. The summary below is for general guidance only and does not constitute legal advice nor should it be used as a substitute for specific legal advice on the corporate laws of Singapore. The summary does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the corporate laws of Singapore, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

Reporting Obligations of Shareholders

As the shares of the Company are not listed for quotation on the official list of a "securities exchange" (as such term is defined under the Securities and Futures Act, Chapter 289 of Singapore (the "**Singapore Securities and Futures Act**") and which term does not include the Stock Exchange), the Company is not subject to the provisions of Subdivision (2) of Division 1 to Part VII of the Singapore Securities and Futures Act regulating substantial shareholding reporting obligations.

Prohibited Conduct In Relation to Trading in the Securities of the Company

(a) Prohibitions against false trading and market manipulation — Section 197 of the Singapore Securities and Futures Act

Pursuant to Section 197(1) of the Singapore Securities and Futures Act, no person shall do any thing, cause any thing to be done or engage in any course of conduct, if his purpose, or any of his purposes, for doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, is to create a false or misleading appearance of (i) active trading in any securities on a securities market; or (ii) with respect to the market for, or the price of, such securities.

In addition, pursuant to Section 197(1A) of the Singapore Securities and Futures Act, no person shall do any thing, cause any thing to be done or engage in any course of conduct that creates, or is likely to create, a false or misleading appearance of active trading in any securities on a securities market, or with respect to the market for, or the price of, such securities, if:

- (1) he knows that doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
- (2) he is reckless as to whether doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance.

Pursuant to Section 197(2) of the Singapore Securities and Futures Act, no person shall, by means of any purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transaction or device, maintain, inflate, depress, or cause fluctuations in, the market price of any securities.

Under Section 197(3) of the Singapore Securities and Futures Act, where a person:

- (A) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities;
- (B) makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or

(C) makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

it shall be presumed that his purpose, or one of his purposes, for doing so is to create a false or misleading appearance of active trading in securities on a securities market. Section 197(4) of the Singapore Securities and Futures Act provides that the presumption under Section 197(3) may be rebutted if the defendant establishes that the purpose or purposes for which he did the act was not, or did not include, the purposes of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) of the Singapore Securities and Futures Act provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) of the Singapore Securities and Futures Act provides that in any proceedings against a person for contravention of Section 197(2) in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities, it is a defence if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

(b) Prohibition against securities market manipulation — Section 198 of the Singapore Securities and Futures Act

Under Section 198(1) of the Singapore Securities and Futures Act, no person shall effect, take part in, be concerned in or carry out directly or indirectly, two or more transactions in securities of a corporation, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities of the corporation on a securities market, with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation. Section 198(2) of the Singapore Securities and Futures Act provides that transactions in securities of a corporation includes (i) the making of an offer to purchase or sell such securities of the corporation; and (ii) the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
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(c) Prohibition against false or misleading statements — Section 199 of the Singapore Securities and Futures Act

Under Section 199 of the Singapore Securities and Futures Act, no person shall make a statement, or disseminate information, that is false or misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining, or stabilising the market price of securities, if, when he makes the statement or disseminates the information, (1) he either does not care whether the statement or information is true or false; or (2) he knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

(d) Prohibition against fraudulently inducing persons to deal in securities — Section 200 of the Singapore Securities and Futures Act

Under Section 200(1) of the Singapore Securities and Futures Act, no person shall (a) by making or publishing any statement, promise, or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; (b) by any dishonest concealment of material facts; (c) by the reckless making or publishing of any statement, promise, or forecast that is misleading, false or deceptive; or (d) by recording or storing in, or by means of, any mechanical, electronic, or other device information that he knows to be false or misleading in a material particular, induce or attempt to induce another person to deal in securities. Section 200(2) of the Singapore Securities and Futures Act states that in any proceedings against a person for a contravention of Section 200(1) of the Singapore Securities and Futures Act constituted by recording or storing information as mentioned in sub-paragraph (d) of Section 200(1) above, it is a defence if it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

(e) Prohibition against employment of manipulative and deceptive devices — Section 201 of the Singapore Securities and Futures Act

Section 201 of the Singapore Securities and Futures Act provides that no person shall, directly or indirectly, in connection with the subscription, purchase or sale of any securities (i) employ any device, scheme or artifice to defraud, (ii) engage in any act, practice, or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person, (iii) make any statement he knows to be false in a material particular, or (iv) omit to state a material fact necessary to make statements, in the light of the circumstances under which they were made, not misleading.

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**(f) Prohibition against the dissemination of information about illegal transactions —
Section 202 of the Singapore Securities and Futures Act**

Section 202 of the Singapore Securities and Futures Act provides that no person shall circulate or disseminate, or authorise or be concerned in the circulation or dissemination of, any statement or information to the effect that the price of any securities of a corporation will, or is likely, to rise, fall or be maintained by reason of any transaction entered into or to be entered into or other act or thing done or to be done in relation to securities of that corporation, or of a corporation that is related to that corporation, which to his knowledge, was entered into or done in contravention of any of Sections 197 to 201 of the Singapore Securities and Futures Act or if entered into or done would be in contravention of any of Sections 197 to 201 of the Singapore Securities and Futures Act if (i) the person, or a person associated with the person, has entered into or purports to enter into any such transaction or has done or purports to do any such act or thing; or (ii) the person, or a person associated with the person, has received, or expects to receive, whether directly or indirectly, any consideration or benefit for circulating or disseminating, or authorising or being concerned in the circulation or dissemination of, the information or statements.

Prohibitions Against Insider Trading**(a) Prohibited conduct by connected person in possession of inside information —
Section 218 of the Singapore Securities and Futures Act**

Pursuant to Section 218(1) of the Singapore Securities and Futures Act, where:

- (i) a person who is connected to a corporation possesses information concerning that corporation that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities of that corporation; and
- (ii) the connected person knows or ought reasonably to know that:
 - (1) the information is not generally available; and
 - (2) if it were generally available, it might have a material effect on the price or value of those securities of that corporation,

amongst others, sub-section (2) of Section 218 of the Singapore Securities and Futures Act (as further described below) shall apply.

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Pursuant to Section 218(2) of the Singapore Securities and Futures Act, a connected person must not (whether as principal or agent):

- (A) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities of a corporation to whom he is connected; or
- (B) procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities of a corporation to whom he is connected.

A person is connected to a corporation if:

- (I) he is an officer of that corporation or of a related corporation;
- (II) he is a substantial shareholder in that corporation or in a related corporation;
- (III) he occupies a position that may reasonably be expected to give him access to information of a kind to which Section 218 of the Singapore Securities and Futures Act applies by virtue of:
 - (a) any professional or business relationship existing between himself (or his employer or a corporation of which he is an officer) and that corporation or a related corporation; or
 - (b) being an officer of a substantial shareholder in that corporation or in a related corporation.

(b) Prohibited conduct by other persons in possession of inside information — Section 219 of the Singapore Securities and Futures Act

Pursuant to Section 219(1) of the Singapore Securities and Futures Act, where:

- (i) a person who is not a connected person referred to in Section 218 of the Singapore Securities and Futures Act (referred to in this section as the insider) possesses information that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities; and
- (ii) the insider knows that:
 - (1) the information is not generally available; and
 - (2) if it were generally available, it might have a material effect on the price or value of those securities,

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sub-section (2) of Section 219 of the Singapore Securities and Futures Act (as further described below) shall apply.

Pursuant to Section 219(2) of the Singapore Securities and Futures Act, the insider must not (whether as principal or agent):

- (A) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities; or
- (B) procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities.

Section 220 of the Singapore Securities and Futures Act further provides that in any proceedings against a person for a contravention of Section 218 or 219, it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in sub-paragraph (i) of Section 218(1) or sub-paragraph (i) of Section 219(1) (each as described above) in contravention of Section 218 or 219, as the case may be.

Section 216 of the Singapore Securities and Futures Act also provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

Penalties — Sections 232, 204 and 221 of the Singapore Securities and Futures Act

Section 232 of the Singapore Securities and Futures Act provides whenever it appears to the Monetary Authority of Singapore (the “**MAS**”) that any person has contravened the provisions relating to prohibited conduct in relation to trading in the securities of the Company and insider trading (as described above), the MAS may, with the consent of the Public Prosecutor, bring an action in a court against him to seek an order for a civil penalty in respect of that contravention. If the court is satisfied on the balance of probabilities that the person has contravened a provision which resulted in his gaining a profit or avoiding a loss, the court may make an order against him for the payment of a civil penalty of a sum (a) not exceeding three times the amount of the profit that the person gained or the amount of loss that he avoided, as a result of the contravention; or (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation, whichever is the greater. If the court is satisfied on a balance of probabilities that the person has contravened a provision which did not result in his gaining a profit or avoiding a loss, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Under Section 204 of the Singapore Securities and Futures Act, a person who contravenes Sections 197, 198, 199, 200, 201 or 202 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven years or to both. Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under Section 232 in respect of the contravention.

Under Section 221 of the Singapore Securities and Futures Act, a person who contravenes Section 218 or 219 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven years or to both. Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of Section 218 or 219 after a court has made an order against him for the payment of a civil penalty under Section 232 in respect of that contravention.

Civil Liability — Section 234 of the Singapore Securities and Futures Act

Section 234 of the Singapore Securities and Futures Act provides that a person who has contravened any of the provisions relating to prohibited conduct in relation to trading in the securities of the Company and insider trading (as described above) shall, if he had gained a profit or avoided a loss as a result of that contravention, whether or not he had been convicted or had a civil penalty imposed on him in respect of that contravention, be liable to pay compensation to any person who:

- (a) contemporaneously with the contravention, had subscribed for, purchased or sold securities of the same description; and
- (b) had suffered loss by reason of the difference between:
 - (i) the price at which the securities were dealt in or traded contemporaneously with the contravention; and
 - (ii) the price at which the securities would have been likely to have been so dealt in or traded at the time of the contemporaneous dealing or trading if:
 - (1) in any case where the contravening person had acted in contravention of Section 218 or 219, the information referred to had been generally available; or
 - (2) in any other case, the contravention had not occurred.

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Extra-territoriality of the Singapore Securities and Futures Act

Section 339(1) of the Singapore Securities and Futures Act provides that where a person does an act partly in and partly outside Singapore, which, if done wholly in Singapore, would constitute an offence against any provision of the Singapore Securities and Futures Act (which would include the provisions relating to prohibited conduct in relation to trading in the securities of the Company and insider trading (as described above)), that person shall be guilty of that offence as if the act were carried out by that person wholly in Singapore, and may be dealt with as if the offence were committed wholly in Singapore.

Section 339(2) of the Singapore Securities and Futures Act provides that where:

- (a) a person does an act outside Singapore which has a substantial and reasonably foreseeable effect in Singapore; and
- (b) that act would, if carried out in Singapore, constitute an offence under the provisions relating to prohibited conduct in relation to trading in the securities of the Company and insider trading (as described above),

that person may be guilty of an offence as if the act were carried out by that person in Singapore, and may be dealt with as if the offence were committed in Singapore.

In addition, for the purposes of an action under Section 232 or 234 of the Singapore Securities and Futures Act, where a person:

- (i) does an act partly in and partly outside Singapore which, if done wholly in Singapore, would constitute a contravention of any of the provisions relating to prohibited conduct in relation to trading in the securities of the Company and insider trading (as described above); or
- (ii) does an act outside Singapore which has a substantial and reasonably foreseeable effect in Singapore and that act, if carried out in Singapore, would constitute a contravention of any of the provisions relating to prohibited conduct in relation to trading in the securities of the Company and insider trading (as described above),

the act shall be treated as being carried out by that person in Singapore.

Take-Over Obligations

Pursuant to written confirmation obtained by the Company from the Singapore Securities Industry Council, in light of the protections afforded to Shareholders under the Hong Kong Takeovers Code — which does apply to the Company — the Singapore Code on Take-overs and Mergers does not apply to the Company.

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Share Capital

The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the constitution of that company. However, pursuant to Section 161 of the Singapore Companies Act, notwithstanding anything to the contrary in the constitution of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares, or the share issue is void under Section 161 of the Singapore Companies Act. Such approval need not be specific but may be general and, once given, will only continue in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, provided that such approval has not been previously revoked or varied by the company in a general meeting.

Pursuant to Section 64A of the Singapore Companies Act, and subject to the approval of the shareholders of a public company incorporated in Singapore by Special Resolution, different classes of shares in the public company may be issued if the issue of the class(es) of shares is provided for in the constitution of the company, and the constitution of the company sets out in respect of each class of shares the rights attached to that class of shares. Such class(es) of shares may confer special, limited or conditional voting rights, or not confer any voting rights.

Financial Assistance to Purchase Shares of a Company or its Holding Company

Generally, pursuant to Section 76 of the Singapore Companies Act, a public company or a company whose holding company or ultimate holding company is a public company is prohibited from giving financial assistance to any person directly or indirectly for the purpose of, or in connection with, the acquisition of that company's shares or shares in its holding company.

Financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, and the release of a debt or obligation. Certain transactions are specifically provided by the Singapore Companies Act not to be prohibited. These include the distribution of a company's assets by way of dividends, a distribution in the course of a company's winding up, the payment by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act, the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares or units of shares in the company, and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments, an allotment of bonus shares, a redemption of redeemable shares of a company in accordance with the company's constitution, or the payment of some or all of the costs by a company listed

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on a securities exchange in Singapore or any securities exchange outside Singapore associated with a scheme, an arrangement or a plan under which any shareholder of the company may purchase or sell shares for the sole purpose of rounding off any odd-lots which he owns.

The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances, including but not limited to: (i) where the amount of financial assistance does not exceed 10.0% of the aggregate of the total paid-up capital and reserves of the company as disclosed in the most recent financial statements of the company and the company receives fair value in connection with the financial assistance; (ii) where the giving of financial assistance does not materially prejudice the interests of the company or its shareholders or, the company's ability to pay its creditors; or (iii) where the financial assistance is approved unanimously by the shareholders of the company, provided that certain conditions and procedures under the Singapore Companies Act are also complied with.

Where the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation or the ultimate holding company, as the case may be, is also required to pass a special resolution to approve the giving of the financial assistance.

Purchase of Shares by a Company

The Singapore Companies Act generally prohibits a company from acquiring its own shares subject to certain exceptions. Any contract or transaction by which a company acquires its own shares is void subject to the exceptions below. However, provided that it is expressly permitted to do so by its constitution and subject to the special conditions of each permitted acquisition contained in the Singapore Companies Act, a company may:

- (a) redeem redeemable preference shares. Preference shares may be redeemed out of capital if all the directors make a solvency statement in relation to such redemption in accordance with the Singapore Companies Act;
- (b) make an off-market purchase of its own shares in accordance with an equal access scheme authorised in advance at a general meeting;
- (c) make a selective off-market purchase of its own shares in accordance with an agreement authorised in advance at a general meeting by a special resolution where persons whose shares are to be acquired and their associated persons have abstained from voting;
- (d) make an acquisition of its own shares under a contingent purchase contract which has been authorised in advance at a general meeting by a special resolution; and

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- (e) make a market purchase of its own shares which has been authorised in advance at a general meeting.

A company may also purchase its own shares by an order of a Singapore court.

The total number of ordinary shares that may be purchased by a company in a relevant period may not exceed 20% of the total number of ordinary shares in that class as of the date of the resolution passed pursuant to the relevant share purchase provisions under the Singapore Companies Act. Where, however, the Company has reduced its share capital by a special resolution of the general meeting or a Singapore court made an order to such effect, the total number of ordinary shares shall be taken to be the total number of ordinary shares in that class as altered by the special resolution or the order of the court. Payment may be made out of the company's profits or capital, provided that the company is solvent.

Where ordinary shares are re-purchased, such shares may be held as treasury shares or cancelled as provided in the Singapore Companies Act. Treasury shares may be dealt with in such manner as may be permitted under the Singapore Companies Act. On cancellation of the shares, the rights and privileges attached to those shares will expire.

Dividends and Distributions

Section 403 of the Singapore Companies Act provides that no dividends may be paid to shareholders of a company except out of the company's profits. Section 76J of the Singapore Companies Act provides that no dividend may be paid, and no other distribution (whether in cash or otherwise) of a company's assets may be made to the company in respect of shares held by a company as treasury shares.

Minority Protection

Section 216 of the Singapore Companies Act protects the rights of minority shareholders of Singapore incorporated companies by giving the Singapore courts a general power to make any order, upon application by any shareholder of a company, as they think fit to remedy any of the following situations:

- (a) if the affairs of the company are being conducted or the powers of the board of directors are being exercised in a manner oppressive to, or in disregard of the interest of, one or more of the shareholders including the applicant or in disregard of his or their interests as shareholders of the company; or
- (b) if the company takes an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

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Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Singapore Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (i) direct or prohibit any act or cancel or vary any transaction or resolution;
- (ii) regulate the conduct of the affairs of the company in the future;
- (iii) authorise civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- (iv) direct the company or some of its shareholders to purchase a minority shareholder's shares and, in the case of the company's purchase of shares, a corresponding reduction of the company's share capital;
- (v) provides that the company's constitution be amended; or
- (vi) provide that the company be wound up.

Disposal of Assets

Under Section 160 of the Singapore Companies Act, prior approval of the company at a general meeting is required before the directors can carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property, notwithstanding anything in a company's constitution.

Accounting and Auditing Requirements

Section 199 of the Singapore Companies Act provides that every company must keep accounting and other records that will sufficiently explain the transactions and financial position of the company and enable true and fair financial statements to be prepared.

Exchange Controls

As at the date of this prospectus, no exchange control restrictions are in effect in Singapore.

Members' Requisition to Convene Extraordinary General Meetings

Section 176 of the Singapore Companies Act provides that members of a company holding not less than 10.0% of the total number of paid up shares of a company carrying the right to vote at general meetings or, in the case of a company not having a share capital, members representing not less than 10% of the total voting rights of all members having a right

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to vote at general meetings, may requisition for an extraordinary general meeting in accordance with the provisions of the Singapore Companies Act. The directors must convene the meeting to be held as soon as practicable, but in any case not later than two months after the receipt by the company of the requisition.

Section 183 of the Singapore Companies Act provides that (a) any number of members representing not less than 5.0% of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates or (b) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S\$500, may requisition the company to give to members entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting, and circulate to members entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Loans to directors

Subject to specified exceptions, a company (other than an exempt private company) is prohibited from making a restricted transaction. Restricted transactions include making a loan or quasi-loan to a director (and to the spouse or natural, step or adopted child of any such director) of the company or a related company (“**relevant director**”), entering into any guarantee or providing any security in connection with a loan or quasi-loan made to a relevant director by any other person, entering into a credit transaction as creditor for the benefit of a relevant director, entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of a relevant director, taking part in an arrangement under which another person enters into a transaction that, if it had been entered into by the company, would have been a restricted transaction, and that person obtains a benefit from the company or a related company, or arranging the assignment to the company, or assumption by the company, of any rights, obligations or liabilities under a transaction that, if entered into by the company, would have been a restricted transaction.

For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company.

Subject to specified exceptions, a company (the “**first mentioned company**”) (other than an exempt private company) is also prohibited from making loans or quasi-loan to connected persons, entering into any guarantee or providing any security in connection with a loan or quasi-loan made to connected persons by a third-party, entering into a credit transaction for the benefit of connected persons or, entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of connected persons. Connected persons of the first mentioned company include companies in which the director(s) of the first mentioned company, individually or collectively, have an interest in 20.0% or more (as determined in accordance with the Singapore Companies Act).

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This prohibition does not apply to:

- (a) anything done by a company where the other company is its subsidiary, holding company or a subsidiary of its holding company; or
- (b) a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Monetary Authority of Singapore.

Inspection of Corporate Records

Pursuant to Section 192(2) of the Singapore Companies Act, the register of members of a public company incorporated in Singapore shall be open to the inspection of any member without charge.

Register of Members

Pursuant to Sections 190 and 191 of the Singapore Companies Act, a public company must keep a register of members at its registered office (the “**principal register**”). In addition, Section 196 of the Singapore Companies Act provides that a public company having a share capital may keep a branch register of members (the “**branch register**”) outside Singapore. Such branch register is deemed to be part of the company’s principal register and a duplicate of the branch register will be kept at the same office as the principal register.

Register of Directors, Chief Executive Officers, Secretaries and Auditors

Pursuant to Section 173 of the Singapore Companies Act, the register of a company’s directors, chief executive officers, secretaries and auditors (if any) shall be kept by the Registrar of Companies.

Winding Up and Dissolution

The winding up of a company may be done in the following ways:

- (a) members’ voluntary winding up;
- (b) creditors’ voluntary winding up;
- (c) court compulsory winding up; and
- (d) an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company.

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The type of winding up depends, *inter alia*, on whether the company is solvent or insolvent.

A company may be dissolved:

- (i) through the process of liquidation pursuant to the winding up of the company;
- (ii) in a merger or amalgamation of two companies where the court may order the dissolution of one after its assets and liabilities have been transferred to the other;
or
- (iii) when it is struck off the register by the Registrar of Companies on the ground that it is a defunct company.

Mergers and Similar Arrangements

Section 212 of the Singapore Companies Act provides that the Singapore courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies and that under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order that the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company. Such power only exists in relation to companies incorporated in Singapore.

Sections 215A to 215J of the Singapore Companies Act further provides for a voluntary amalgamation process without the need for a court order. Under this voluntary amalgamation process, two or more companies may amalgamate and continue as one company, which may be one of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, the board of directors of each of the amalgamating company must make a solvency statement in relation to both the amalgamating company and the amalgamated company.

Indemnification

Subject to specified exceptions, Section 172 of the Singapore Companies Act prohibits a company from indemnifying its officers (including directors acting in an executive capacity) against liability, which by law would otherwise attach to them in connection with any negligence, default, breach of duty or breach of trust in relation to that company. A company is not prohibited from (a) purchasing and maintaining for its officers insurance against any such liability; and (b) indemnifying its officers against third party liability, except in circumstances where such liability is for any criminal or regulatory fines or penalties, or where such liability is incurred in respect of (i) the officer defending criminal proceedings in which he

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

is convicted; (ii) the officer defending civil proceedings brought by the company or a related company in which judgment is given against him; or (iii) in connection with any application under Section 76A(13) or Section 391 of the Singapore Companies Act in which the court refuses to grant the officer relief.

C. GENERAL

Allen & Gledhill LLP, the Company's legal counsel on Singapore law, have sent to the Company a letter of advice summarising certain aspects of Singapore company law. This letter, together with a copy of the Singapore Companies Act, is available for inspection as referred to in "*Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection*". Any person wishing to have a detailed summary of Singapore company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in Singapore under the Singapore Companies Act as a private company limited by shares on 25 November 1993 under the name “Singapore Aircraft Leasing Enterprise Pte. Ltd.”. Its name was changed to “BOC Aviation Pte. Ltd.” on 2 July 2007. On 12 May 2016, the Company was converted to a public company limited by shares and the Company’s name was changed to “BOC Aviation Limited”.

The Company has established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on 26 February 2016, with Ngai Kit Fong and Lau Yee Wa of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong appointed as the Hong Kong authorised representatives of the Company on 4 February 2016 for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in Singapore, its operations are subject to Singaporean law and to its Constitution. A summary of the relevant sections of the Constitution of the Company and the relevant aspects of the Singapore Companies Act is set out in “Appendix IV — Summary of the Constitution of the Company and Salient Provisions of the Laws of Singapore”.

2. Changes in the Share Capital of the Company

As at the date of incorporation of the Company, the authorised share capital of the Company was S\$3,200,000 divided into 3,200,000 shares of S\$1.00 each and US\$500,000,000 divided into 500,000,000 shares of US\$1.00 each. Pursuant to the Companies (Amendment) Act 2005 of Singapore, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

The following alterations in the issued and paid-up share capital of the Company have taken place since its date of incorporation up to the date of this prospectus:

- (a) The Company was incorporated on 25 November 1993 with 3 initial subscribers (all employees of Singapore Airlines Limited (“SIA”)) holding one share each. On 18 January 1994 the 3 subscriber shares were transferred to SIA and 3 additional shares were issued to Boullioun Aviation Services, Inc. (“BASI”).
- (b) On 10 June 1994, 200,000 shares of par value S\$1 each were allotted to each of SIA and BASI.

- (c) On 30 September 1994, BASI transferred all of its 200,003 shares to its affiliated company Boullioun Aviation Services (Bermuda) Limited (“**BASB**”) and on the same day, 1,399,997 shares of par value S\$1 each were issued to each of SIA and BASB.
- (d) On 4 August 1995, 29,000,000 shares of par value US\$1 each were issued to each of SIA and BASB.
- (e) On 1 March 1996, the 1,600,000 shares denominated in Singapore Dollars (par value of S\$1 each) held by each of SIA and BASB were cancelled. All subsequent share issuance was of shares of par value US\$1 each until the concept of par value was abolished in 2005.
- (f) On 18 June 1996, 1,134,400 shares were issued to each of SIA and BASB.
- (g) On 19 December 1996, 7,000,000 shares were issued to each of SIA and BASB.
- (h) On 14 March 1997, 12,865,600 shares were issued to each of SIA and BASB.
- (i) As a consequence of the foregoing transactions, as at 14 March 1997 a total of 100,000,000 shares had been issued with SIA and BASB each holding 50%.
- (j) On 10 November 1997, Temasek Holdings (Private) Limited, acting through its wholly owned subsidiary, Seletar Investments Pte. Ltd. (“**Temasek**”), and Government of Singapore Investment Corporation, acting through its wholly-owned subsidiary, Apfarge Investment Pte Ltd (“**GIC**”), entered into a Shareholders Agreement and a Subscription Agreement with SIA and BASB. Pursuant to the Subscription Agreement, on 17 November 1997, 27,230,933 shares were issued to each of Temasek and GIC and 16,666,667 shares were issued to each of SIA and BASB.
- (k) As a consequence of the foregoing transactions, as at 31 March 1998 a total of 187,795,200 shares had been issued with SIA and BASB each holding 35.5% and Temasek and GIC each holding 14.5%.
- (l) On 29 October 1999, 6,250,000 shares were issued to each of SIA and BASB and 2,552,900 shares were issued to each of Temasek and GIC.
- (m) On 27 February 2001, BASB transferred all of its shares to its affiliated company, Boullioun Aircraft Holding Company Inc. (“**BAHC**”).
- (n) On 30 October 2002, 6,250,000 shares were issued to each of SIA and BAHC and 2,552,900 shares were issued to each of Temasek and GIC.

- (o) On 9 September 2003, 6,250,000 shares were issued to each of SIA and BAHC and 2,552,900 shares were issued to each of Temasek and GIC.
- (p) On 5 March 2004, 6,250,000 shares were issued to each of SIA and BAHC and 2,552,900 shares were issued to each of Temasek and GIC.
- (q) On 30 June 2004, BAHC transferred all of its shares to its parent company, WestLB AG (“**WestLB**”).
- (r) On 30 September 2004, 6,250,000 shares were issued to each of SIA and WestLB and 2,552,900 shares were issued to each of Temasek and GIC.
- (s) On 30 March 2006, 5,000,000 shares were issued to each of SIA and WestLB and 2,042,317 shares were issued to each of Temasek and GIC.
- (t) On 15 December 2006, each of SIA, WestLB, Temasek and GIC transferred all of their respective shares to the Selling Shareholder.
- (u) On 2 November 2009, 100,000,000 shares were issued to the Selling Shareholder.
- (v) On 7 December 2010, 200,000,000 shares were issued to the Selling Shareholder.

As a consequence of the foregoing transactions, as at the Latest Practicable Date, a total of 589,908,834 Shares have been issued with the Selling Shareholder holding 100% of the issued share capital of the Company.

Save as disclosed above and in “*Appendix V — Statutory and General Information*” below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written Resolutions of the Sole Shareholder passed on 12 May 2016

On 12 May 2016, resolutions of the Company were passed by the then sole Shareholder pursuant to which, amongst other things:

- (a) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in “*Structure of the Global Offering — Conditions of the Global Offering*” and pursuant to the terms set out therein:
 - (1) the Company approved and adopted the amended and restated Constitution with effect from the Listing Date;
 - (2) the Global Offering was approved and the Directors were authorised to allot and issue the New Shares pursuant to the Global Offering;

- (3) the Listing was approved and the Directors were authorised to implement the Listing;
- (4) subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:
- (A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and
- (B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph (5) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, (II) the end of the period within which the Company is required by the Constitution or any applicable laws to hold its next annual general meeting and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting; and

- (5) a general unconditional mandate was granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering and at such price or prices as may be determined by the Directors provided the purchase price shall not be 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange, and otherwise in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, (II) the end of the period within which the Company is required by the Constitution or any applicable laws to hold its next annual general meeting and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting; and

- (b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in “*Structure of the Global Offering — Conditions of the Global Offering*”, a general mandate was granted to the Directors to purchase new aircraft on and subject to the terms and conditions set out in “*Business — Our Aircraft Fleet — Aircraft Purchase Commitments — General Mandate to Purchase New Aircraft from Aircraft Manufacturers*”, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, (II) the end of the period within which the Company is required by the Constitution or any applicable laws to hold its next annual general meeting and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting.

4. Subsidiaries

Details of the subsidiaries of the Company are set out in “*Appendix I — Accountants’ Report*”.

The following subsidiaries have been incorporated within two years immediately preceding the date of this prospectus:

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>	<u>Date of Incorporation</u>
BOC Aviation (UK) Limited	England and Wales	09 May 2014
BOC Aviation Leasing (Tianjin) Limited . .	People’s Republic of China	21 November 2014
MSN 2441 Leasing Limited	Cayman Islands	20 May 2015

Save as set out above and in “*Appendix I — Accountants’ Report*”, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

5. REPURCHASES BY THE COMPANY OF ITS OWN SECURITIES

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders’ Approval

All proposed repurchase of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases of shares by a listed company must be funded out of funds legally available for the purpose in accordance with the constitutive documents of the listed company, the Listing Rules and the applicable laws and regulations of the listed company's jurisdiction of incorporation. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if that repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchase of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate price paid for such repurchases.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing shares on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his shares to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Constitution, the Listing Rules and the applicable laws and regulations of Singapore. In particular, any repurchase by the Company of its Shares may be made out of the Company's capital or profits so long as the Company is solvent.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) if the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 694,010,334 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to approximately 69,401,033 Shares being repurchased by the Company during the period prior to:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the end of the period within which the Company is required by the Constitution or any applicable laws to hold its next annual general meeting; or
- (iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make any repurchases of Shares pursuant to the repurchase mandate in accordance with the Listing Rules and the applicable laws and regulations of Singapore.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save for the foregoing, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of Material Contracts**

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) the Hong Kong Public Offering Underwriting Agreement dated 18 May 2016 and entered into amongst the Company, BOC, BOCGI, the Selling Shareholder, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters and the Joint Lead Managers on the terms as more particularly set out in “*Underwriting — Underwriting Arrangements and Expenses*”;
- (b) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, Beijing Hanguang Investment Corporation and the Joint Global Coordinators pursuant to which Beijing Hanguang Investment Corporation agreed to purchase 18,478,500 Shares for an aggregate price of HK\$776,097,000;
- (c) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, CIZJ Limited and the Joint Global Coordinators pursuant to which CIZJ Limited agreed to purchase 18,478,500 Shares for an aggregate price of HK\$776,097,000;
- (d) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, China Development Bank International Holdings Limited 國開國際控股有限公司 (“**CDBI**”) and the Joint Global Coordinators pursuant to which CDBI agreed to purchase 11,087,100 Shares for an aggregate price of HK\$465,658,200;
- (e) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, China Life Franklin Asset Management Co., Limited (“**China Life Franklin**”) and the Joint Global Coordinators pursuant to which China Life Franklin agreed to purchase 9,239,200 Shares for an aggregate price of HK\$388,046,400;
- (f) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, Oman Investment Fund and the Joint Global Coordinators pursuant to which Oman Investment Fund agreed to purchase 9,239,200 Shares for an aggregate price of HK\$388,046,400;

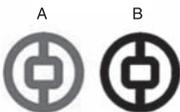
- (g) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, Colour Wish Limited (彩望有限公司) (“**Colour Wish**”), Hony Capital Group, L.P. and the Joint Global Coordinators pursuant to which Colour Wish agreed to purchase 9,239,200 Shares for an aggregate price of HK\$388,046,400;
- (h) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, Elion International Investment Limited and the Joint Global Coordinators pursuant to which Elion International Investment Limited agreed to purchase 7,391,400 Shares for an aggregate price of HK\$310,438,800;
- (i) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, Fullerton Fund Management Company Ltd. (“**Fullerton**”), acting for and on behalf of certain funds and investment accounts under its management as set out in schedule 1 to the agreement, and the Joint Global Coordinators pursuant to which Fullerton agreed to purchase 7,021,800 Shares for an aggregate price of HK\$294,915,600;
- (j) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, Peak Reinsurance Company Limited and the Joint Global Coordinators pursuant to which Peak Reinsurance Company Limited agreed to purchase 6,467,500 Shares for an aggregate price of HK\$271,635,000;
- (k) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, The Boeing Company and the Joint Global Coordinators pursuant to which The Boeing Company agreed to purchase 5,543,500 Shares for an aggregate price of HK\$232,827,000; and
- (l) the cornerstone investment agreement dated 13 May 2016 and entered into amongst the Company, the Selling Shareholder, China South Industries Assets Management Co., Ltd (“**South Industries Assets**”) and the Joint Global Coordinators pursuant to which South Industries Assets agreed to purchase 5,543,500 Shares for an aggregate price of HK\$232,827,000.

2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

(a) Trademarks

(i) As at the Latest Practicable Date, the following trademarks were licensed to the Group from BOC, which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		14, 16, 35, 36, 38, 41, 42	BOC	Hong Kong	301137366	11 June 2018
2.		9, 14, 16, 35, 36, 37, 38, 41, 42	BOC	Hong Kong	300367344	3 February 2025
3.		36	BOC	Hong Kong	199401892	2 March 2023

(b) Domain Names

As at the Latest Practicable Date, the Group had registered the following domain name:

No.	Domain Name	Registered Owner	Expiry Date
1.	www.bocaviation.com	The Company	30 April 2023

C. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Disclosure of Interests

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of the Directors and the chief executive of the Company will have any interests and/or short positions in the Shares and debentures of the Company or any interests and/or short positions (as applicable) in shares or debentures of any of the

Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

2. Particulars of Letters of Appointment and Service Contracts

Each Director has entered into a letter of appointment in relation to his/her role as a director of the Company, which is subject to termination by the Director or the Company in accordance with the terms of the letter of appointment, the requirements of the Listing Rules and the provisions relating to the retirement and rotation of the Directors under the Constitution. The term of appointment of each Non-executive Director and each Independent Non-executive Director commences on the Listing Date and ends on 31 December 2016 and is automatically renewable for successive 12 month periods.

Pursuant to the terms of the letters of appointment:

- (a) the Executive Directors are not entitled to receive any director's fees;
- (b) the Non-Executive Directors have waived their entitlement to receive any director's fees; and
- (c) the Independent Non-executive Directors are entitled to receive the following director's fees: (i) Mr. Antony Nigel Tyler is entitled to receive an annual director's fee of US\$100,000 and additional annual fees of US\$20,000 as the chairman of the Risk Committee, US\$10,000 as a member of the Audit Committee and US\$10,000 as a member of the Strategy and Budget Committee, (ii) Mr. Dai Deming is entitled to receive an annual director's fee of US\$30,000 and additional annual fees of US\$20,000 as the chairman of the Audit Committee, US\$5,000 as a member of the Nomination Committee and US\$5,000 as a member of the Remuneration Committee and (iii) Mr. Fu Shula is entitled to receive an annual director's fee of US\$30,000 and additional annual fees of US\$15,000 as the chairman of the Remuneration Committee, US\$10,000 as a member of the Audit Committee and US\$5,000 as a member of the Nomination Committee.

Each Director is entitled to be indemnified by the Company (to the extent permitted under the Constitution and applicable laws) and to be reimbursed by the Company for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

For details of the Directors' remuneration, see "*Directors and Senior Management — Directors' Remuneration and Remuneration of Five Highest Paid Individuals*".

4. Agency Fees or Commissions Received

The Underwriters will receive an underwriting commission in connection with the Underwriting Agreements, as detailed in "*Underwriting — Commissions and Expenses*". Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in "*Appendix V — Statutory and General Information*" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

5. Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

6. Further Information on a Director

Mr. Robert Martin was a director of Solitaire Company Limited ("**Solitaire**"), which was previously a wholly-owned subsidiary of the Company incorporated in Singapore and the issuer of certain bonds. Following the redemption by Solitaire of the bonds issued by it and as it was then a dormant company, an application was made by Solitaire to the Accounting and Corporate Regulatory Authority of Singapore for striking off and the striking off took effect on 24 November 2015. In addition, Mr. Robert Martin was a director of Sopros Limited (a company incorporated in the British Virgin Islands) and Sopros Limited (a company incorporated in New Zealand), which were investment holding companies which were voluntarily wound-up and were struck off on 3 May 2016 and 17 February 2016, respectively.

7. Disclaimers

- (a) None of the Directors nor any of the experts referred to in "*Appendix V — Statutory and General Information*" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

- (b) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in “*Appendix V — Statutory and General Information*” below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.
- (c) None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).
- (d) Save as disclosed in “*Relationship with BOC*”, neither BOC, BOCGI, the Selling Shareholder nor the Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.
- (e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.
- (f) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong and Singapore.

2. The Joint Sponsors

Goldman Sachs (Asia) L.L.C. satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

BOCI does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules as it is a subsidiary of BOC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company.

The Joint Sponsors will receive an aggregate fee of US\$1 million for acting as the sponsor for the Listing.

3. Registration Procedures

The register of members of the Company will be maintained in Singapore by the Company and a Hong Kong register of members of the Company will be maintained in Hong Kong by the Share Registrar. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share register in Hong Kong and may not be lodged in the Singapore.

4. Preliminary Expenses

The Company did not incur any preliminary expenses.

5. Promoter

The Company has no promoter. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Financial Adviser

BOCI has been appointed by the Company as the Sole Financial Adviser to the Company in respect of the Global Offering. Principal functions of the Sole Financial Adviser include to manage the overall execution of the Global Offering and to assist the Company and BOC to design the structure of the Global Offering.

7. Particulars of the Selling Shareholder

Pursuant to the Global Offering, the Selling Shareholder will sell the Sale Shares. Certain particulars of the Selling Shareholder are set out below:

<u>Name</u>	<u>Description</u>	<u>Address</u>	<u>Number of Sale Shares (excluding Sale Shares to be sold pursuant to the Over-allotment Option)</u>	<u>Maximum number of Sale Shares that may be sold pursuant to the Over-allotment Option</u>
Sky Splendor Limited	Investment holding company	P.O. Box 2804 4th Floor Willow House Cricket Square Grand Cayman Cayman Islands	104,101,500	31,230,400

A statement of particulars of the Selling Shareholder has been attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration.

8. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
BOCI	Licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Goldman Sachs (Asia) L.L.C.	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Allen & Gledhill LLP	Singapore attorneys-at-law
Ernst & Young	Certified Public Accountants
Ascend	Industry consultant

Each of BOCI, Goldman Sachs (Asia) L.L.C., Allen & Gledhill LLP, Ernst & Young and Ascend has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

- (a) Save as disclosed in “*History and Corporate Structure*”, “*Share Capital*”, “*Structure of the Global Offering*” and “— *Statutory and General Information*”, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.
- (d) None of the equity and debt securities of the Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) The Company has no outstanding convertible debt securities or debentures.
- (f) None of BOCI, Goldman Sachs (Asia) L.L.C., Allen & Gledhill LLP, Ernst & Young and Ascend:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.
- (g) No company within the Group is presently listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought.
- (h) The English text of this prospectus and the Application Forms shall prevail over their respective Chinese text.
- (i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in “*Appendix V — Statutory and General Information*”;
- (c) the written consents referred to in “*Appendix V — Statutory and General Information*”; and
- (d) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the new Constitution of the Company;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in “*Appendix I — Accountants’ Report*” and “*Appendix II — Unaudited Pro Forma Financial Information*”, respectively;
- (c) the audited consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015;
- (d) the letter from Allen & Gledhill LLP, the Company’s Singapore legal adviser, summarising the constitution of the Company and salient provisions of the laws of Singapore referred to in “*Appendix IV — Summary of the Constitution of the Company and Salient Provisions of the Laws of Singapore*”;
- (e) the Singapore Companies Act;
- (f) the letters of appointment referred to in “*Appendix V — Statutory and General Information*”;
- (g) the material contracts referred to in “*Appendix V — Statutory and General Information*”;

- (h) the written consents referred to in “*Appendix V — Statutory and General Information*”; and
- (i) the statement of particulars of the Selling Shareholder referred to in “*Appendix V — Statutory and General Information*”.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“ A\$ ” or “ Australian Dollars ” . . .	the lawful currency of Australia
“ aircraft ”	commercial aircraft
“ Americas ”	the region comprising North and South America
“ AOG ”	aircraft on ground, namely owned but not leased to an airline customer or sold
“ Application Form(s) ”	the WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“ Ascend ”	Ascend Flightglobal Consultancy, an independent market research consultant
“ Asia Pacific ”	The region of Asia bordering the Pacific Ocean
“ average aircraft age ”	average aircraft age of our owned aircraft fleet is calculated by reference to net book value and weighted accordingly. For owned aircraft on finance leases to airline customers, the weighting is based on the book value of the finance lease receivable. Prior to the Track Record Period there were two aircraft on such finance leases since 2007. There were none in the Track Record Period
“ average cost of funds ”	calculated as the sum of finance expenses and capitalised interest, divided by average total indebtedness. Average total indebtedness equals the total indebtedness at the beginning of the year plus total indebtedness as at the end of the year, divided by two. Total indebtedness represents loans and borrowings and finance lease payables before fair value and discount/premium to medium term notes adjustments and deducting debt issue costs
“ aviation industry ”	industry encompassing the airline, aircraft manufacturing and aircraft operating, leasing and financing industry groups
“ Board ” or “ Board of Directors ”	the board of directors of the Company

“BOC” or “Bank of China”	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC on 26 August 2004, the H-shares and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively and the ultimate controlling shareholder of the Company
“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, and a wholly-owned subsidiary of BOC and a controlling shareholder of the Company
“BOCHK”	Bank of China (Hong Kong) Limited (中國銀行(香港)有限公司), a company incorporated in Hong Kong with limited liability on 16 October 1964, and a wholly-owned subsidiary of BOCHK Holdings
“BOCHK Holdings”	BOC Hong Kong (Holdings) Limited (中國香港(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 (stock code: 02388) and a subsidiary of BOC
“BOCHK Holdings Group” . . .	BOCHK Holdings and its subsidiaries
“BOCI”	BOCI Asia Limited (中銀國際亞洲有限公司), a company incorporated in Hong Kong with limited liability on 10 July 1998
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Account”	a securities account maintained by a CCASS Participant with CCASS
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“COMAC”	Commercial Aircraft Corporation of China., Ltd.
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability on 25 November 1993 with previous name Singapore Aircraft Leasing Enterprise Pte. Ltd.
“Constitution”	the constitution of the Company (as amended from time to time), conditionally adopted on 12 May 2016 and which will become effective upon the Listing, a summary of which is set out in <i>“Appendix IV — Summary of the Constitution of the Company and Salient Provisions of the Laws of Singapore”</i>
“controlling shareholder”	has the meaning given to it in the Listing Rules and, unless the context requires otherwise, refers to BOC, BOCGI and the Selling Shareholder
“Director(s)”	the director(s) of the Company
“EDB”	Economic Development Board of Singapore
“Egypt”	the Arab Republic of Egypt
“EMTN Programme”	the US\$2.0 billion Euro Medium Note Programme established by the Company in September 2012, increased to US\$5.0 billion in April 2014, and converted to the US\$5.0 billion GMTN Program in March 2015
“France”	the Republic of France
“FY” or “financial year”	financial year ended or ending 31 December

“Global Offering”	the Hong Kong Public Offering and the International Offering
“GMTN Program”	the US\$5.0 billion Global Medium Term Note Program which was converted from the US\$5.0 billion EMTN Programme in March 2015 and which was updated in April 2016
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “we”, “our” or “us” . . .	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollars”	the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares” . . .	the 15,615,400 New Shares initially being offered by the Company pursuant to the Hong Kong Public Offering (subject to reallocation as described in “ <i>Structure of the Global Offering</i> ”)
“Hong Kong Public Offering” .	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in “ <i>Structure of the Global Offering</i> ”
“Hong Kong Share Registrar” .	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters” . . .	the underwriters listed in “ <i>Underwriting — Hong Kong Underwriters</i> ”, being the underwriters of the Hong Kong Public Offering

“Hong Kong Underwriting Agreement”	the underwriting agreement dated 18 May 2016 relating to the Hong Kong Public Offering entered into among the Company, BOC, BOCGI, the Selling Shareholder, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters and the Joint Lead Managers, as further described in <i>“Underwriting”</i>
“IFRS”	International Financial Reporting Standards
“independent third party”	any party who is not connected (within the meaning of the Listing Rules) with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“International Offer Shares”	the 88,486,100 New Shares initially being offered by the Company and the 104,101,500 Sale Shares initially being offered by the Selling Shareholder pursuant to the International Offering (subject to reallocation as described in <i>“Structure of the Global Offering”</i>) together with, where relevant, up to an additional 31,230,400 Sale Shares which may be sold by the Selling Shareholder pursuant to any exercise of the Over-allotment Option
“International Offering”	the offer of the International Offer Shares (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in <i>“Structure of the Global Offering”</i>
“International Underwriters”	the underwriters named in the International Underwriting Agreement, being the underwriters of the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the and the Joint Lead Managers International Offering to be entered into amongst the Company, BOC, BOCGI, the Selling Shareholder, the Joint Global Coordinators and the International Underwriters on or about 25 May 2016, as further described in <i>“Underwriting”</i>
“Ireland”	the Republic of Ireland

“Joint Bookrunners”	BOCI, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, BNP Paribas Securities (Asia) Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering and the Hong Kong Underwriting Agreement) and Citigroup Global Markets Limited (in relation to the International Offering and the International Underwriting Agreement)
“Joint Lead Managers”	BOCI, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, BNP Paribas Securities (Asia) Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering and the Hong Kong Underwriting Agreement), Citigroup Global Markets Limited (in relation to the International Offering and the International Underwriting Agreement) and China Securities (International) Corporate Finance Company Limited
“Joint Global Coordinators”	BOCI, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
“Joint Sponsors”	BOCI and Goldman Sachs (Asia) L.L.C.
“Latest Practicable Date”	9 May 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 1 June 2016, 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 of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	Macau Special Administrative Region of the PRC
“MYR” or “Malaysian Ringgit”	the lawful currency of Malaysia
“New Shares”	the 104,101,500 Shares initially being offered by the Company for subscription under the Global Offering
“NM”	data not meaningful

“OEM”	original equipment manufacturer, for example of an aircraft or of an engine
“Offer Price”	the offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of HK\$42.00
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be sold by the Selling Shareholder pursuant to any exercise of the Over-allotment Option
“Order Book”	includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft
“Over-allotment Option”	the option expected to be granted by the Selling Shareholder under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Selling Shareholder may be required to sell up to an additional 31,230,400 Shares (representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to, amongst other things, cover over-allocations in the International Offering, if any, as further described in “ <i>Structure of the Global Offering</i> ”
“owned aircraft” or “Owned Aircraft”	includes (i) aircraft to which the Group holds the legal and/or beneficial title and (ii) aircraft held by the Group through finance leases under which the Group has all the risks and rewards of ownership, and has recorded such aircraft on its balance sheet
“PLB transactions” or “purchase and leaseback transactions”	transactions whereby an aircraft operating lessor purchases aircraft from an airline and leases that aircraft back to the same airline
“PRC” or “China”	the People’s Republic of China, but for the purposes of this prospectus only, except where the context requires, references in this prospectus to PRC or China exclude Hong Kong, Macau and Taiwan

“ QIB ”	a qualified institutional buyer within the meaning of Rule 144A
“ region ”	geographic regions of our customers, which we classify by reference to their principal place of business
“ Regulation S ”	Regulation S under the U.S. Securities Act
“ Relevant Persons ”	the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, BOC, BOCGI, the Selling Shareholder, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Global Offering
“ return on equity ” or “ ROE ” and “ average ROE ”	ROE is calculated by dividing profit after tax for the year by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the year plus total equity as at the end of the year, divided by two. Average ROE over a period is calculated by reference to ROE for each year for the relevant period. For the purpose of calculating the average ROE over the Track Record Period of listed aircraft leasing companies, annualised ROE for the six months ended on 30 June 2015 is used in place of the full year 2015 figures for listed aircraft leasing companies that had not released full year 2015 financial results
“ RMB ” or “ Chinese Yuan Renminbi ”	the lawful currency of the PRC
“ Rule 144A ”	Rule 144A under the U.S. Securities Act
“ Russia ”	the Russian Federation
“ S\$ ” or “ Singapore Dollars ”	the lawful currency of Singapore
“ Sale Shares ”	the 104,101,500 Shares initially being offered by the Selling Shareholder for purchase under the Global Offering together with, where relevant, up to an additional 31,230,400 Shares which may be sold by the Selling Shareholder pursuant to any exercise of the Over-allotment Option

“Selling Shareholder”	Sky Splendor Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 5 December 2006, and a wholly-owned subsidiary of BOC and the immediate controlling shareholder of the Company
“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
“SFRS”	Singapore Financial Reporting Standards
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the share capital of the Company
“Singapore”	the Republic of Singapore
“Singapore Companies Act”	the Companies Act, Chapter 50 of Singapore, as amended or supplemented from time to time
“Stabilising Manager”	Goldman Sachs (Asia) L.L.C.
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about Wednesday, 25 May 2016 between Goldman Sachs International and the Selling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Syria”	the Syrian Arab Republic
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the three years ended 31 December 2015
“Ukraine”	the Republic of Ukraine
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” or “U.S. Dollars”	the lawful currency of the United States of America

“U.S.” or “United States” or “USA”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“U.S. Dollar LIBOR”	the interest rate calculated by reference to the London interbank rate for unsecured funds denominated in U.S. Dollars
“U.S. Exim”	the Export-Import Bank of the United States
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

In this prospectus, unless the context otherwise requires, the terms “**associate**”, “**connected person**”, “**connected transaction**”, “**subsidiary**” and “**substantial shareholder**” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, for the purposes of translating certain amounts denominated in US\$ into HK\$ and translating certain amounts denominated in HK\$ into US\$ an exchange rate of US\$1.00 = HK\$7.7605 has been applied. This exchange rate is for illustrative purposes only and such conversions shall not be construed as representations that amounts in U.S. Dollars were or could have been or could be converted into Hong Kong Dollars and/or that amounts in Hong Kong Dollars were or could have been or could be converted into U.S. Dollars at such rate or any other exchange rates.

Unless otherwise specified, all references to any shareholdings in the Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.



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