BOC AVIATION

BOC AVIATION LIMITED
中銀航空租賃有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Stock Code: 2588

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

Our financial highlights for the six months ended 30 June 2019 are:

- Total revenues and other income rose 13% to US$930 million
- Net profit after tax was US$321 million, an increase of 8% over the first half of 2018
- Earnings per share of US$0.46
- Interim dividend of US$0.1388 per share
- Total assets increased 5% to US$19.2 billion as at 30 June 2019 from 31 December 2018
- Maintained strong liquidity with US$295 million in total cash and short-term deposits, and US$3.5 billion in undrawn committed credit facilities as at 30 June 2019
- Raised more than US$1.5 billion in new financing
- Portfolio utilisation and cash collection from airline customers of 99.6% and 97.2%, respectively

* *For identification purposes only.*

Capitalised terms used but not defined in this announcement are found in pages 26 to 27.

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

	Unaudited 6 months ended 30 June	
	2019	2018
	US$'m	*US$'m*
Statement of Profit or Loss		
Revenues and other income	**930**	825
Costs and expenses	**(579)**	(495)
Profit before income tax	**352**	329
Net profit after income tax	**321**	297

	Unaudited	Audited
	30 June	31 December
	2019	2018
	US$'m	*US$'m*
Statement of Financial Position		
Cash and short-term deposits	**295**	243
Total current assets	**375**	257
Total non-current assets	**18,786**	17,999
Total assets	**19,162**	18,256
Total current liabilities	**2,127**	1,709
Total non-current liabilities	**12,742**	12,349
Total liabilities	**14,870**	14,057
Net assets	**4,292**	4,199
Financial ratios		
Net assets per share (US$)[1]	**6.18**	6.05
Gearing (times)[2]	**3.1**	3.0

1 Net assets per share is calculated by dividing net assets by total number of shares outstanding at 30 June 2019, and 31 December 2018, in the respective columns. Number of shares outstanding at 30 June 2019 and 31 December 2018 was 694,010,334.

2 Gearing is calculated by dividing gross debt by total equity at 30 June 2019, and 31 December 2018, in the respective columns.

PORTFOLIO AND OPERATIONAL HIGHLIGHTS

Our operational transactions as at 30 June 2019 included:

- A portfolio of 499[1] owned, managed and committed aircraft
- Owned fleet of 314 aircraft, with an average age of 3.1 years and an average remaining lease term of 8.2 years, each weighted by net book value
- Orderbook of 162[1] aircraft scheduled for delivery over the period from 1 July 2019 to 31 December 2021
- Took delivery of 25 aircraft, including five acquired by airline customers on delivery, in the first half of 2019
- 18[1] aircraft scheduled for delivery in the first half of 2019 were delayed, comprising 12 Airbus aircraft delayed primarily due to industrial constraints and six Boeing aircraft delayed primarily due to the 737 MAX grounding
- Signed 39 lease commitments in the first half of 2019
- Customer base of 92 airlines in 40 countries and regions in the owned and managed fleet
- Sold 11 aircraft, including two managed aircraft
- Managed fleet comprised 23 aircraft
- Repossessed five owned and three managed aircraft from airlines that had ceased operations and delivered all eight aircraft to new customers

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

1: Aircraft portfolio at 30 June 2019, by number of aircraft

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order[1]	Total
Airbus A320CEO family	126	7	0	133
Airbus A320NEO family	36	0	52	88
Airbus A330CEO family	12	3	0	15
Airbus A330NEO family	0	0	12	12
Airbus A350 family	6	0	2	8
Boeing 737NG family	95	8	0	103
Boeing 737 MAX family	6	0	87	93
Boeing 777-300ER	19	3	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	9	0	6	15
Freighters	5	1	0	6
Total	314	23	162	499

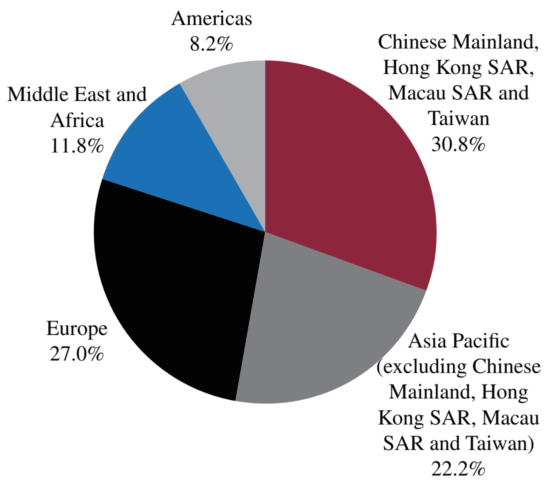
Previous guidance for the total number of aircraft to be delivered in 2019 was 79. Due to the changes outlined below, this number is now likely to be lower.

The Boeing Company acknowledged in its latest earnings call for the second quarter of 2019 that the return to service date for the currently-grounded 737 MAX aircraft has been further delayed. So far, this is equivalent to a six month delay from the start of the grounding in March 2019. We therefore expect that some or all of our 23 remaining 737 MAX aircraft that were scheduled for delivery in 2019 will be delayed out of this year and we are working with Boeing on a revised delivery timeframe.

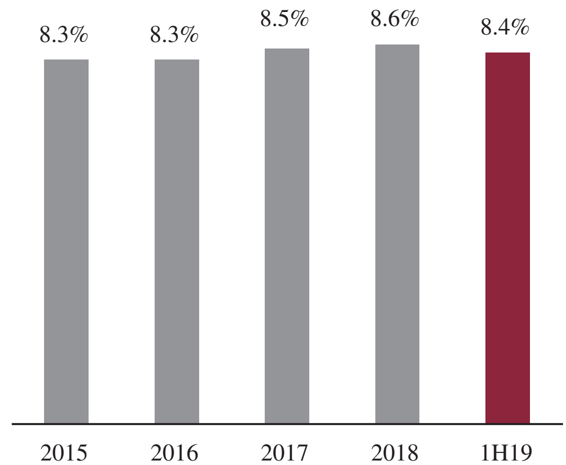
We now expect delivery delays could result in up to 30 aircraft being delayed out of 2019, including three for which an airline customer has the right to acquire the aircraft on delivery. These presently comprise up to seven Airbus A320 NEO aircraft and up to 23 Boeing 737 MAX aircraft.

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

2: Net book value of aircraft by region[1]

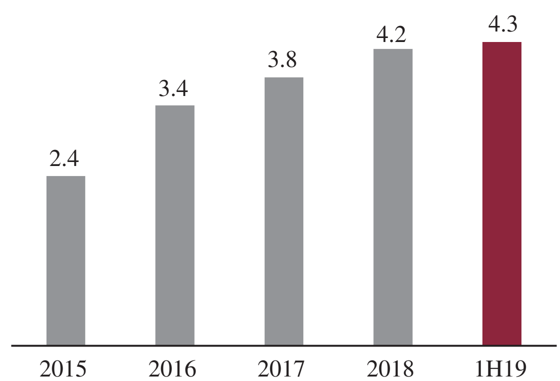


3: Net lease yield[2]



4: Net profit after tax, US$'m

5: Total equity[3], US$'b



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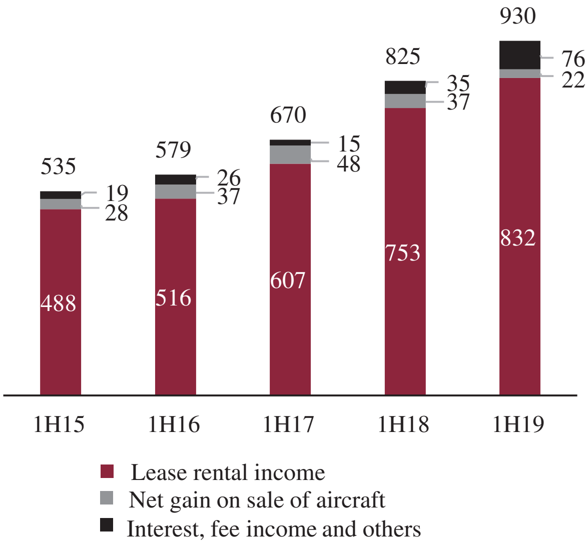
1 Based on the jurisdiction of the primary obligor under the relevant operating lease.

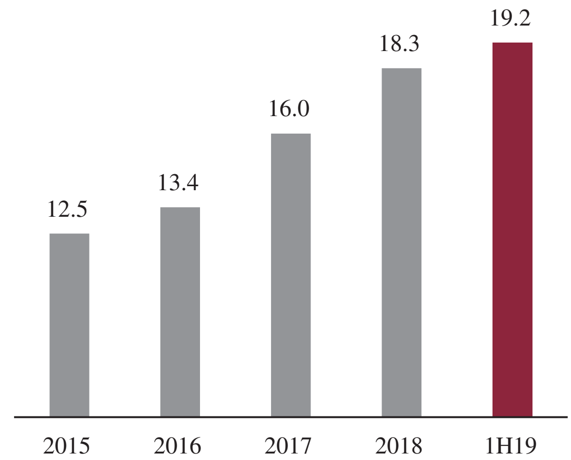
2 Net lease yield is calculated as annualised lease rental income less annualised finance expenses apportioned to lease rental income, divided by average net book value of aircraft.

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

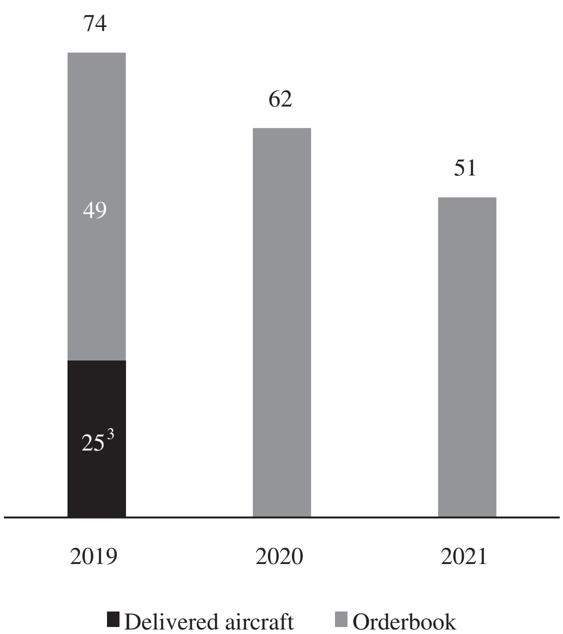
6: Revenues and other income breakdown, US$'m



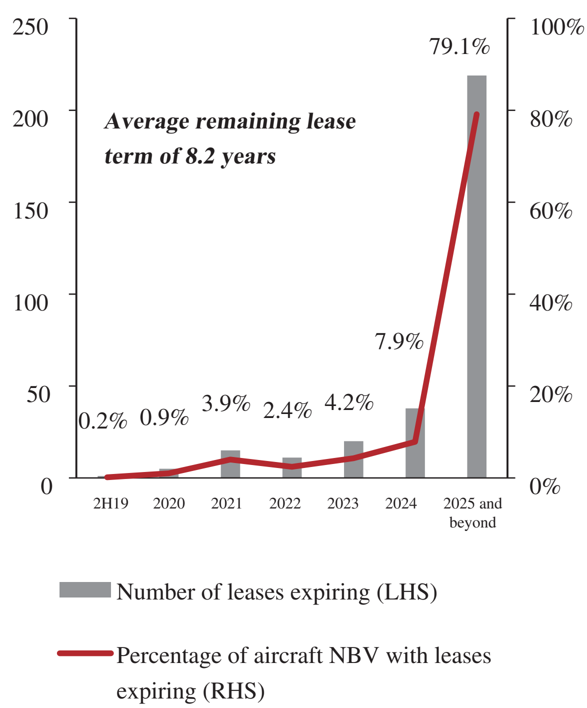
7: Total assets[1], US$'b



8: Committed aircraft deliveries by number of aircraft[2]



9: Lease expiries as % of portfolio[4]



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

2 Includes aircraft acquired or to be acquired by an airline customer on delivery. As discussed on page 4, the number of aircraft delivered in 2019 is likely to be lower, and up to 30 aircraft could be delayed out of 2019. Such delayed aircraft instead could be delivered in 2020 or in future years.

3 Aircraft delivered in 1H19. Includes five aircraft acquired by airline customers on delivery.

4 Owned aircraft with lease expiring in each calendar year excluding any aircraft for which we have a sale or lease commitment, weighted by net book value.

HALF YEAR BUSINESS REVIEW

BOC Aviation reported net profit after tax ("NPAT") of US$321 million in the first half of 2019, an increase in NPAT of 8% compared with the same period last year. The Board of Directors approved a distribution of US$0.1388 per share by way of interim dividend, which is an 8% increase compared to the interim dividend paid for the first half of 2018. The Company's dividend policy continues to be to distribute up to 35% of full-year NPAT.

Revenue rose 13% to US$930 million from US$825 million, reflecting 12% growth in total assets to US$19.2 billion, compared with 30 June 2018. Our fleet net book value grew at a similar rate compared with the prior year, to US$15.9 billion, as we continued to take delivery of modern, fuel efficient aircraft.

As at 30 June 2019, our orderbook stood at 162 aircraft. This includes 18 aircraft, representing incremental capital expenditure of US$0.9 billion, that were scheduled for delivery in the first half of 2019 and which have been delayed, comprising 12 Airbus aircraft delayed primarily due to industrial constraints and six Boeing aircraft delayed primarily due to the 737 MAX grounding. We expect that further delivery delays could result in up to 30 aircraft originally scheduled for delivery this year being delayed out of 2019, comprising up to 23 Boeing 737 MAX aircraft and up to seven Airbus A320 NEO aircraft. We are focused on replacing the capital expenditure represented by the delayed aircraft and we have, since 30 June 2019, already announced purchase and leaseback transactions for three A350 aircraft for delivery in 2019, two of which have closed.

The airline industry outlook remains broadly positive, with the International Air Transport Association (IATA) reporting 4.7% passenger traffic growth for the six months ended 30 June 2019. IATA expects this pace to be maintained for the balance of 2019, with 5% passenger traffic growth projected, in line with long-term trends. IATA projects airline earnings of US$28 billion in 2019, the industry's fifth year of robust profits as airline passenger demand and load factors remain healthy.

The prolonged grounding of the Boeing 737 MAX continues to exert negative pressure on the airline sector, depriving MAX customers of anticipated replacement and growth capacity as well as cost savings from the improved fuel-efficiency of the MAX. Airlines that already operate the MAX also have to bear the ownership cost of an asset that is not generating revenue. The longer that the return to service of the MAX is delayed, the more profound this effect on airline earnings will be.

Our owned fleet grew to 314 aircraft as at 30 June 2019, up from 303 at the end of 2018 – this despite delays of 18 aircraft originally scheduled for delivery in the first half of the year. We continued to record milestones during the first half, when we took delivery of our 350th Airbus aircraft delivery.

During the first half of 2019, we took delivery of 25 aircraft, including five that were acquired by airline customers on delivery. We also sold nine owned aircraft, generating a pre-tax gain on sale of US$22 million. After period end we announced the sale of 17 aircraft to a vehicle financed by an asset-backed securitization. The funding of that transaction closed on 15 July 2019 and we expect to complete the sale of the aircraft in the second half of 2019. The 17 aircraft leases will be managed by BOC Aviation after closing. The quality of our owned fleet remains strong, with a very young weighted average age of 3.1 years as at 30 June 2019 and we held the weighted average remaining lease term of our owned fleet at 8.2 years, one of the longest in industry.

Appraisers' estimates of the value of our owned fleet continue to be robust. As at 30 June 2019, the average of five independent appraisers' aggregate current market values for our owned fleet was US$17.4 billion on a full-life basis. This compared with a book value for our owned fleet of US$15.9 billion, representing a premium of 10% to net book value and equivalent to an additional US$1.5 billion of "hidden" equity value.

Total revenues and other income displayed double-digit growth in the first half of 2019, rising 13% to US$930 million from US$825 million in the first half of last year. We saw growth in most regions during the first half of 2019, with the current portfolio distribution as shown in exhibit 2 on page 5. As at 30 June 2019, we had 92 airline customers in 40 countries and regions as we continue to expand and diversify our customer base.

Our interest and fee income rose substantially in the first half of 2019, almost doubling to US$57 million, as we generated more revenue from pre-delivery payment transactions.

Overall, our portfolio is performing very well, notwithstanding a number of unscheduled transitions, generating a net lease yield of 8.4%. As at 30 June 2019, utilisation of the owned fleet was 99.6% and the collection rate was at 97.2%.

We had solid performance in the first half of 2019, and we expect further expansion of our business in the second half.

BUSINESS OVERVIEW

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

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

From our inception to 30 June 2019, we have:

- Purchased and committed to purchase more than 810 aircraft with an aggregate purchase price of more than US$44 billion
- Executed more than 900 leases with more than 160 airlines in 57 countries and regions
- Raised more than US$26 billion in debt financing since 1 January 2007
- Sold more than 340 owned and managed aircraft
- Transitioned 90 aircraft at lease end and repossessed and redeployed 46 aircraft from customers based in 14 countries and regions

As at 30 June 2019 our fleet comprised 337 owned and managed aircraft on lease to 92 customers in 40 countries and regions. We also had commitments to acquire 162 aircraft. Our orderbook principally comprises popular single-aisle aircraft, such as the Airbus A320 and Boeing 737 families. As at 30 June 2019, single-aisle aircraft made up 62% of our owned portfolio, weighted by net book value, with popular twin-aisle aircraft and freighters representing the balance.

The orderbook accounts for US$7.7 billion of future capital expenditure, as laid out in the table below, and this will drive our future portfolio growth.

Aircraft capital expenditure commitments*

	30 June 2019
	US$'b
2H 2019	**2.6**
2020	**3.9**
2021	**1.2**
Total	**7.7**

* Based on contractual scheduled delivery dates as at 30 June 2019. As discussed on page 4, the number of aircraft delivered in 2019 is likely to be lower, and up to 30 aircraft could be delayed out of 2019. Such delayed aircraft instead could be delivered in 2020 or in future years.

We benefit from a low average cost of debt, which was 3.6% for the first half of 2019, supported by our strong investment grade corporate and issuer credit ratings, which were A- from both S&P Global Ratings and Fitch Ratings, and by our access to diverse debt funding sources. Unsecured bonds and unsecured and secured third-party commercial bank debt are our primary sources of debt funding. We enjoy strong and committed support from Bank of China, a Fortune 50 company and a leading global bank. Bank of China has provided us with a US$2 billion committed unsecured revolving credit facility which matures in April 2022 and was fully undrawn as at 30 June 2019. Together with our cash and other undrawn credit facilities, we had available liquidity of US$3.8 billion as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

In the six months ended 30 June 2019, net profit after tax was US$321 million, an increase of 8.1% from the same period last year. Total revenues and other income increased by 12.8% to US$930 million which was mainly driven by the increase in lease rental income as a result of the increase in the owned aircraft portfolio. The increase in total costs and expenses by 16.9% was largely due to an increase in depreciation of property, plant and equipment and an increase in finance expenses.

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

	Unaudited 6 months ended 30 June			
	2019	2018	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Lease rental income	**832,482**	753,418	79,064	10.5
Interest and fee income	**57,081**	28,900	28,181	97.5
Other income:				
Net gain on sale of aircraft	**22,095**	36,600	(14,505)	(39.6)
Others	**18,772**	5,614	13,158	234.4
Total revenues and other income	**930,430**	824,532	105,898	12.8
Depreciation of property, plant and equipment	**297,703**	267,173	30,530	11.4
Finance expenses	**212,570**	162,127	50,443	31.1
Staff costs	**37,280**	40,926	(3,646)	(8.9)
Impairment losses on financial assets	**3,844**	–	3,844	nm
Other operating costs and expenses	**27,452**	25,138	2,314	9.2
Total costs and expenses	**(578,849)**	(495,364)	83,485	16.9
Profit before income tax	**351,581**	329,168	22,413	6.8
Income tax expense	**(30,490)**	(32,148)	(1,658)	(5.2)
Profit for the period	**321,091**	297,020	24,071	8.1

nm: Not meaningful

Revenues and other income

Our total revenues and other income increased by 12.8% to US$930 million in the first half of 2019 (“1H 2019”) from US$825 million in the first half of 2018 (“1H 2018”), primarily due to an increase in lease rental income as described below.

Lease rental income

Our lease rental income increased by 10.5% to US$832 million in 1H 2019 compared with US$753 million in 1H 2018. The main driver for the increase in lease rental income was the growth in our fleet to 314 aircraft compared with 294 aircraft (excluding one aircraft subject to finance lease) as at 30 June 2018.

Interest and fee income

Our interest and fee income increased to US$57 million in 1H 2019 from US$29 million in 1H 2018. This increase was primarily due to an increase in fees from pre-delivery payments transactions.

Net gain on sale of aircraft

Net gain on sale of aircraft decreased by 39.6% to US$22 million in 1H 2019 compared with US$37 million in 1H 2018 primarily due to a decrease in the number of aircraft sold. Nine aircraft were sold in 1H 2019 compared with 18 aircraft sold in 1H 2018.

Costs and expenses

The increase in costs and expenses of 16.9% to US$579 million in 1H 2019 from US$495 million in 1H 2018 was primarily due to the increase in depreciation of property, plant and equipment and the increase in finance expenses which are described below.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by 11.4% to US$298 million in 1H 2019, up from US$267 million in 1H 2018, mainly due to an increase in aircraft assets, with aircraft net book value increasing from US$14.3 billion as at 30 June 2018 to US$15.0 billion as at 31 December 2018, and a further increase to US$15.9 billion as at 30 June 2019.

Finance expenses

Finance expenses increased by 31.1% to US$213 million in 1H 2019 from US$162 million in 1H 2018. This was due to the combined effect of (i) an increase in our total indebtedness from US$11.7 billion as at 30 June 2018 to US$12.5 billion as at 31 December 2018 and a further increase to US$13.1 billion as at 30 June 2019 and (ii) an increase in our average cost of debt from 3.1% in 1H 2018 to 3.6% in 1H 2019. The increase in the average cost of debt arose from the effect of higher USD LIBOR on our floating rate debt and an increase in the proportion and amount of our fixed rate debt and interest rate hedging between 30 June 2018 and 30 June 2019.

Staff costs

Staff costs decreased by 8.9% to US$37 million in 1H 2019 from US$41 million in 1H 2018 mainly due to the lower provision for variable bonuses in 1H 2019 compared with 1H 2018.

Impairment losses on financial assets

Impairment losses on financial assets of US$4 million were recognised in 1H 2019 in respect of trade receivables comprising amounts due under aircraft leases that were past due and in excess of the security deposits held by us under those leases.

Other operating costs and expenses

Other operating costs and expenses mainly comprise amortisation of deferred debt issue costs, repossession costs, marketing and travelling costs, general and administration costs, and taxes (other than income tax expense). The increase in these costs of 9.2% to US$27 million in 1H 2019 from US$25 million in 1H 2018 was mainly due to costs relating to repossession of aircraft.

Profit before income tax and pre-tax profit margin

Profit before income tax increased by 6.8% to US$352 million in 1H 2019 from US$329 million in 1H 2018. Our pre-tax profit margin decreased to 37.8% in 1H 2019 from 39.9% in 1H 2018.

Income tax expense

Income tax expense decreased by 5.2% to US$30 million in 1H 2019 from US$32 million in 1H 2018 mainly due to a higher write-back of tax provision in respect of prior years in 1H 2019 of US$3 million. As a result, our effective tax rate was reduced to 8.7% in 1H 2019 from 9.8% in 1H 2018.

Profit for the period

As a result of the foregoing, our profit after tax increased by 8.1% to US$321 million in 1H 2019 from US$297 million in 1H 2018.

Since the publication of our audited financial statements for the year ended 31 December 2018 on 13 March 2019, there have been no material changes to our business.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Our total assets increased by 5.0% to US$19.2 billion as at 30 June 2019 from US$18.3 billion as at 31 December 2018. Our total equity increased by 2.2% to US$4.3 billion as at 30 June 2019 compared with 31 December 2018.

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

	Unaudited 30 June 2019	Audited 31 December 2018	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Property, plant and equipment	**18,760,409**	17,973,481	786,928	4.4
Cash and short-term deposits	**295,170**	242,983	52,187	21.5
Derivative financial instruments	**4,546**	16,972	(12,426)	(73.2)
Trade receivables	**23,304**	7,984	15,320	191.9
Other assets	**78,072**	14,803	63,269	427.4
Total assets	**19,161,501**	18,256,223	905,278	5.0
Loans and borrowings	**12,907,547**	12,278,727	628,820	5.1
Maintenance reserves	**759,049**	732,133	26,916	3.7
Security deposits and non-current deferred income	**344,658**	329,597	15,061	4.6
Derivative financial instruments	**225,313**	123,748	101,565	82.1
Trade and other payables	**198,891**	156,923	41,968	26.7
Other liabilities	**434,404**	436,069	(1,665)	(0.4)
Total liabilities	**14,869,862**	14,057,197	812,665	5.8
Net assets	**4,291,639**	4,199,026	92,613	2.2
Share capital	**1,157,791**	1,157,791	–	–
Retained earnings	**3,230,745**	3,037,898	192,847	6.3
Statutory reserves	**262**	63	199	315.9
Share-based compensation reserves	**3,983**	1,931	2,052	106.3
Hedging reserves	**(101,142)**	1,343	(102,485)	nm
Total equity	**4,291,639**	4,199,026	92,613	2.2

nm: Not meaningful

Property, plant and equipment

We had property, plant and equipment of US$18.8 billion as at 30 June 2019, which increased by 4.4% from US$18.0 billion as at 31 December 2018 due to net addition of 11 aircraft in 1H 2019.

Aircraft constituted the largest component, amounting to US$15.9 billion and US$15.0 billion as at 30 June 2019 and 31 December 2018, respectively, representing 84.8% and 83.2% of our total property, plant and equipment as at the same dates. Aircraft pre-delivery payments constituted 15.2% and 16.8% of our total property, plant and equipment as at 30 June 2019 and 31 December 2018, respectively.

Trade receivables

Trade receivables, net of allowance for impairment losses of US$3.8 million, increased to US$23.3 million as at 30 June 2019 from US$8.0 million as at 31 December 2018. The increase was mainly due to delayed payments by certain airline customers as at 30 June 2019. An amount of US$21.1 million was past due and an amount of US$3.8 million, representing the overdue amount in excess of security deposits, was provided for as impairment losses in the profit or loss statement. Another amount of US$4.5 million was contractually deferred by mutual agreement and is interest bearing, and the balance of US$1.5 million was not past due.

Other assets

Other assets increased to US$78 million as at 30 June 2019 from US$15 million as at 31 December 2018 mainly due to an amount of US$51.5 million due from an engine manufacturer which was contractually deferred by mutual agreement in return for a fee.

Cash and short-term deposits

Our cash and short-term deposits, which were mainly denominated in US Dollar, increased to US$295 million as at 30 June 2019 from US$243 million as at 31 December 2018. The increase in cash and short-term deposits was mainly due to the total net cash inflows from operating activities, financing activities and proceeds from sales of aircraft, having been greater than the cash outflows from capital expenditure during 1H 2019.

Derivative financial instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealised gains and losses, respectively, which were recognised in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap and interest rate swap contracts that we contracted as at 30 June 2019 and 31 December 2018 respectively. Under assets, our derivative financial instruments decreased to US$5 million as at 30 June 2019 from US$17 million as at 31 December 2018. Under liabilities, our derivative financial instruments increased to US$225 million as at 30 June 2019 from US$124 million as at 31 December 2018. The movements in derivative financial assets and liabilities were primarily due to an increase in interest rate swap contracts entered into by the Group in 1H 2019 and changes in marked-to-market values of the derivative financial instruments as a result of changes in interest rates. Due to the downward shift in interest rates in 1H 2019, the hedging reserve as at 30 June 2019 showed an unrealised loss of US$101 million compared with an unrealised gain of US$1 million as at 31 December 2018.

Trade and other payables

Our trade and other payables increased by 26.7% to US$199 million as at 30 June 2019 compared with US$157 million as at 31 December 2018, primarily due to an increase in accrued maintenance reserve payables and accrued interest expenses mainly as a result of additional loans raised to finance capital expenditure in 1H 2019.

Loans and borrowings

Our loans and borrowings increased by 5.1% to US$12.9 billion as at 30 June 2019 from US$12.3 billion as at 31 December 2018 to finance an increase in capital expenditure. The increase in borrowings included the issuance of more than US$1.3 billion of notes under our Global Medium Term Note Program and the drawing down of a US$750 million term loan. An amount of US$1.5 billion in term loans, revolving credit facilities and medium term notes was repaid as part of regular loan repayment and loan prepayments.

Contingent liabilities

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies and for obligations under certain lease agreements entered into by the subsidiary companies as set out in Note 20 to the interim condensed consolidated financial statements as set out in the Appendix hereto (Interim Financial Statements), the Company had no material contingent liabilities as at 30 June 2019.

OTHER INFORMATION

Liquidity and capital resources

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

In the first six months of 2019 we issued more than US$1.3 billion of notes under our Global Medium Term Note Program. We have also utilised US$815 million under our committed revolving credit facilities as at 30 June 2019.

There was no significant change in our gearing as at 30 June 2019 compared with 31 December 2018 as demonstrated in the table below.

	Unaudited 30 June 2019 *US$'m*	Audited 31 December 2018 *US$'m*
Gross debt	**13,104**	12,476
Total equity	**4,292**	4,199
Gearing (times)	**3.1**	3.0

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

Our liquidity remains strong, with cash and short-term deposits of US$295 million and US$3.5 billion in undrawn revolving credit facilities as at 30 June 2019.

Indebtedness

	30 June 2019 US$'m	31 December 2018 US$'m
Secured		
Term loans	**766**	879
Export credit agency supported financing	**706**	808
Total secured debt	**1,472**	1,687
Unsecured		
Term loans	**2,645**	2,185
Revolving credit facilities	**815**	1,439
Medium term notes	**8,172**	7,165
Total unsecured debt	**11,632**	10,789
Total indebtedness	**13,104**	12,476
Less: debt discount, debt premium, debt issue costs and fair value and revaluation adjustments	**(196)**	(197)
Total debt	**12,908**	12,279
Number of aircraft pledged as security	**65**	71
Net book value of aircraft pledged as security	**3,010**	3,259

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

Of the total indebtedness, the amount of debt at fixed rates, including floating rate debt swapped to fixed rate liabilities, amounted to US$9.6 billion as at 30 June 2019 compared with US$7.6 billion as at 31 December 2018.

Collateral for secured debt will typically include a mortgage over the relevant aircraft, an assignment of the operating lease of the relevant aircraft and/or a pledge of the shares in the subsidiary company that holds title to the relevant aircraft. In line with our strategy to reduce secured debt as a proportion of total assets and of total indebtedness, these proportions have come down in 1H 2019 as set out in the table below:

	30 June 2019	31 December 2018
Secured debt/total assets	**7.7%**	9.2%
Secured debt/total indebtedness	**11.2%**	13.5%

As at 30 June 2019, the debt repayment profile was as follows:

Debt repayment profile

	30 June 2019
	US$'b
2H 2019	**0.6**
2020	**1.9**
2021	**2.1**
2022	**2.2**
2023	**2.1**
2024 and beyond	**4.2**
Total	**13.1**

Foreign currency risk

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

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

Future plans for material investments and sources of funding

Our estimated cash outflows based on aircraft capital expenditure commitments* as at 30 June 2019 are set out below:

	30 June 2019
	US$'b
2H 2019	**2.6**
2020	**3.9**
2021	**1.2**
Total	**7.7**

* Based on contractual scheduled delivery dates as at 30 June 2019. As discussed on page 4, the number of aircraft delivered in 2019 is likely to be lower, and up to 30 aircraft could be delayed out of 2019. Such delayed aircraft instead could be delivered in 2020 or in future years.

Our aircraft purchase commitments as at 30 June 2019 are expected to be financed through a range of funding sources, including (a) cash flows generated from our operating activities, (b) proceeds from our notes issuance from debt capital markets, (c) amounts made available and drawn down under our various bank financing facilities, and (d) net proceeds from sales of owned aircraft.

Employees

As at 30 June 2019 and 30 June 2018, we had 165 and 158 employees respectively who were engaged in the operation and management of our business.

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

We set targets for our employees based on their position and role and periodically assess their performance. The results of such assessments are used in their salary reviews, bonus awards and assessing promotions. The employee remuneration package generally comprises a basic salary and a discretionary bonus element. Our employee bonuses include two employee incentive plans as follows: (i) our short term incentive plan which is cash-based and payable over a maximum three year period, under which a bonus is payable to employees when certain key performance indicator targets for each year are met, and (ii) our long term incentive plan, under which a bonus is awarded to selected employees based on the achievement of certain key performance targets at the end of a pre-determined period. From financial year 2017, the long term incentive plan was changed from a pure cash-based plan to a plan comprising a mix of cash-based and share-based elements. The share-based long term incentive plan involves the grant of awards in the form of restricted share units ("RSUs"), fulfilled through the purchase of Shares in the secondary market by an independent trustee after the announcement of results for the relevant financial year in which performance occurred. Upon vesting, RSUs will generally be satisfied by the transfer of Shares from the independent trustee to the employee. The first two grants under the RSU Plan were made in May 2018 and May 2019 respectively, and each RSU award is amortised over the vesting period of approximately three years commencing from the date of grant.

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

For the six months ended 30 June 2019 and 30 June 2018, our staff costs were US$37 million and US$41 million respectively, representing approximately 4.0% and 5.0% of the Group's total revenues and other income of each period.

GENERAL INFORMATION

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the six months ended 30 June 2019, there was no material acquisition nor disposal of subsidiaries, associates and joint ventures by the Company.

Dividend policy

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

Interim dividend

Consistent with the dividend policy, the Directors have declared an interim dividend of US$0.1388 per Share for the six months ended 30 June 2019. The interim dividend will be paid in Hong Kong dollars (converted from US Dollar at the prevailing market rate at least one week before the payment date) on 11 October 2019 to Shareholders registered at the close of business on the record date, being 3 October 2019. This declared interim dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

The register of members will be closed from 30 September 2019 to 3 October 2019 (both dates inclusive), during which no transfer of Shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong, for registration not later than 4:30 p.m. on 27 September 2019.

Substantial interests in share capital

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2019, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of total issued share capital (%)
Central Huijin Investment Limited	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOC	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
BOCGI	Interest of controlled corporation (L)	485,807,334 (Ordinary)	70
Sky Splendor Limited	Beneficial owner (L)	485,807,334 (Ordinary)	70

Notes:

1. BOCGI holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOCGI is deemed to have the same interests in the Company as Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.

2. BOC holds the entire issued share capital of BOCGI, which in turn holds the entire issued share capital of Sky Splendor Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCGI and Sky Splendor Limited for the purpose of the SFO. Sky Splendor Limited directly holds 485,807,334 Shares.

3. Central Huijin Investment Limited holds the controlling stake in the equity capital of BOC. Accordingly, for the purpose of the SFO, Central Huijin Investment Limited is deemed to have the same interest in the Company as BOC.

All the interests stated above represented long positions. Save as disclosed above and so far as the Directors are aware as at 30 June 2019, no other persons or corporations had 5% or more interests or short positions in the Shares or underlying shares of the Company which were recorded in the register maintained by the Company under section 336 of the SFO.

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

As at 30 June 2019, interests or short positions of the Directors or the Chief Executive Officer of the Company or their respective associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO and section 164 of the Singapore Companies Act, Cap. 50 or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position (ordinary Shares)

Name of Director	Number of underlying Shares held under equity derivatives (Note)	Approximate percentage of total issued share capital (%)
Mr. Robert James MARTIN	372,708	0.05
Mr. WANG Jian	84,645	0.01

Note: These represent the number of the RSUs which were granted to the Directors. Please see "Restricted Share Unit Long Term Incentive Plan" below for details.

Restricted Share Unit Long Term Incentive Plan

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

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

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

During the six months ended 30 June 2019, the Company granted awards under the RSU Plan on 3 May 2019 as set out below:

RSU Participants	**Position**	**Number of Shares underlying the RSUs granted**	**Approximate percentage of the total issued share capital (%)**
Mr. Robert James MARTIN	Executive Director	173,335	0.02
Mr. WANG Jian	Executive Director	49,755	0.01
Certain directors of subsidiaries of the Company	Subsidiary Directors	339,746	0.05
Employees of the Group other than Executive Directors and Subsidiary Directors	—	590,859	0.09
Total		1,153,695	0.17

Subject to the terms and conditions of the RSU Plan and the fulfilment of all conditions to the vesting of the awards, the Shares underlying each RSU award will vest in favour of the relevant RSU Participants (as set out in the table above) in accordance with the RSU Plan. For more information on the grant of awards under the RSU Plan on 3 May 2019, please refer to the Company's announcement dated 3 May 2019 on the websites of the Stock Exchange and the Company.

Change of information in respect of directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules after the publication of the Company's 2018 annual report dated 24 April 2019, up to 16 August 2019 (being the approval date of this results announcement) is set out below:

Experience including other directorships

Dr. YEUNG Yin Bernard, an independent non-executive Director of the Company, ceased to be the Dean at National University of Singapore Business School with effect from 1 June 2019.

Purchase, sale or redemption of the Company's securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Audit Committee

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

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

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

Compliance with the Corporate Governance Code and Corporate Governance Report

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. During the six months ended 30 June 2019, the Company was in full compliance with all code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules.

Compliance with the codes for securities transactions by Directors

The Company has established and implemented a Dealing Policy on terms no less exacting than the Model Code to govern the Directors' securities transactions of the Company. In this connection, the Company had made specific enquiry of all Directors, who confirmed that they had strictly complied with the provisions set out in both the Dealing Policy and the Model Code throughout the six months ended 30 June 2019.

Forward-looking statements

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

Publication of results announcement and unaudited Interim Financial Statements

This announcement, containing the full text of the 2019 Interim Report of the Company, complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcement of interim results. This announcement is published on the websites of the Company at www.bocaviation.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. A printed version of the Company's 2019 Interim Report, including our unaudited Interim Financial Statements for the six months ended 30 June 2019 (as set out in the Appendix hereto), will be despatched to the Shareholders who have chosen to receive a printed version and will also be available on the same websites in due course.

ADDITIONAL INFORMATION

As at 16 August 2019

CORPORATE INFORMATION

Board of Directors

Chairman
SUN Yu*

Vice Chairman
WANG Jian

Directors
Robert James MARTIN
LI Mang*
LIU Chenggang*
WANG Zhiheng*
ZHU Lin*
DAI Deming#
FU Shula#
Antony Nigel TYLER#
YEUNG Yin Bernard#

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

Senior Management

Managing Director and
Chief Executive Officer
Robert James MARTIN

Deputy Managing Director
WANG Jian

Deputy Managing Director and
Chief Financial Officer
PHANG Thim Fatt

Chief Operating Officer
David WALTON

Chief Commercial Officer
(Europe, Americas and Africa)
Steven TOWNEND

Chief Commercial Officer
(Asia Pacific and the Middle East)
GAO Jinyue

Company Secretary
ZHANG Yanqiu Juliana

Principal Place of Business and Registered Office
8 Shenton Way
#18-01
Singapore 068811

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

Independent Auditor
Ernst & Young LLP

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

Credit Ratings
S&P Global Ratings
Fitch Ratings

Stock Codes
Ordinary shares:

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

Website
www.bocaviation.com

DEFINITIONS

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

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

"RSU"	A restricted share unit, which is a contingent right to receive Shares, awarded pursuant to the RSU Plan
"RSU Plan"	The BOC Aviation Limited Restricted Share Unit Long Term Incentive Plan
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder"	A holder of Shares
"Shares"	Ordinary shares in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD", "US$" or "US Dollar"	The lawful currency of the United States of America
"USD LIBOR"	The interest rate calculated by reference to the London interbank rate for unsecured funds denominated in US Dollar

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

Hong Kong, 16 August 2019

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Sun Yu as Chairman and Non-executive Director, Mr. Robert James Martin and Mr. Wang Jian as Executive Directors, Mr. Li Mang, Mr. Liu Chenggang, Mr. Wang Zhiheng and Ms. Zhu Lin as Non-executive Directors and Dr. Dai Deming, Mr. Fu Shula, Mr. Antony Nigel Tyler and Dr. Yeung Yin Bernard as Independent Non-executive Directors.

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration No. 199307789K)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of BOC Aviation Limited (the “Company”) and its subsidiaries (collectively, the “Group”) as at 30 June 2019, which comprise the interim consolidated statement of financial position as at 30 June 2019 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) and SFRS(I) 1-34 Interim Financial Reporting (“SFRS(I) 1-34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
16 August 2019

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2019 to 30 June 2019

	Note	**Unaudited 1 January 2019 to 30 June 2019 US$'000**	Unaudited 1 January 2018 to 30 June 2018 US$'000
Revenues			
Lease rental income	25 (a)	**832,482**	753,418
Interest and fee income	3	**57,081**	28,900
Other income:			
Net gain on sale of aircraft	4	**22,095**	36,600
Others		**18,772**	5,614
		930,430	824,532
Costs and expenses			
Depreciation of property, plant and equipment		**297,703**	267,173
Finance expenses	5	**212,570**	162,127
Amortisation of deferred debt issue costs		**12,256**	12,539
Amortisation of lease transaction closing costs		**77**	76
Staff costs	6	**37,280**	40,926
Marketing and travelling expenses		**2,746**	2,628
Impairment losses on financial assets	9	**3,844**	–
Other operating expenses		**12,373**	9,895
		(578,849)	(495,364)
Profit before income tax		**351,581**	329,168
Income tax expense	7	**(30,490)**	(32,148)
Profit for the period attributable to owners of the Company		**321,091**	297,020
Earnings per share attributable to owners of the Company:			
Basic earnings per share (US$)	24	**0.46**	0.43
Diluted earnings per share (US$)	24	**0.46**	0.43

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2019 to 30 June 2019

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Profit for the period	**321,091**	297,020
Other comprehensive income for the period, net of tax:		
Items that may be reclassified subsequently to statement of profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	**(98,765)**	8,040
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	**(3,720)**	(2,846)
Total comprehensive income for the period attributable to owners of the Company	**218,606**	302,214

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019 US$'000**	Audited 31 December 2018 US$'000
Non-current assets			
Property, plant and equipment	8	**18,760,409**	17,973,481
Lease transaction closing costs		**1,233**	1,286
Derivative financial instruments	17	**4,546**	14,379
Trade receivables	9	**1,090**	909
Deferred income tax assets	15	**168**	146
Other non-current assets		**18,627**	9,291
		18,786,073	17,999,492
Current assets			
Derivative financial instruments	17	**–**	2,593
Trade receivables	9	**22,214**	7,075
Prepayments		**3,233**	2,451
Other receivables	10	**54,811**	1,629
Short-term deposits	11	**176,701**	152,936
Cash and bank balances	11	**118,469**	90,047
		375,428	256,731
Total assets		**19,161,501**	18,256,223
Current liabilities			
Derivative financial instruments	17	**51,637**	1,536
Trade and other payables	12	**198,891**	156,923
Deferred income		**61,992**	63,569
Income tax payables		**5,747**	599
Loans and borrowings	13	**1,756,770**	1,438,258
Lease liabilities	14	**1,684**	–
Security deposits		**50,720**	47,623
		2,127,441	1,708,508
Net current liabilities		**(1,752,013)**	(1,451,777)
Total assets less current liabilities		**17,034,060**	16,547,715

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

As at 30 June 2019

	Note	**Unaudited 30 June 2019 US$'000**	Audited 31 December 2018 US$'000
Non-current liabilities			
Derivative financial instruments	17	**173,676**	122,212
Loans and borrowings	13	**11,150,777**	10,840,469
Lease liabilities	14	**7,572**	–
Security deposits		**237,445**	221,529
Deferred income		**56,493**	60,445
Maintenance reserves		**759,049**	732,133
Deferred income tax liabilities	15	**315,062**	304,800
Other non-current liabilities		**42,347**	67,101
		12,742,421	12,348,689
Total liabilities		**14,869,862**	14,057,197
Net assets		**4,291,639**	4,199,026
Equity attributable to owners of the Company			
Share capital	16	**1,157,791**	1,157,791
Retained earnings		**3,230,745**	3,037,898
Statutory reserves		**262**	63
Share-based compensation reserves		**3,983**	1,931
Hedging reserves	18	**(101,142)**	1,343
Total equity		**4,291,639**	4,199,026
Total equity and liabilities		**19,161,501**	18,256,223

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2019 to 30 June 2019

		Attributable to owners of the Company					
	Note	**Share capital US$'000**	**Retained earnings US$'000**	**Statutory reserves* US$'000**	**Share-based compensation reserves US$'000**	**Hedging reserves US$'000**	**Total equity US$'000**
Unaudited 2019							
Balance at 1 January 2019, as previously reported/restated		1,157,791	3,037,898	63	1,931	1,343	4,199,026
Profit for the period		–	321,091	–	–	–	321,091
Transfers to statutory reserves		–	(199)	199	–	–	–
Other comprehensive income for the period, net of tax	18	–	–	–	–	(102,485)	(102,485)
Total comprehensive income for the period		–	320,892	199	–	(102,485)	218,606
Transactions with owners of the Company:							
Dividends	27	–	(128,045)	–	–	–	(128,045)
Share-based compensation		–	–	–	2,052	–	2,052
Balance at 30 June 2019		**1,157,791**	**3,230,745**	**262**	**3,983**	**(101,142)**	**4,291,639**
Unaudited 2018							
Balance at 1 January 2018		1,157,791	2,639,874	9	–	21,083	3,818,757
Profit for the period		–	297,020	–	–	–	297,020
Transfers to statutory reserves		–	(55)	55	–	–	–
Other comprehensive income for the period, net of tax		–	–	–	–	5,194	5,194
Total comprehensive income for the period		–	296,965	55	–	5,194	302,214
Transactions with owners of the Company:							
Dividends	27	–	(133,250)	–	–	–	(133,250)
Share-based compensation		–	–	–	483	–	483
Balance at 30 June 2018		**1,157,791**	**2,803,589**	**64**	**483**	**26,277**	**3,988,204**

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

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

BOC AVIATION LIMITED AND ITS SUBSIDIARY COMPANIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2019 to 30 June 2019

	Note	**Unaudited 1 January 2019 to 30 June 2019 US$'000**	Unaudited 1 January 2018 to 30 June 2018 US$'000
Cash flows from operating activities:			
Profit before income tax		**351,581**	329,168
Adjustments for:			
Depreciation of property, plant and equipment		**297,703**	267,173
Amortisation of deferred debt issue costs		**12,256**	12,539
Amortisation of lease transaction closing costs		**77**	76
Share-based compensation	6	**2,052**	483
Net gain on sale of aircraft	4	**(22,095)**	(36,600)
Interest and fee income	3	**(57,081)**	(28,900)
Finance expenses	5	**212,570**	162,127
Impairment losses on financial assets	9	**3,844**	–
Operating profit before working capital changes		**800,907**	706,066
Increase in receivables		**(84,786)**	(2,798)
Increase/(decrease) in payables		**1,999**	(3,373)
Increase in maintenance reserves		**55,541**	90,882
Decrease in deferred income		**(1,577)**	(6,875)
Cash generated from operations		**772,084**	783,902
Security deposits received, net		**22,461**	23,076
Lease transaction closing costs paid		**(52)**	(152)
Income tax paid, net		**(4,563)**	(7,157)
Interest and fee income received		**56,781**	29,512
Net cash flows from operating activities		**846,711**	829,181
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(1,455,368)**	(1,920,712)
Proceeds from sale of property, plant and equipment		**392,410**	738,794
Net cash flows used in investing activities		**(1,062,958)**	(1,181,918)

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

For the period from 1 January 2019 to 30 June 2019

	Note	**Unaudited 1 January 2019 to 30 June 2019 US$'000**	Unaudited 1 January 2018 to 30 June 2018 US$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**2,152,372**	1,450,000
Repayment of loans and borrowings		**(900,081)**	(520,880)
Decrease in borrowings from revolving credit facilities, net		**(624,000)**	(170,000)
Repayment of lease liabilities		**(706)**	–
Finance expenses paid		**(217,720)**	(161,142)
Debt issue costs paid		**(13,386)**	(6,004)
Dividends paid	27	**(128,045)**	(133,250)
Decrease in cash and bank balances - encumbered		**41**	39,145
Increase in cash and bank balances - encumbered		**(27,959)**	(13,763)
Net cash flows from financing activities		**240,516**	484,106
Net increase in cash and cash equivalents		**24,269**	131,369
Cash and cash equivalents at 1 January		**222,733**	241,847
Cash and cash equivalents at 30 June		**247,002**	373,216

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

1. Corporate information

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

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

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

2. Basis of preparation and significant accounting policies

As at 30 June 2019, the Group’s current liabilities exceeded its current assets by US$1,752.0 million (31 December 2018: US$1,451.8 million). The interim financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2018.

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

The accounting policies adopted are consistent with those of the previous financial year which are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2018. In the current financial period, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2019. The adoption of these standards did not have any material impact on the interim financial statements of the Group.

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

2.1 Changes in accounting policies

The Group has adopted IFRS 16/SFRS(I) 16 *Leases* on 1 January 2019. The nature of the changes in this financial reporting standard is described below:

IFRS 16/SFRS(I) 16 *Leases*

IFRS 16/SFRS(I) 16 requires a lessee to recognise leases on the balance sheet but provides exemptions for leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments ("lease liability") and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The lessee will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

As the Group is primarily a lessor engaging in leasing aircraft, the adoption of this standard did not have a material impact on the interim condensed consolidated financial statements of the Group. The Group has adopted this standard using the modified retrospective approach at the date of initial application, 1 January 2019. The Group, as a lessee of office and facilities spaces, has chosen on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group elected the following practical expedients:

* not to reassess whether a contract is, or contains, a lease at the date of initial application and to apply this standard to all contracts that were previously identified as leases
* to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months from 1 January 2019 and for leases of low-value assets
* to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

Accordingly, for leases of office and facilities spaces previously classified as operating leases, the Group recognised the right-of-use assets of US$9.9 million classified in property, plant and equipment, and total lease liabilities of US$9.9 million. No changes were made to the opening retained earnings on 1 January 2019.

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

2.1 Changes in accounting policies (cont'd)

IFRS 16/SFRS(I) 16 *Leases (cont'd)*

The following table presents the reconciliation of lease liabilities as of 1 January 2019:

	US$'000
Minimum lease payments under operating leases as of 31 December 2018	7,393
Recognition exemption for short-term leases and leases of low-value assets	(135)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(344)
Contracts reassessed as service agreements	(923)
Adjustments as a result of a different treatment of extension options	3,908
Liabilities recognised based on the initial application of IFRS 16/SFRS(I) 16 as of 1 January 2019	9,899

The weighted average incremental borrowing rate for lease liabilities initially recognised as of 1 January 2019 was 3.33% per annum.

3. Interest and fee income

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Interest income from short-term deposits and bank balances	**3,160**	1,392
Fee income from aircraft pre-delivery payments	**49,886**	23,936
Lease management fee income	**1,179**	1,704
Remarketing fee income	**1,500**	1,125
Others	**1,356**	743
	57,081	28,900

4. Net gain on sale of aircraft

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Proceeds from sale of aircraft	**247,799**	722,141
Maintenance reserves released	**33,425**	2,668
Net book value of aircraft classified as:		
Property, plant and equipment	**(255,265)**	(390,509)
Assets held for sale	**–**	(295,803)
Expenses	**(3,864)**	(1,897)
	22,095	36,600

5. Finance expenses

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Interest expense and other charges on:		
Loans and borrowings	**212,409**	161,896
Finance leases	**–**	231
	212,409	162,127
Lease liabilities*	**161**	–
	212,570	162,127

* Interest expense on lease liabilities recognised in accordance with IFRS 16/SFRS(I) 16 *Leases*.

6. Staff costs

	Unaudited 1 January 2019 to 30 June 2019	Unaudited 1 January 2018 to 30 June 2018
	US$'000	US$'000
Salaries, bonuses and other staff costs	**33,600**	39,169
Employers' defined contributions	**1,628**	1,274
Share-based compensation	**2,052**	483
	37,280	40,926

Share-based compensation (equity-settled)

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

RSUs granted by the Group but not yet vested:

Year of grant	**Fair value at grant date HK$**	**Fair value at grant date US$**	**At 1 January 2019**	**Granted during the period**	**Forfeited during the period**	**At 30 June 2019**
2018	46.61	5.94	1,273,080	–	(25,651)	1,247,429
2019	65.64	8.36	–	1,153,695	–	1,153,695
			1,273,080	**1,153,695**	**(25,651)**	**2,401,124**

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

7. Income tax expense

	Unaudited 1 January 2019 to 30 June 2019	Unaudited 1 January 2018 to 30 June 2018
	US$'000	US$'000
Current income tax	**9,680**	7,703
Deferred income tax	**20,810**	24,445
Income tax expense	**30,490**	32,148

During the period ended 30 June 2019, there was a reversal of prior year provision of income tax liabilities no longer required of US$3.4 million (2018: US$0.7 million).

8. Property, plant and equipment

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use asset US$'000	Total US$'000
Cost:						
At 1 January 2018	15,041,583	2,004,277	1,603	11,383	–	17,058,846
Additions	1,698,738	2,471,401	547	1,846	–	4,172,532
Disposals/reductions	(915,731)	(116,745)	(257)	(46)	–	(1,032,779)
Transfers	1,345,149	(1,345,149)	–	–	–	–
Transfer to assets held for sale	(407,639)	–	–	–	–	(407,639)
Adjustments	1,992	(85)	–	–	–	1,907
At 31 December 2018 and 1 January 2019	16,764,092	3,013,699	1,893	13,183	–	19,792,867
Adoption of IFRS 16/SFRS(I) 16	–	–	–	–	9,899	9,899
Additions	827,198	646,460	1	788	63	1,474,510
Disposals/reductions	(336,878)	(144,611)	–	(179)	–	(481,668)
Transfers	671,127	(671,127)	–	–	–	–
Adjustments	98	–	–	–	–	98
At 30 June 2019	**17,925,637**	**2,844,421**	**1,894**	**13,792**	**9,962**	**20,795,706**

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

	Aircraft US$'000	Aircraft pre-delivery payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Right-of-use asset US$'000	Total US$'000
Accumulated depreciation and impairment:						
At 1 January 2018	1,613,609	–	1,060	10,014	–	1,624,683
Charge for the period	540,701	–	208	1,925	–	542,834
Disposals	(219,952)	–	(195)	(46)	–	(220,193)
Transfer to assets held for sale	(127,938)	–	–	–	–	(127,938)
At 31 December 2018 and 1 January 2019	1,806,420	–	1,073	11,893	–	1,819,386
Charge for the period	295,822	–	182	812	887	297,703
Disposals	(81,613)	–	–	(179)	–	(81,792)
At 30 June 2019	**2,020,629**	–	**1,255**	**12,526**	**887**	**2,035,297**
Net book value:						
At 31 December 2018	14,957,672	3,013,699	820	1,290	–	17,973,481
At 30 June 2019	**15,905,008**	**2,844,421**	**639**	**1,266**	**9,075**	**18,760,409**

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

(a) Impairment of aircraft assets

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Movement of impairment provision:		
At beginning of period/year	**–**	4,700
Utilised	**–**	(4,700)
At end of period/year	**–**	–

(b) Assets pledged as security or held under lease arrangements

As at 30 June 2019, the net book value of aircraft owned by the Group that have been charged for loan facilities granted (Note 13) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft amounted to US$3,009.7 million (31 December 2018: US$3,258.5 million).

(c) Capitalisation of borrowing costs

As at 30 June 2019, the borrowing costs capitalised as cost of aircraft amounted to US$19.1 million (31 December 2018: US$29.2 million). The rate used to determine the amount of borrowing costs for capitalisation ranged from 2.4% to 3.4% per annum for the period ended 30 June 2019 (for the year ended 31 December 2018: 2.4% to 3.2% per annum).

9. Trade receivables

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Trade receivables – gross carrying amount		
Current	**26,058**	7,075
Non-current	**1,090**	909
	27,148	7,984
Less: Impairment losses charged during the period	**(3,844)**	–
	23,304	7,984
Trade receivables – net of allowance for impairment losses		
Current	**22,214**	7,075
Non-current	**1,090**	909
	23,304	7,984

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Trade receivables are generally secured by cash security deposits or letters of credit. Included in the current and non-current portion of trade receivables was an amount of US$3.4 million (31 December 2018: US$4.2 million) and US$1.1 million (31 December 2018: US$0.9 million), respectively that was contractually deferred by mutual agreement and is interest bearing.

Impairment of financial assets

The Group recognises an allowance for impairment losses by providing for expected credit losses when the lessee does not pay the amounts due under its lease agreements in excess of the security deposit or the value of the collateral. It also recognises allowances for impairment losses where the receivables were past due more than 90 days and are not secured.

9. Trade receivables (cont'd)

Impairment of financial assets (cont'd)

As at 30 June 2019, the aging of the current portion of trade receivables based on the receivables due date is as follows:

Unaudited 30 June 2019	**Current**	**Less than 30 days past due**	**30 to 60 days past due**	**61 to 90 days past due**	**More than 90 days past due**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount	4,883	7,123	6,777	6,050	1,225	26,058
Allowance for impairment losses	–	–	872	1,747	1,225	3,844

As at 31 December 2018, the current portion of trade receivables of US$7.1 million were neither past due nor impaired.

10. Other receivables

Included in other receivables was an amount of US$51.5 million (31 December 2018: nil) due from an engine manufacturer which was contractually deferred by mutual agreement in return for a fee.

11. Cash and cash equivalents

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Short-term deposits	**176,701**	152,936
Cash and bank balances	**118,469**	90,047
	295,170	242,983
Less: encumbered cash and bank balances	**(48,168)**	(20,250)
Cash and cash equivalents	**247,002**	222,733

As at 30 June 2019, there were no short-term deposits placed with the intermediate holding company (31 December 2018: US$45.0 million) and other related parties (31 December 2018: US$12.0 million) by the Group.

As at 30 June 2019, the Group's cash and bank balances included an amount of US$11.7 million (31 December 2018: US$11.4 million) placed with the intermediate holding company.

12. Trade and other payables

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Trade payables	**744**	258
Sundry payables	**2,699**	2,728
Accrued interest expenses	**87,846**	76,521
Accrued maintenance reserve payables	**35,052**	7,271
Accrued technical expenses	**2,215**	1,926
Staff costs related accruals	**51,367**	44,070
Other accruals and liabilities	**18,968**	24,149
	198,891	156,923

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.

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

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Current	**576**	256
1 – 30 days	**165**	–
31 – 60 days	**3**	–
61 – 90 days	–	–
More than 90 days	–	2
	744	258

13. Loans and borrowings

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Current:		
Medium term notes	**977,620**	300,000
Loans	**840,667**	1,150,566
Medium term notes discount (net of premium)	**(647)**	(241)
Fair value and revaluation adjustments	**(51,491)**	(1,536)
Deferred debt issue costs	**(9,379)**	(10,531)
	1,756,770	1,438,258
Non-current:		
Medium term notes	**7,194,772**	6,865,019
Loans	**4,090,853**	4,160,037
Medium term notes discount (net of premium)	**(14,151)**	(9,639)
Fair value and revaluation adjustments	**(56,885)**	(106,498)
Deferred debt issue costs	**(63,812)**	(68,450)
	11,150,777	10,840,469
Total loans and borrowings	**12,907,547**	12,278,727

As at 30 June 2019, total loans and borrowings of the Group included secured liabilities of US$1,471.5 million (31 December 2018: US$1,686.6 million). These amounts are secured by the related aircraft, certain cash and bank balances and designated bank accounts and/or a pledge of the shares in certain subsidiary companies that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to all of these companies' assets and revenues. These exclude 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.

13. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the Group's gross loans and borrowings before adjustments for debt issue costs, fair value, revaluations and discounts/premiums to medium term notes:

	One year or less	One to two years	Two to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Unaudited 30 June 2019					
Medium term notes	977,620	838,040	3,538,011	2,818,721	8,172,392
Loans	840,667	868,068	3,188,160	34,625	4,931,520
Total gross loans and borrowings	**1,818,287**	**1,706,108**	**6,726,171**	**2,853,346**	**13,103,912**
Audited 31 December 2018					
Medium term notes	300,000	1,129,788	3,674,174	2,061,057	7,165,019
Loans	1,150,566	828,324	3,155,115	176,598	5,310,603
Total gross loans and borrowings	1,450,566	1,958,112	6,829,289	2,237,655	12,475,622

13. Loans and borrowings (cont'd)

(a) Medium term notes

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

			Unaudited As at 30 June 2019		
		Maturity	**Outstanding amounts**	**Amounts swapped to US$ and floating rates**	**Amounts swapped to US$ and fixed rates**
		(Year)	**US$'000**	**US$'000**	**US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.5% to 5.5%	2020 to 2024	290,179	250,179	40,000
Hong Kong Dollar	3.25% to 3.6%	2026 to 2027	159,837	–	159,837
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2020 to 2027	5,800,000	200,000	–
			6,732,392	823,672	308,720
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	1,440,000	–	1,440,000
			8,172,392	**823,672**	**1,748,720**

			Audited As at 31 December 2018		
		Maturity	**Outstanding amounts**	**Amounts swapped to US$ and floating rates**	**Amounts swapped to US$ and fixed rates**
		(Year)	**US$'000**	**US$'000**	**US$'000**
Currency	**Fixed Coupon Rate (p.a.)**				
Australian Dollar	5.375%	2020 to 2021	373,493	373,493	–
Chinese Yuan	4.5% to 5.5%	2020 to 2024	290,179	250,179	40,000
Hong Kong Dollar	3.25%	2027	102,464	–	102,464
Singapore Dollar	3.93%	2025	108,883	–	108,883
United States Dollar	2.375% to 4.375%	2019 to 2027	4,850,000	500,000	–
			5,725,019	1,123,672	251,347
Currency	**Floating Rate (p.a.)**				
United States Dollar	3-month LIBOR + Margin ranging from 1.05% to 1.30%	2021 to 2025	1,440,000	–	1,440,000
			7,165,019	1,123,672	1,691,347

13. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

As at 30 June 2019, an amount of US$823.7 million (31 December 2018: US$1,123.7 million) in medium term notes has been swapped to floating rate liabilities and US Dollar (for non-US Dollar denominated notes) via interest rate swap and cross-currency interest rate swap contracts. The carrying amount of these medium term notes was US$719.9 million (31 December 2018: US$1,021.4 million). These notes are liabilities designated as hedged items in fair value hedge and classified under Level 2 of the fair value hierarchy. The floating interest rates ranged from 3.0% to 5.0% per annum for the period ended 30 June 2019 (for the year ended 31 December 2018: 1.9% to 4.9% per annum).

The effects of fair value hedges on the notes as at 30 June 2019 were as follows:

	Unaudited 30 June 2019			
	Outstanding amounts	Discount and deferred debt issue costs	Accumulated amount of fair value and revaluation adjustments	Carrying amounts of liabilities
	US$'000	US$'000	US$'000	US$'000
Fair value hedge				
Foreign currency and interest rate risks				
- Cross-currency interest rate swaps	**623,672**	**(408)**	**(101,598)**	**521,666**
- Interest rate swaps	**200,000**	**(305)**	**(1,446)**	**198,249**
	823,672	**(713)**	**(103,044)**	**719,915**

As at 30 June 2019, an amount of US$308.7 million (31 December 2018: US$251.3 million) in medium term notes which was denominated in non-US Dollar currencies at fixed rates has been swapped to US Dollar and at fixed rates via cross-currency interest rate swap contracts to hedge (i) the exposure to exchange rates of loans and borrowings issued in non-US Dollar currencies (fair value hedge) and (ii) the exposure to variability in cash flows for the related borrowings (cash flow hedge). The portion of the fair value change attributable to changes in the exchange rate is recognised in profit or loss, and the remaining portion attributable to cash flow variability is recognised in hedging reserve. The net fair value loss on these financial instruments of US$6.2 million for the period ended 30 June 2019 (for the year ended 31 December 2018: gain of US$2.4 million) was recognised in hedging reserve while the balance amount was recognised in profit or loss.

As at 30 June 2019, an amount of US$1,440.0 million (31 December 2018: US$1,440.0 million) in medium term notes has been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The net fair value loss on these financial instruments of US$37.2 million for the period ended 30 June 2019 (for the year ended 31 December 2018: US$14.9 million) was recognised in hedging reserve.

13. Loans and borrowings (cont'd)

(a) Medium term notes (cont'd)

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

(b) Loans

Interest on floating rate loans of the Group is set at specified margins above US Dollar LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 3.6% per annum for the period ended 30 June 2019 (for the year ended 31 December 2018: 3.1% per annum). The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans as at 30 June 2019 are between 2019 and 2025 (31 December 2018: 2019 and 2025).

As at 30 June 2019, the loan due to the intermediate holding company amounted to US$95 million (31 December 2018: nil), and the loans due to other related parties amounted to US$743.5 million (31 December 2018: US$735.3 million).

As at 30 June 2019, loans outstanding amounting to US$2,265 million (31 December 2018: US$1,550 million) have been swapped to fixed rate liabilities via interest rate swaps to hedge exposure to variability in cash flows from related loans which are pegged to US Dollar LIBOR. These hedges are classified as cash flow hedges. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The net fair value loss of financial instruments of US$59.1 million for the period ended 30 June 2019 (for the year ended 31 December 2018: US$7.2 million) was accounted for in hedging reserve.

As at 30 June 2019, the Group had unutilised unsecured committed revolving credit facilities of US$3,510 million (31 December 2018: US$2,841 million). These facilities include a US$2 billion committed revolving credit facility which is granted by the intermediate holding company and matures in 2022, and an amount of US$255.5 million (31 December 2018: US$118.7 million) in undrawn commitments which are provided by other related parties as part of committed syndicated revolving credit facilities which mature between 2019 and 2021. The Group had committed long-term credit facilities pending the provision of new replacement aircraft as collateral of US$16.6 million (31 December 2018: nil).

As at 30 June 2019, the Group had a committed unutilised unsecured term loan facility of US$25 million (31 December 2018: US$750 million), of which none (31 December 2018: US$145 million) was provided by related parties.

14. Lease liabilities

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Current	**1,684**	–
Non-current	**7,572**	–
	9,256	–

Interest on the leases ranged from 3.3% to 3.4% per annum.

The maturity profile of the Group's lease liabilities is as follows:

	One year or less US$'000	**One to two years US$'000**	**Two to five years US$'000**	**Over five years US$'000**	**Total US$'000**
Unaudited 30 June 2019	**1,684**	**1,501**	**4,529**	**1,542**	**9,256**

15. Deferred income tax assets and liabilities

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Deferred income tax liabilities, net	**315,062**	304,800
Deferred income tax assets, net	**(168)**	(146)
	314,894	304,654

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

16. Share capital

	Unaudited 30 June 2019		Audited 31 December 2018	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of period/year	**694,010**	**1,157,791**	694,010	1,157,791

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

17. Derivative financial instruments

	Unaudited 30 June 2019			Audited 31 December 2018		
	Outstanding notional amounts US$'000	**Assets US$'000**	**Liabilities US$'000**	Outstanding notional amounts US$'000	Assets US$'000	Liabilities US$'000
Current:						
Cross-currency interest rate swaps	**227,620**	**–**	**(50,191)**	–	–	–
Interest rate swaps	**200,000**	**–**	**(1,446)**	600,000	2,593	(1,536)
		–	**(51,637)**		2,593	(1,536)
Non-current:						
Cross-currency interest rate swaps	**704,772**	**–**	**(57,160)**	875,019	2,859	(99,733)
Interest rate swaps	**3,705,000**	**4,546**	**(116,516)**	2,890,000	11,520	(22,479)
		4,546	**(173,676)**		14,379	(122,212)

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

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

17. Derivative financial instruments (cont'd)

The Group determines the economic relationship between the loans and borrowings and the derivatives by matching the critical terms of the hedging instruments with the terms of the hedged items. The hedge ratio (the ratio between the notional amount of the derivative financial instrument to the amount of the loans and borrowings being hedged) is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivatives match exactly with the terms of the hedged item.

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

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates USD interest rates (p.a.)	Hedge rates Foreign currency rates	Maturity (Year)
Unaudited 30 June 2019					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Australian Dollar	373,493	(88,868)	6-month LIBOR + Margin ranging from 1.70% to 1.96%	US$1 : AUD1.06 to AUD 1.08	2020 to 2021
- Chinese Yuan	250,179	(13,351)	6-month LIBOR + Margin ranging from 0.64% to 2.28%	US$1 : CNY6.04 to CNY 6.57	2020 to 2024
Interest rate swaps[2]					
- United States Dollar	200,000	(1,446)	6-month LIBOR + Margin ranging from 1.283% to 1.378%	–	2020
Cash flow hedge					
Cross-currency interest rate swaps[3]					
- Chinese Yuan	40,000	(3,175)	2.95%	US$1 : CNY6.25	2020
- Hong Kong Dollar	159,837	(787)	3.72% to 4.13%	US$1 : HK$7.81 to US$1 : HK$7.84	2026 to 2027
- Singapore Dollar	108,883	(1,170)	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[4]					
- United States Dollar	3,705,000	(111,970)	1.975% to 4.242%	–	2020 to 2025

17. Derivative financial instruments (cont'd)

	Outstanding notional amounts US$'000	Assets/ (Liabilities) US$'000	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
Audited **31 December 2018**					
Fair value hedge					
Cross-currency interest rate swaps[1]					
- Australian Dollar	373,493	(81,001)	6-month LIBOR + Margin ranging from 1.70% to 1.96%	US$1 : AUD1.06 to AUD 1.08	2020 to 2021
- Chinese Yuan	250,179	(15,154)	6-month LIBOR + Margin ranging from 0.64% to 2.28%	US$1 : CNY6.04 to CNY 6.57	2020 to 2024
Interest rate swaps[2]					
- United States Dollar	500,000	(4,806)	6-month LIBOR + Margin ranging from 1.283% to 2.05%	–	2019 to 2020
Cash flow hedge					
Cross-currency interest rate swaps[3]					
- Chinese Yuan	40,000	(2,846)	2.95%	US$1 : CNY6.25	2020
- Hong Kong Dollar	102,464	(732)	3.72%	US$1 : HK$7.81	2027
- Singapore Dollar	108,883	2,859	4.00%	US$1 : SGD1.33	2025
Interest rate swaps[4]					
- United States Dollar	2,990,000	(5,096)	1.975% to 4.242%	–	2019 to 2025

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

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

17. Derivative financial instruments (cont'd)

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

[4] The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. Under these interest rate swaps, the Group receives floating interest pegged to US Dollar LIBOR and pays fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognised in hedging reserve.

18. Hedging reserves

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

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Interest rate and foreign currency risk:		
At beginning of period/year	**1,343**	21,083
Effective portion of changes in fair value of cash flow hedges, net of tax:		
- Interest rate swaps	**(92,736)**	(14,871)
- Cross-currency interest rate swaps	**(6,029)**	4,153
	(98,765)	(10,718)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax:		
- Interest rate swaps	**(3,560)**	(7,240)
- Cross-currency interest rate swaps	**(160)**	(1,782)
	(3,720)	(9,022)
	(102,485)	(19,740)
At end of period/year	**(101,142)**	1,343

19. Commitments

(a) Operating lease commitments

(i) Operating lease commitments - As lessor

Aircraft

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

	Unaudited 30 June 2019 US$ million	Audited 31 December 2018 US$ million
Within one year	**1,680**	1,604
Between one and two years	**1,638**	1,547
Between two and three years	**1,559**	1,509
Between three and four years	**1,502**	1,420
Between four and five years	**1,436**	1,377
After five years	**5,192**	5,101
	13,007	12,558

Future net minimum lease receivables under the non-cancellable operating leases for aircraft committed but yet to be delivered are as follows:

	Unaudited 30 June 2019 US$ million	Audited 31 December 2018 US$ million
Within one year	**75**	108
Between one and two years	**166**	199
Between two and three years	**206**	282
Between three and four years	**209**	294
Between four and five years	**204**	292
After five years	**1,502**	2,221
	2,362	3,396

19. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

The Group leases office and facility spaces under non-cancellable operating lease agreements. With the adoption of IFRS 16/SFRS(I) 16 *Leases,* the Group has recognised the lease liabilities representing the present value of the minimum lease payments on the statement of financial position as disclosed in Note 14. As at 31 December 2018, future minimum lease payments for the office leases was US$2.3 million within one year and US$5.1 million between one and five years.

(b) Capital expenditure commitments

As at 30 June 2019, the Group had committed to purchase various aircraft delivering between 2019 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery was US$7,688.9 million (31 December 2018: US$9,216.7 million).

20. 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 30 June 2019, the corporate guarantees for loans to subsidiary companies amounted to US$3,981.7 million (31 December 2018: US$4,232.3 million).

21. Related party transactions

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

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

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

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

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**194**	109
Interest expense	**223**	–
(b) Other related parties:		
Interest income	**192**	89
Interest expense	**13,415**	8,323

21. Related party transactions (cont'd)

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Directors' and key executives' remuneration paid during the period*		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**5,991**	5,054
CPF and other defined contributions	**4**	4
	5,995	5,058
(b) Key executives (excluding executive directors) of the Group:		
Salary, bonuses and other costs	**8,895**	8,077
CPF and other defined contributions	**218**	208
	9,113	8,285

* Exclude share-based compensation expense as described below.

As at 30 June 2019, deferred cash bonuses of US$30.4 million (31 December 2018: US$20.2 million) in respect of services performed in prior years were payable to directors of the Company and key executives of the Group.

As at 30 June 2019, the Group granted 457,353 and 643,571 (31 December 2018: 234,263 and 351,472) RSUs to directors of the Company and key executives of the Group respectively.

The share-based compensation expense for the period ended 30 June 2019 was US$0.4 million (2018: US$0.1 million) and US$0.5 million (2018: US$0.1 million) for directors of the Company and key executives of the Group respectively.

22. 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.

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.

Please refer to the Group's audited consolidated financial statements for year ended 31 December 2018 for a detailed discussion on how management manages its key financial risks.

23. Capital management

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

The Group manages its capital structure through the use of equity and debt after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholders, adjust dividend payments to the shareholders or return capital to the shareholders. The changes in share capital and dividends are disclosed in Note 16 and Note 27 respectively. There were no changes made in the objectives, policies or processes during the period from 1 January 2019 to 30 June 2019 and the year ended 31 December 2018.

The Group monitors its gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in its loan facilities and to maintain its investment grade credit rating. Gross debt comprises the Group's loans and borrowings before adjustments for debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Total equity refers to the equity attributable to owners of the Company.

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Gross debt	**13,103,912**	12,475,622
Total equity	**4,291,639**	4,199,026
Gearing (times)	**3.1**	3.0

24. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 30 June 2019 and 30 June 2018.

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

	Unaudited 1 January 2019 to 30 June 2019	Unaudited 1 January 2018 to 30 June 2018
Earnings		
Earnings used in the computation of basic and diluted earnings per share (profit for the period attributable to owners of the Company) (US$'000)	**321,091**	297,020
Number of shares		
Weighted average number of ordinary shares of basic and diluted earnings per share computation ('000)	**694,010**	694,010
Basic earnings per share (US$)	**0.46**	0.43
Diluted earnings per share (US$)	**0.46**	0.43

25. Segmental analysis

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

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income by the operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	Unaudited 1 January 2019 to 30 June 2019		Unaudited 1 January 2018 to 30 June 2018	
	US$ million	**%**	US$ million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**195**	**23.4**	182	24.2
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**251**	**30.2**	218	29.0
Americas	**82**	**9.9**	100	13.2
Europe	**211**	**25.4**	184	24.4
Middle East and Africa	**93**	**11.1**	69	9.2
	832	**100.0**	753	100.0

Other than the lease rental income attributable to the Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 30.2% (2018: 29.0%) of the total lease rental income, there was no other country concentration in excess of 10% of the total lease rental income for the period ended 30 June 2019.

25. Segmental analysis (cont'd)

(b) Net book value of aircraft

The distribution of net book value of the aircraft by the operator's geographic region based on the jurisdiction of each airline customer under the relevant operating lease:

	Unaudited 30 June 2019		Audited 31 December 2018	
	US$ million	**%**	US$ million	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,526**	**22.2**	3,424	22.9
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**4,902**	**30.8**	4,685	31.3
Europe	**4,283**	**27.0**	3,536	23.6
Middle East and Africa	**1,883**	**11.8**	1,918	12.8
Americas and others	**1,311**	**8.2**	1,395	9.4
	15,905	**100.0**	14,958	100.0

Other than the net book value of aircraft leased to operators in Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan which accounted for 30.8% of the total net book value as at 30 June 2019 (31 December 2018: 31.3%), there was no other country concentration in excess of 10% of total net book value.

26. Classification of financial instruments and their fair values

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

Financial assets measured at amortised cost comprise trade receivables (Note 9), other non-current assets, other receivables (Note 10), short-term deposits and cash and bank balances (Note 11).

As at 30 June 2019, the financial assets measured at amortised cost for the Group were US$374.9 million (31 December 2018: US$254.2 million).

Financial liabilities measured at amortised cost comprise trade and other payables (Note 12), loans and borrowings (Note 13), lease liabilities (Note 14), security deposits and other non-current liabilities.

As at 30 June 2019, the financial liabilities measured at amortised cost for the Group were US$13,445.2 million (31 December 2018: US$12,770.3 million).

(a) Financial instruments carried at fair values

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 17).

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

(b) Financial instruments whose carrying amounts approximate fair values

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

The carrying amounts of non-current loans and borrowings that are floating rate instruments reasonably approximate their fair values because these are repriced to market interest rates on or near the end of each period/year.

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

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

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

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Medium term notes :		
Carrying amounts	**5,877,111**	4,578,648
Fair values	**5,986,956**	4,492,516

As at 30 June 2019, the fair value measurement of the above financial instruments were classified under Level 1 of the fair value hierarchy as these amounts were based on quoted prices, except for the carrying amount of US$159.4 million (31 December 2018: US$102.2 million) with fair value of US$160.9 million (31 December 2018: US$98.5 million) which was classified under Level 2 of the fair value hierarchy as it was determined based on indicative bid price obtained from a counterparty.

27. Dividends

	Unaudited 1 January 2019 to 30 June 2019 US$'000	Unaudited 1 January 2018 to 30 June 2018 US$'000
Declared and paid during the period:		
Final dividend for 2018: US$0.1845 (2017: US$0.192) per share	**128,045**	133,250
Proposed as at 30 June:		
Interim dividend for 2019: US$0.1388 (2018: US$ 0.1284) per share	**96,329**	89,111

At the Annual General Meeting held on 29 May 2019, the shareholders approved a final dividend of US$0.1845 per ordinary share, which amounted to US$128.0 million, in respect of the profit for the year ended 31 December 2018. This dividend was paid in June 2019.

At a meeting on 16 August 2019, the directors declared an interim dividend of US$0.1388 per ordinary share for the period ended 30 June 2019 amounting to US$96.3 million. This declared interim dividend is not reflected as a dividend payable in this interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

28. Subsequent events

Subsequent to the period ended 30 June 2019, the Group has contracted to sell certain aircraft, including a portfolio sale to Silver Aircraft Lease Investment Limited, with net book value of US$678.7 million as at 30 June 2019 in the second half of 2019. The profits on sale and the disposal of aircraft will be recognised in the financial statements as and when the title to each aircraft is transferred to the buyer in the second half of 2019.

29. Authorisation of interim financial statements for issue

The interim financial statements for the period from 1 January 2019 to 30 June 2019 were authorised for issue in accordance with a resolution of the directors passed on 16 August 2019.