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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the BOC Aviation Pte. Ltd in such jurisdiction.

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OFFERING CIRCULAR

BOC AVIATION

BOC AVIATION PTE. LTD.

(*incorporated with limited liability in Singapore with Company Registration No. 199307789K*)

U.S.$2,000,000,000
Euro Medium Term Note Programme

Under this U.S.$2,000,000,000 Euro Medium Term Note Programme (the **Programme**), BOC Aviation Pte. Ltd. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currencies agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described in "*Subscription and Sale*"), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in, and for quotation of, any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the official list of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a Pricing Supplement (each, a **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Notes issued under the Programme may be rated or unrated. Where an issue of certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arrangers

CITIGROUP **HSBC**

Dealers

BOC INTERNATIONAL **CITIGROUP** **DBS BANK LTD.** **HSBC** **J.P. MORGAN** **MORGAN STANLEY** **STANDARD CHARTERED BANK** **UNITED OVERSEAS BANK**

Offering Circular dated 8 April 2013

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealer or the Managers, as the case may be.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Neither the Arrangers, The Bank of New York Mellon, London Branch, The Bank of New York Mellon, Singapore Branch, The Bank of New York Mellon, Hong Kong Branch, (*the Paying Agents*) or any Dealer has independently verified all the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Paying Agents or the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. None of the Arrangers, the Paying Agents or any Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers, the Paying Agents or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Arrangers, the Paying Agents or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arrangers, the Paying Agents or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Paying Agents and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Arrangers, the Paying Agents or any Dealer represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers, the Paying Agents or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Hong Kong and Singapore, see "*Subscription and Sale*".

None of the Arrangers, the Paying Agents, the Dealers or the Issuer makes any representation to any investor in any Notes regarding the legality of its investment under any applicable laws. Any investor in any Notes should be able to bear the economic risk of an investment in such Notes for an indefinite period of time.

All references in this document to *U.S. dollars*, *U.S.$* and *$* refer to United States dollars and to *Singapore dollars* and *S$* refer to Singapore dollars. In addition, all references to *Sterling* and *£* refer to pounds sterling and references to *Euro* and *€* refer to euro and refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. References to *CNY*, *Renminbi* and *RMB* are to the lawful currency of the People's Republic of China (the *PRC*).

References in this document to the *Group* shall mean the Issuer together with its subsidiaries.

FORWARD LOOKING STATEMENTS

This Offering Circular contains forward-looking statements including, without limitation, words and expressions such as **expect, believe, plan, intend, estimate, project, anticipate, may, will, would, could** or similar words or statements, in particular, in the section entitled "*Description of the Issuer*" in this Offering Circular in relation to future events, the Issuer, the Group, the Group's prospects, its expected financial condition, its business strategies, the future developments of the Group's operations and industry and the future development of the general domestic, regional and global economy.

These statements are based on numerous assumptions regarding the Group's present and future business strategy and the environment in which it expects to operate in the future. The Group's future results could differ materially from those expressed or implied by such forward-looking statements and although these forward-looking statements reflect its current view of future events, they are not a guarantee of future performance. In addition, the Group's future performance may be affected by various factors and risks including, without limitation, those discussed in the sections entitled "*Risk Factors*" and "*Description of the Issuer*".

Should one or more of these or other risks or uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements.

In this Offering Circular, statements of, or references to, intentions of the Issuer or those of any of the directors of the Issuer are made as at the date of this Offering Circular. Any such intentions may change in light of future developments.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Group; and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any published unaudited interim financial statements of the Group which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or subject to review by the auditors of the Group. Accordingly, there can be no assurance that, had an audit or review been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its registered office set out at the end of this Offering Circular. The Issuer has given an undertaking to the Dealers that as and when it is proposed that Notes be issued under the Programme, if any event shall have occurred as a result of which this Offering Circular, as amended or supplemented, would include a statement of fact which is not true and accurate or omit any fact the omission of which is material in the context of the Programme or the issue of Notes, or if there is a change in the condition of the Issuer which is material in the context of the Programme or the issue of Notes, a new offering circular will be prepared in each case in a form approved by the Dealers.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	BOC Aviation Pte. Ltd.
Description:	Euro Medium Term Note Programme.
Arrangers:	Citigroup Global Markets Singapore Pte. Ltd. The Hongkong and Shanghai Banking Corporation Limited.
Dealers:	BOCI Asia Limited Citigroup Global Markets Singapore Pte. Ltd. The Hongkong and Shanghai Banking Corporation Limited DBS Bank Ltd. Morgan Stanley Asia (Singapore) Pte. J.P. Morgan (S.E.A.) Limited Standard Chartered Bank United Overseas Bank Limited and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the UK Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Agent (in the case of all Notes other than Notes cleared through CDP (**CDP Notes**)), Transfer Agent and Paying Agent:	The Bank of New York Mellon, London Branch.

Agent and Registrar (in the case of CDP Notes):	The Bank of New York Mellon, Singapore Branch.
Registrar (other than in the case of CDP Notes and Notes to be cleared through CMU (**CMU Notes**)):	The Bank of New York Mellon (Luxembourg) S.A.
CMU Lodging and Paying Agent and Registrar (in the case of CMU Notes):	The Bank of New York Mellon, Hong Kong Branch.
Programme Size:	Up to U.S.$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfill its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form or in registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Rating:	The Programme has been rated A− by Fitch Ratings and BBB− by Standard and Poor's Ratings Services. Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Notes may also be listed or admitted to trading on or by such other or further stock exchange(s) and/or competent listing authorities as may be agreed between the Issuer and the relevant Dealer and specified in the applicable Pricing Supplement. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.
Clearing Systems:	Euroclear Bank SA/NV (**Euroclear**), Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the **CMU Service**), The Central Depository (Pte) Limited (**CDP**) and/or any other clearing system as specified in the applicable Pricing Supplement.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Offering Circular a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risks related to the commercial airline industry

The Issuer is an operating lessor of commercial jet aircraft to airlines and is exposed to cash flow risk from airline lessees for the duration of the leases and equity risk from the values of aircraft. The Issuer is subject indirectly to the same set of risk factors as its airline lessees, which may affect the financial condition and cash flows of the lessees and their ability to perform their obligations under the leases. These risk factors include demand for passenger air travel and air cargo services, industry competition, competition from substitute services, airline revenue and cost structures, fluctuations in fuel prices, interest rates and foreign exchange rates, labour costs and union issues, maintenance costs, insurance costs, security costs, the impact of airline bankruptcies and the effect of certain events such as wars, social unrest, pandemics, natural disasters and acts of terrorism. The airline industry is also affected by government regulation of airline operations and mergers and acquisitions, environmental regulation, airport and other infrastructural constraints, the availability of new or used aircraft for lease or purchase, the availability and cost of debt and equity capital to airlines. The Issuer's financial performance is dependent on the financial strength of its lessees and their ability to manage these risks effectively. To the extent that the Issuer's airline lessees experience negative effects from these risk factors, the Issuer may experience:

(a) a reduced demand for its aircraft and hence, lower lease rates or aircraft values;

(b) a higher incidence of lease defaults resulting in higher legal and technical costs associated with the repossession of the aircraft and its records, as well as lost revenue from the grounding of such aircraft;

(c) a need to restructure lease payments for delinquent airlines or airlines in financial difficulty which may result in lower lease revenue or the need to make provisions for rental amounts in arrears; and

(d) an inability to immediately place available aircraft on commercially viable terms and possibly incurring additional storage, insurance and maintenance costs resulting from the grounding of such aircraft and their preparation for re-lease.

Risks inherent in investing in a single industry

The Issuer is established with the principal objective of owning and investing in a portfolio of commercial jet aircraft which are placed on medium to long-term operating leases to airlines. By concentrating its operations and investments in the commercial aircraft leasing industry, the Issuer is susceptible to downturns in that market caused by a downturn in the commercial airline industry, which may result in the Issuer's income from its aircraft leases and/or sales being adversely affected. As a result, the operations and the financial condition of the Issuer and payouts under the Notes could be adversely affected. Further, the Issuer will be subject to risks inherent in concentrating on investments in a single industry.

Risks related to lessee geographical concentration

Through its lessees, the Issuer is exposed to local economic and political conditions. Such adverse economic and political conditions include additional regulation or, in extreme cases, requisition of the Issuer's aircraft. The effect of these conditions on payments to the Issuer will be more or less pronounced, depending on the concentration of lessees in any region with adverse conditions. The airline industry is highly sensitive to general economic conditions. A recession or other worsening of economic conditions, as currently seen in many regions, may have a material adverse effect on the creditworthiness of the Issuer's lessees and their resultant ability to meet their financial and other obligations under their leases. Furthermore a disruption in the financial markets, terrorist attack, high fuel prices or a weak local currency may increase the adverse impact on the Issuer's lessees.

Lease rental revenues from lessees based in Greater China and the Asia Pacific region accounted for 42.0 per cent. of the Issuer's lease revenues as at 31 December 2012. If the global economic downturn persists, the Issuer expects slower freight and passenger traffic growth rates in this region and between this region and other regions to adversely impact aircraft demand and lease rates and the Issuer's ability to lease and re-lease its aircraft.

Lease rental revenues from lessees based in the Americas accounted for 28.3 per cent. of the Issuer's lease revenues as at 31 December 2012. If the global economic downturn persists, a slowdown in traffic growth development in North America could adversely affect the financial condition of airlines in the Americas region, including the Issuer's lessees, which would adversely impact aircraft demand and lease rates and the Issuer's ability to lease and re-lease its aircraft.

Lease rental revenues from lessees based in Europe accounted for 21.1 per cent. of the Issuer's lease revenues as at 31 December 2012. Commercial airlines in Europe face, and can be expected to continue to face, increased competitive pressures, in part as a result of the generally weak economic environment in the European Union (the **EU**), financial pressures on full service airlines that are wholly or partly government owned and the expansion of low-cost carriers following deregulation of the airline industry in Europe. In addition, under the EU's Emissions Trading Scheme (**ETS**) which came into effect in January 2012, airlines operating to, from and within the European Union face charges for emissions in excess of allowed amounts, thereby potentially adversely affecting airlines including the Issuer's lessees. In November 2012, the EU proposed to temporarily exempt enforcement flights into and out of Europe operated in 2010, 2011 and 2012 from ETS in order to allow time for a global solution to be reached at the International Civil Aviation Organization (**ICAO**) General Assembly in Autumn 2013. Absent any agreement at this assembly, the EU has indicated that the EU ETS legislation will be enforced in full again on all flights to and from European airports. The substantial risk of another economic recession in Europe, in combination with a continued expansion of capacity could result in a substantial mismatch between capacity and traffic. This could adversely impact the European airline industry, which could lower demand and lease rates and impact the Issuer's ability to lease and re-lease its aircraft in Europe.

Lease rental revenues from lessees based in the Middle East and Africa accounted for 8.6 per cent. of the Issuer's lease revenues as at 31 December 2012. Due to the Middle East's substantial aircraft order backlog, continued high rates of growth are required to prevent overcapacity. As such the scheduled capacity growth committed by airlines in this region through aircraft orders could have an adverse impact on the financial health of some Middle Eastern airlines, including the Issuer's lessees.

Risks related to the economic cycle

The aviation industry is cyclical. Demand for passenger and cargo air transportation services and hence the demand for passenger and cargo aircraft has a strong positive correlation with economic growth. Growth or decline in economic activity directly affects demand for business travel and cargo air services, with a contraction in economic activity having an adverse impact. In addition, economic contraction may also impact leisure travel as discretionary income is reduced. The current financial crisis, together with slowing or contracting economies worldwide, may develop into a severe or prolonged global recession that could result in lower demand for passenger and cargo air services, lower lease rates for the Issuer's aircraft and a decline in the value of its portfolio of aircraft. Such developments would adversely affect the Issuer's business, financial position and financial performance and potentially the Issuer's ability to meet its financial obligations.

Risks related to lessee default

The Issuer's success is dependent upon the ability of its lessees to perform their contractual obligations under the leases. The ability of each lessee to perform its contractual obligations is in turn dependent on its financial condition and cash flow. In the event of a lessee default, there is no assurance that the security deposits paid under the lease will be adequate to cover the lessee's outstanding unpaid lease obligations, or that any maintenance reserves collected during the lease term will be sufficient to cover the accrued maintenance exposure or the cost of re-leasing the aircraft as a consequence of a lessee default.

Risks related to re-leasing

Upon termination or expiry of an existing lease, the Issuer needs to extend the lease with the existing lessee, re-lease the aircraft to a new lessee, or sell the aircraft. There can be no assurance that the Issuer will obtain rental and lease terms (including maintenance and redelivery conditions for such aircraft) comparable to those of the existing lease or on more favourable terms. The Issuer seeks to mitigate this risk by selling aircraft subject to leases before their leases expire.

Risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities

The outbreak of any contagious disease with human-to-human airborne or contact propagation effects that escalates into a regional or global pandemic may have adverse impact on all airlines that operate to or from affected areas or regions. Air travel may be severely reduced even though international and national response plans to address such events have been developed or are in development. Other natural calamities such as earthquakes, floods or tsunamis may devastate destinations and significantly reduce travel to affected areas for a period of time.

Similarly, acts of terrorism and war (and threats of terrorism and war, or military or other response to acts of terrorism) and civil or political strife may also contribute to a fear of travelling by air, or visiting particular destinations, resulting in a reduction in demand for air travel. The occurrence of such events could materially and adversely affect the aviation industry, the economies where the Issuer's lessees operate and the operations, revenue and profitability of airlines, which may in turn affect the financial condition and cash flows of the Issuer's lessees and their ability to perform their obligations under the leases.

In addition, tensions in the Middle East have lead to a sustained period of higher oil and jet fuel costs which has had a negative impact on the financial performance of airlines, which may in turn affect their ability to perform their obligations under the leases.

Risks related to manufacturers and manufacturer production

The aircraft leasing and sales industry is cyclical and experiences periods of oversupply and undersupply. The supply of passenger aircraft in which the Issuer is principally involved is presently dominated by two airframe manufacturers, namely Airbus and Boeing, a limited number of engine manufacturers, and a larger number of suppliers of avionics, interiors, spares and other equipment fitted to the aircraft. The manufacturers' ability to remain financially viable and produce aircraft and related components that meet airlines' requirements would have an impact on the Issuer. Should a manufacturer fail to respond appropriately to changes in market environment (due to, *inter alia*, changes in competition or technology) or fail to fulfil its contractual obligations to the Issuer, the Issuer may experience:

(a) an adverse impact on demand for leased aircraft, market lease rates and aircraft values resulting from oversupply or undersupply of aircraft due to changes in production rates of the manufacturers;

(b) delayed delivery of aircraft ordered by the Issuer, resulting in the Issuer's inability to fulfil its contractual obligations to lessees, potentially resulting in lost or delayed revenues, lower growth rates and strained lessee relationships; and/or

(c) poor customer support for the aircraft and/or components from a particular manufacturer which could affect the demand, market lease rates or residual values for certain aircraft in the Issuer's fleet.

Airframe manufacturers have increased production rates for new aircraft in response to the large firm order backlog relating to certain aircraft types. Historically there have been periods of oversupply which have resulted in lower lease rates and aircraft values. Should the global financial turmoil result in a prolonged recession there can be no assurance that the airlines who originally ordered these aircraft will be in a position to take delivery of them or that these firm order positions will not be deferred or cancelled. Should manufacturers experience significant deferrals or cancellations, there can be no assurance that they will not seek to lower sales prices of new aircraft in order to maintain production levels. This could in turn result in lower lease rates for new aircraft leased by the Issuer and/or lower re-lease or sales prices for used aircraft as a result of a surplus in the availability of new aircraft, thus adversely affecting the Issuer's results of operations and financial condition.

Risks related to acquisition of a high concentration of a particular aircraft model

If the Issuer acquires a high concentration of a particular model of aircraft, its business and financial results could be adversely affected if market demand for that model of aircraft declines, if it is redesigned or replaced by its manufacturer or if this type of aircraft experiences design or technical problems. If the Issuer acquires a high concentration of a particular aircraft model and such model encounters technical or other problems, the value and lease rates of such aircraft will likely decline and the Issuer may be unable to lease such aircraft on favourable terms, if at all. A significant technical problem with a specific type of aircraft could result in the grounding of the aircraft. Any decrease in the value and lease rates of the Issuer's aircraft may have a material effect on its financial results and growth prospects.

Risks related to obsolescence and technology

Notwithstanding the fact that the economic life span of an aircraft is approximately 25 to 30 years, over time, when newer and more advanced aircraft are introduced, aircraft of a particular type may experience declining demand by airlines and a shorter economic life span due to government regulation, introduction of more fuel efficient propulsion technology and/or lighter and stronger construction materials, technological obsolescence, changing airline preferences, or a combination of these factors. For example, the demand for a particular aircraft type may be affected by the expected introduction of a new aircraft type using new technology to lower direct operating costs such as the availability of new engine variants for the Airbus A320 family of aircraft (known as the A320 NEO or "New Engine Option") or the announced development of a new engine variant of the Boeing 737 family known as the 737 MAX. Demand for certain aircraft types may also be affected by the introduction of more stringent regulations such as noise or emissions standards. In addition, demand for existing aircraft types may be impacted by development of new aircraft programmes by new market entrants. Such factors may have a negative impact on the demand and lease rate for certain aircraft types and potentially, the values of such aircraft may be permanently impaired.

Risks related to regulation

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

Aircraft leases also require regulatory approvals for the import, re-export, deregistration or registration of the aircraft from various jurisdictions. In certain jurisdictions, there are regulations as to the maximum age of aircraft which may be imported and registered. Subsequent changes in applicable laws may modify such requirements or approvals previously granted may be withdrawn. These may adversely affect the ability of the Issuer to re-lease or sell these aircraft and may impair the values of these aircraft and thus have a negative effect on its financial performance and its ability to meet its financial obligations.

Risks related to the environment

Concerns regarding global warming and the environment generally have resulted in many countries enacting legislation to impose stricter limits on emissions of carbon dioxide, carbon monoxide and nitrogen oxide from aircraft and their engines. For example, as of 1 January 2012, aviation has been included in the EU's ETS. The requirements apply to all flights taking off or landing in the EU, regardless of the origin or destination of flights. In November 2012, the EU proposed to temporarily exempt enforcement flights into and out of Europe operated in 2010, 2011 and 2012 from ETS in order to allow time for a global solution to be reached at the ICAO General Assembly in Autumn 2013. Absent any agreement at this assembly, the EU has indicated that the EU ETS legislation will be enforced in full again on all flights to and from European airports. The extraterritorial reach of the ETS may be subject to legal challenge with respect to flights not wholly within the EU and/or operated by non-EU operators. However, environmental concerns may result in similar measures being introduced in other jurisdictions. The inclusion of aviation within the ETS and the costs related to airlines' compliance with environmental regulation could result in higher ticket prices, resultant lower demand, and lower airline profitability, which may have an adverse impact on the financial condition of airlines and their ability to make lease payments, and/or reduce the sales proceeds received by the Issuer upon disposition of any aircraft, in particular aircraft types which might subject operators to a higher cost of complying with environmental regulations. Whilst the airline is primarily responsible for these charges, in the event of the insolvency of the airline, a lien affecting a leased aircraft could require the lessor to settle unpaid charges in order to recover possession of the leased aircraft.

Risks related to a proposed new accounting standard for lease accounting

The International Accounting Standards Board and Financial Accounting Standards Board (the **Accounting Standards Boards**) have undertaken a project with the aim of addressing widespread concern that many lease obligations are not recorded on company balance sheets and that current accounting methods do not accurately reflect the economics of all lease transactions.

The Accounting Standards Board continues to deliberate both lessee and lessor accounting methods, although, at this stage, no date has been proposed for the release of a new exposure draft. The Issuer is not currently able to assess the potential financial impact of any future changes that may arise as a result of this project.

Risks related to failure of lessees to redeliver aircraft in compliance with contractual redelivery conditions

It is primarily the responsibility of the lessee to maintain the aircraft and its records in accordance with the manufacturers' recommended maintenance programmes and to comply with all governmental regulatory requirements. The standard of maintenance observed by the lessee during the lease term and the condition of the aircraft at lease maturity may affect the future rental or potential sales proceeds from the aircraft. This risk is partially mitigated by maintenance reserves collected during the lease term from the lessee in cases where the lessees are required to pay maintenance reserves under the terms of the leases. Failure of the lessee to perform required or recommended maintenance to the aircraft may also result in grounding of the aircraft and may result in the Issuer incurring additional costs, which could be substantial, to restore the aircraft to an acceptable condition prior to sale or re-lease of the aircraft.

Risks related to counterparties

In addition to the credit risk taken on lessee counterparties, the Issuer takes counterparty risk on a range of financial institutions and corporates, including deposit-taking and letter of credit-issuing banks and aircraft and engine manufacturers to whom predelivery payments are made. There can be no assurance that a loss will not be incurred by the Issuer owing to a failure to recover amounts paid to a counterparty due to the default and/or bankruptcy of that counterparty, or due to the failure of a counterparty to perform under a contract with the Issuer. Such an event could have a material effect on the cash flows and financial results of the Issuer.

Risks related to the Issuer's debt

As of 31 December 2012, the Issuer's consolidated indebtedness was US$6.5 billion and represented 72 per cent. of its total assets as of that date and the Issuer's interest expense (including the impact of hedging activities) was US$110 million for the year ended 31 December 2012. Due to the capital intensive nature of its business and its strategy of expanding its aircraft portfolio, the Issuer expects that it will incur additional indebtedness in the future and continue to maintain high levels of indebtedness. If market conditions worsen and precipitate declines in commercial aircraft and commercial aviation related markets, the Issuer's operations may not generate sufficient cash to service its debt which will have a material adverse impact on the Issuer. The Issuer's high level of indebtedness:

(a) causes a substantial portion of its cash flows from operations to be dedicated to interest and principal payments and therefore is not available to fund its operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;

(b) may impair its ability to obtain additional financing in the future;

(c) may limit its flexibility in planning for, or reacting to, changes in its business and industry; and

(d) may make it more vulnerable to downturns in its business, its industry or the economy in general.

Risks relating to the ability of the Issuer to incur significantly more debt

The Issuer or its subsidiaries may be able to incur additional debt in the future. The terms of the Issuer's financing agreements will allow it to incur substantial amounts of additional debt, subject to certain limitations. As of 31 December 2012, the Issuer also had US$2.225 billion available for drawing under its revolving credit facilities. The Issuer regularly considers market conditions and its ability to incur indebtedness to either refinance existing indebtedness and/or for working capital purposes. If additional debt is added to the Issuer's current debt levels, the related risks it could face would increase.

Risks related to the availability of financing

The Issuer's ability to access the financing markets to finance the purchase cost of aircraft as well as to maintain sufficient liquidity to meet its other business needs and to repay its existing debt obligations is dependent on its credit standing with its financiers as well as the availability of financing in the marketplace. In the event the Issuer's ability to access the financing markets is affected, the Issuer may experience:

(a) difficulty in taking delivery of new aircraft, resulting in lost revenue and potentially strained manufacturer and customer relationships; and/or

(b) an inability to meet its debt obligations leading to repayment defaults or non-compliance with debt covenants.

The Issuer may require additional financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, such financing will be obtained on terms favourable to the Issuer. Factors that could affect the Issuer's ability to procure financing include the cyclicality of the aviation industry and market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources. The global financial crisis of 2008 and 2009 and the recent financial problems arising out of the European sovereign debt crisis and slow economic growth in developed economies have also had an adverse impact on availability and cost of funding and hence may also hinder the Issuer's ability to obtain additional financing. Consolidation in the banking industry may also reduce the availability of credit as the merged banks seek to reduce their combined exposure to one company or sector. In addition, new global and national capital adequacy rules for financial institutions and/or changes to export credit schemes may have an adverse impact on the availability of bank lending and increase the cost of debt to the Issuer. In addition, financial crises and related factors may also have a negative impact on the availability of financing to parties to whom the Issuer may sell aircraft to from time to time, thus impacting the volume of aircraft sales and realisable sales prices.

Risks related to fluctuations in interest rates

Interest rate fluctuations may have a significant influence on the financial performance of the Issuer. Any changes in interest rates will impact both the Issuer's borrowing costs as well as lease revenue as a sizeable portion of the Issuer's revenue is on a floating rate basis. The Issuer may be susceptible to interest rate volatility if it is unable to maintain a balance between fixed and floating rate debts and match the floating/fixed lease rent and lease maturities with financing debts on similar basis or secure appropriate hedges for the same. While the exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest caps, the magnitude of the final exposure depends on the effectiveness of the hedge.

Risks related to operating in a competitive market environment

The Issuer faces competition from aircraft manufacturers (and their vendor financing divisions), financial institutions including banks, hedge funds and private equity firms, tax investors, other leasing companies, aircraft brokers, as well as airlines in its business of leasing, re-marketing and sale of aircraft. The business factors on which the Issuer competes with its competitors include availability of the aircraft types that meet customers' needs, the delivery dates, lease rates, term of the lease and security, maintenance reserves and technical conditions. The Issuer's revenue is affected by these competitive factors and its success is dependent on its ability to react to the dynamic business environment posed by these factors.

Risk related to insurance and claims asserted against the Issuer

Although under its leases the Issuer does not control the operation of its leased aircraft, its ownership of the aircraft could give rise, in some jurisdictions, to strict liability for losses resulting from their operation.

Lessees are required under the leases to indemnify the Issuer for, and insure against, amongst others, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which the Issuer may be deemed liable. The lessees are also required to maintain public liability, property damage and hull all risks and hull war risks insurance on the aircraft at agreed upon levels.

There can be no assurance that the lessee's insurance, and any contingent insurance undertaken by the Issuer, will be adequate or sufficient to cover all types of claims that may be asserted against the Issuer. Any insurance coverage shortfall or default by lessees to fulfil their indemnification or insurance obligations, as well as the lack of available insurance, could reduce the proceeds upon an event of loss and could subject the Issuer to uninsured liabilities, any of which could have an adverse impact on the Issuer's financial performance and its ability to meet its financial obligations.

Risks related to tax

Taxes may arise in various jurisdictions from the operation or use of the aircraft by the lessees. Lessees are required under the leases to indemnify the Issuer for any taxes that arise in any jurisdiction from the operation or use of the aircraft. In the event that the lessees fail to pay, the applicable tax authority may seek to recover such taxes from the Issuer. In cases where the Issuer has paid the taxes to the applicable tax authority and the lessees fail to reimburse the Issuer, the Issuer will bear the cost of such taxes.

The Issuer benefits from Singapore's Aircraft Leasing Scheme (**ALS**), which provides a favourable tax environment under which income derived from aircraft leasing operations is taxed at a concessionary tax rate (the prevailing corporate tax rate in Singapore is 17 per cent.). The Issuer has been granted a concessionary tax rate of 5 per cent. under the ALS and is also eligible to apply for exemptions from withholding tax on loans and leases. The ALS was renewed in July 2012 for five years up to 2017, and may be further extended with approval from the Minister for Finance of Singapore. If the Issuer is unable to meet the terms and conditions stipulated under the ALS incentive, the Issuer may be subject to tax on its income in Singapore at the prevailing corporate tax rate from July 2012 onwards.

It is typical in the aircraft leasing industry for companies that are continuously acquiring additional aircraft to incur significant tax depreciation or capital allowances, which offsets taxable income. The Issuer has not been paying cash tax due to capital allowances/tax depreciation being sufficient to offset taxable income, except for minimal amounts paid. The deferred tax liability in the balance sheet is attributable to the excess of the depreciation claimed for tax purposes over the depreciation deducted from accounting profits. The deferral of tax liability may reverse into a tax payable position if the Issuer sells a substantial part of its assets and is unable to acquire additional aircraft at a sufficient pace. This will result in cash payment for tax.

Risks related to the ability of the Issuer to repossess, re-lease or resell its aircraft due to aircraft liens

In the normal course of business, liens that secure the payment of airport fees and taxes, custom duties, air navigation charges, landing charges, crew wages, repairer's charges, salvage or other obligations are likely, depending on the laws of the jurisdiction where the aircraft operates, to attach to the aircraft (or, if applicable, to the engines separately) if these charges, wages, fees, duties and/or taxes are unpaid by the lessee. The liens may secure substantial sums that may, in certain jurisdictions or for limited types of liens (particularly so called "fleet liens"), exceed the value of any particular aircraft to which the liens have attached. Until they are discharged, the liens described above could impair the ability of the Issuer to repossess, re-lease or sell its aircraft.

Although such financial obligations are the responsibilities of the lessees, if they fail to fulfil their obligations, liens may attach. In some jurisdictions, aircraft liens or separate liens on engines and/or parts may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft (or, if applicable, the engines separately). There is no assurance that the lessees will comply with their obligations under the leases to discharge liens arising during the terms of the leases.

The Issuer may, in some cases, find it necessary, or be jointly and severally liable, to pay the claims secured by such liens in order to repossess the aircraft or obtain the aircraft or engines from a creditor thereof. These payments would be a required expense for the Issuer and could adversely affect its net income and cash flows.

Risks related to additional operating costs

The Issuer may incur other operational costs upon a lessee default or where the terms of the lease require the Issuer to pay a portion of those costs. Such costs, which can be substantial, include:

(a) the costs of casualty, liability or war risk insurance and the liability costs or losses when insurance coverage has not been or cannot be obtained as required or is insufficient in amount or scope;

(b) the costs of licensing, exporting or importing an aircraft, costs of storing and operating an aircraft, airport taxes, custom duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions; and

(c) penalties and costs associated with the failure of lessees to keep the aircraft registered under all appropriate local requirements or obtain required governmental licences, consents and approvals.

The failure to pay some of these costs can result in liens on the aircraft or a loss of insurance. Any of these events could result in the grounding of the aircraft and prevent the re-lease, sale or other use of the aircraft until the problem is resolved. This could negatively affect the Issuer's business, financial condition and results of operations.

Risks related to loss of key personnel

The Issuer's performance depends, in part, upon the continued service and performance of certain key staff members. These key personnel may leave the Issuer in the future to join other employers, including the Issuer's competitors. The loss of any of these individuals could have a material adverse effect on the Issuer's business, financial condition and the results of operations.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are not guaranteed by any of the Issuer's subsidiaries

None of the Issuer's subsidiaries will guarantee the Notes, and as a result, creditors of the Issuer's subsidiaries have a prior claim, ahead of the Noteholders, on the assets of those subsidiaries. In addition, the Issuer's subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments. In the event of a bankruptcy, liquidation, reorganisation or other winding up of any of the Issuer's subsidiaries, holders of indebtedness and trade creditors of the Issuer's subsidiaries will generally be entitled to payment of their claims from the assets of the Issuer's subsidiaries before any assets are made available for distribution to the Issuer. Accordingly, there may be insufficient funds to satisfy the claims of the Noteholders and other senior debt. As of 31 December 2012, the Issuer's subsidiaries had US$4 billion of indebtedness outstanding to parties other than the Issuer or other subsidiaries of the Issuer.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of its Notes could result in such investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The RMB is not freely convertible; there are significant restrictions on remittance of RMB into and outside the PRC

The RMB is not freely convertible at present. The PRC government continues to regulate conversion between the RMB and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover the whole nation and to make RMB trade and other current account item settlement available in all countries worldwide. Subject to limited exceptions, there is currently no specific PRC regulation on the remittance of RMB into the PRC for settlement of capital account items. Foreign investors may only remit offshore RMB into the PRC for capital account purposes such as shareholders' loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case by case basis. Regulations in the PRC on the remittance of RMB into the PRC for settlement of capital account items is developing gradually.

On 12 October 2011, the Ministry of Commerce of the PRC (**MOFCOM**) promulgated the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (the **MOFCOM RMB FDI Circular**). Pursuant to the MOFCOM RMB FDI Circular, the appropriate office of MOFCOM and/or its local counterparts were authorised to approve RMB foreign direct investments (**FDI**) with certain exceptions based on, amongst others, the size and industry of the investment. The MOFCOM RMB FDI Circular also stipulates that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic companies listed in the PRC through private placements or share transfers by agreement.

On 13 October 2011, the People's Bank of China (**PBOC**) issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (the **PBOC RMB FDI Measures**), as part of the implementation of the PBOC's detailed FDI accounts administration system, which covers almost all aspects of FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as RMB denominated cross-border loans. On 14th June 2012, the PBOC further issued the implementing rules for the PBOC FDI Measures. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. The MOFCOM Circular and the PBOC RMB FDI Measures, which are relatively new regulations, will be subject to interpretation and application by the relevant PRC authorities.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 (as amended) will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of RMB into or outside the PRC. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of RMB for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules. In the event that any regulatory restrictions inhibit the ability of the Issuer to repatriate funds outside the PRC to meet its obligations under the Notes denominated in RMB, the Issuer will need to source RMB offshore to finance such obligations under such Notes, and its ability to do so will be subject to the overall availability of RMB outside the PRC.

Holders of beneficial interests in the Notes denominated in RMB may be required to provide certifications and other information (including RMB account information) in order to allow such holder to receive payments in RMB in accordance with the RMB clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of RMB outside the PRC, which may affect the liquidity of the RMB Notes and the Issuer's ability to source RMB outside the PRC to service the RMB Notes

As a result of the restrictions by the PRC government on cross-border RMB fund flows, the availability of RMB outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC government and the Hong Kong government, licensed banks in Hong Kong may offer limited RMB-denominated banking services to Hong Kong residents and specified business customers. PBOC has also established a RMB clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the **Settlement Agreement**) between the PBOC and Bank of China (Hong Kong) Limited (the **RMB Clearing Bank**) to further expand the scope of RMB business for participating banks in Hong Kong.

Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there is no longer any restriction on the transfer of RMB funds between different accounts in Hong Kong.

However, the current size of RMB-denominated financial assets outside the PRC is limited. As of 31 December 2012, the total amount of RMB deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB603 billion according to the Hong Kong Monetary Authority (**HKMA**). In addition, participating authorised institutions are also required by the HKMA to maintain RMB liquidity ratios at no less than 25 per cent. (computed on the same basis as the statutory liquidity ratio), which further limits the availability of RMB that participating banks can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. They are only allowed to square their open positions with the RMB Clearing Bank after consolidating the RMB trade position of banks outside Hong Kong that are in the same bank group of the participating banks concerned with their own trade position, and the RMB Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for Hong Kong residents of up to CNY20,000 per person per day and for designated business customers relating to the RMB received in providing their services. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions.

On 14 June 2012, the HKMA introduced a facility for providing RMB liquidity to authorised institutions participating in RMB business (**Participating AIs**) in Hong Kong. The facility will make use of the currency swap arrangement between the PBOC and the HKMA. With effect from 15 June 2012, the HKMA will, in response to requests from individual Participating AIs, provide RMB term funds to the

Participating AIs against eligible collateral acceptable to the HKMA. The facility is intended to address short-term RMB liquidity tightness which may arise from time to time, for example due to capital market activities or a sudden need for RMB liquidity by the Participating AIs' overseas bank customers.

Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the liquidity of Notes denominated in RMB (the **RMB Notes**). To the extent the Issuer is required to source RMB in the offshore market to service the RMB Notes, there is no assurance that the Issuer will be able to source such RMB on satisfactory terms, if at all.

Investment in the RMB Notes is subject to exchange rate risks

The value of the RMB against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to the RMB Notes in RMB. As a result, the value of these RMB payments in Hong Kong dollar terms may vary with the prevailing exchange rates in the marketplace. For example, when an investor buys the RMB Notes, such investor would need to convert Hong Kong dollars to RMB at the exchange rate available at that time. If the value of RMB depreciates against the Hong Kong dollar between then and when the Issuer pays back the principal of the RMB Notes in RMB at maturity, the value of the investment in Hong Kong dollar terms will have declined.

In addition, the PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. Consequently, the trading price of the Notes will vary with fluctuations in Renminbi interest rates. If a Noteholder attempts to sell the Notes before the maturity date of the Notes, the Noteholder may not receive value equivalent to its original investment.

Payments for the RMB Notes will only be made to investors in the manner specified in the RMB Notes

Investors may be required to provide certification and other information (including RMB account information) in order to be allowed to receive payments in RMB in accordance with the RMB clearing and settlement system for participating banks in Hong Kong. All payments to investors in respect of the RMB Notes will be made solely (i) for so long as the RMB Notes are represented by a Global Note held by the sub-custodian for and on behalf of the Central Moneymarkets Unit Services operated by the HKMA (the **CMU Service**), by transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing rules and procedures of the CMU Service, or (ii) for so long as the RMB Notes are in definitive form, by transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency, by bank notes, cheques or drafts or by transfer to a bank account in the PRC).

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Performance of contractual obligations by the Issuer is dependent on other parties

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties to the Programme Agreement, the Agency Agreement and (if applicable) the Depository Agreement of their obligations thereunder including the performance by the Agent, the CMU Lodging and Paying Agent and/or the relevant Registrar of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of their obligations to make payments in respect of the Notes, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Noteholders.

Modification

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Agent and the Registrar may, without the consent of Noteholders, agree to any modification of the Notes or the Agency Agreement which is (i) not prejudicial to the interests of the Noteholders or (ii) is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with a mandatory provision of law or is required by CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service and/or any other clearing system in which the Notes may be held in the circumstances described in Condition 16.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Bearer Notes where denominations involve integral multiples: definitive Bearer Notes

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Bearer Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Singapore taxation risk

The Notes to be issued from time to time under the Programme, during the period from the date of this Offering Circular to 31 December 2013, are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore (**ITA**) subject to the fulfilment of certain conditions more particularly described in the section "Taxation – Singapore". However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

The Qualifying Debt Securities Plus Scheme (**QDS Plus Scheme**) has also been introduced as an enhancement of the Qualifying Debt Securities Scheme. Under the QDS Plus Scheme, subject to certain qualifications and conditions, income tax exemption is granted on interest, discount income (not including discount income from secondary trading), "prepayment fee", "redemption premium" and "break cost" (as such terms are defined in the ITA) derived by any investor from qualifying debt securities (excluding Singapore Government Securities) which:

(a) are issued during the period from 16 February 2008 to 31 December 2013;

(b) have an original maturity of not less than 10 years;

(c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and

(d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

With respect to any Tranche of the Notes issued with an original maturity of at least 10 years and which are "qualifying debt securities", there is no assurance that holders of such Notes would enjoy any tax exemption under the QDS Plus Scheme as it is currently unclear how the above requirements would be applicable in the context of certain events occurring or which may occur within 10 years from the date of issue of such Notes.

Pursuant to the Singapore Budget 2013, it was announced that the Qualifying Debt Securities Scheme and the QDS Plus Scheme are to be extended to debt securities issued during the period of 1 January 2014 to 31 December 2018, subject to certain amendments to be announced by the Monetary Authority of Singapore.

FORM OF THE NOTES

The Notes of each Series will be issued in either bearer form, with or without interest coupons and talons for further coupons if appropriate attached, or registered form, without interest coupons attached, in each case as specified in the applicable Pricing Supplement.

BEARER NOTES

The following applies to Notes specified in the applicable Pricing Supplement to be in bearer form.

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent Global Note (a **Permanent Global Note** and, together with any Temporary Global Note, the **Global Bearer Notes**) which, in either case, will be delivered on or prior to the original issue date of the relevant Tranche to either (i) a common depositary (the **Common Depositary**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) or (ii) The Central Depository (Pte) Limited (**CDP**) or (iii) a sub-custodian for the CMU Service. Notes in bearer form will be delivered and deliverable only outside the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction).

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of Notes will be made against presentation of the Temporary Global Note only outside the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) and only to the extent that customary certification to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person or any person within the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or CDP and/or the CMU Lodging and Paying Agent and (in the case of a Temporary Global Note delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg and/or CDP, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons for further coupons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement (which notice period shall not exceed 60 days)), in each case against customary certification of beneficial ownership as described above unless such certification has already been given in connection with a payment of principal, interest or any other amount payable in respect of the Notes. The CMU Service may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note deposited with a Common Depositary for Euroclear and/or Clearstream and/or CDP will be made through Euroclear and/or Clearstream, Luxembourg and/or CDP against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

In respect of a Global Note in bearer form held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) if the Permanent Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have or, in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have or has announced an intention permanently to cease business or have or has in fact done so and, in any case, no successor or alternative clearing system is available, or (iii) if the Permanent Global Note is held by or on behalf of CDP and (1) CDP has closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise), (2) CDP has announced an intention permanently to cease business and no alternative clearing system is available or (3) CDP has notified the Issuer that it is unable or unwilling both to act as depository for the Notes and to continue performing its duties set out in its terms and conditions for the provision of depository services and no alternative clearing system is available, or (iv) if the Permanent Global Note is not held by or on behalf of CDP, the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by CDP or a Common Depositary for Euroclear and Clearstream Luxembourg, CDP and/or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent or, as the case may be, the CMU Lodging and Paying Agent. No definitive Note delivered in exchange for a Permanent Global Note will be mailed or otherwise delivered to any location in the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) in connection with such exchange.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts, interest coupons and talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts, interest coupons, or talons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts, interest coupons, or talons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be.

REGISTERED NOTES

The following applies to Notes specified in the applicable Pricing Supplement to be in registered form.

The Registered Notes of each Tranche offered and sold in reliance on Regulation S under the Securities Act (**Regulation S**), which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Global Registered Note** and together with any Global Bearer Note, the **Global Notes**). Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Global Registered Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2(a) and may not be held otherwise than through CDP, Euroclear, Clearstream, Luxembourg or the CMU Service and such Global Registered Note will bear a legend regarding such restrictions on transfer.

Global Registered Notes will be deposited with a Common Depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg and/or deposited with a sub-custodian for the CMU Service (if applicable) and/or deposited with and registered in the name of CDP. Persons holding beneficial interests in Global Registered Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Registered Notes in definitive form.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Global Registered Notes. None of the Issuer, the Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Registered Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) if the Global Registered Note is held in Euroclear and/or Clearstream, Luxembourg and the Issuer has been notified that Euroclear and Clearstream, Luxembourg have or, in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available, or (iii) if the Global Registered Note is deposited with CDP and (1) CDP has closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise), (2) CDP has announced an intention permanently to cease business and no alternative clearing system is available or (3) CDP has notified the Issuer that it is unable or unwilling both to act as depository for the Notes and to continue performing its duties set out in its terms and conditions for the provision of depository services and no alternative clearing system is available, or (iv) if the Global Registered Note is not deposited with CDP, the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Notes in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for CDP or Euroclear and Clearstream Luxembourg, CDP and/or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Registered Note) and (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Registrar or the CMU Lodging and Paying Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging Agent as the case may be.

DIRECT RIGHTS IN RESPECT OF GLOBAL NOTES CLEARED THROUGH CDP

If there shall occur any Event of Default (as defined under "*Terms and Conditions of the Notes*") entitling a holder to declare all of the Notes held by it to be due and payable, as provided in the Terms and Conditions of the Notes, the holder of a Global Note may exercise the right to declare Notes represented by such Global Note due and payable in the circumstances described in the Terms and Conditions of the Notes by stating in the notice given to the Agent and the Issuer (the **default notice**) the principal amount of Notes (which may be less than the outstanding principal amount of such Global Note) which is being declared due and payable.

Following the giving of the default notice, the holder of the Notes represented by the relevant Global Note may (subject as provided below) elect that direct rights (**Direct Rights**) under the provisions of the Deed of Covenant dated 20 September 2012 executed by the Issuer in respect of Notes cleared through CDP (the **CDP Deed of Covenant**) shall come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such default notice has been given. Such election shall be made by notice to the Agent and presentation of the relevant Global Note to or to the order of the Agent for reduction of the principal amount of Notes represented by the relevant Global Note by such amount as may be stated in such notice and by endorsement of Schedule A to the relevant Global Note of the principal amount of Notes in respect of which Direct Rights have arisen under the CDP Deed of Covenant. Upon each such notice being given, the relevant Global Note shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect. No such election may however be made on or before the Exchange Date unless the holder elects in such notice that the exchange for such Notes shall no longer take place.

TRANSFER OF INTERESTS

Interests in a Global Registered Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Registered Note. No beneficial owner of an interest in a Global Registered Note will be able to transfer such interest, except in accordance with the applicable procedures of CDP, Euroclear, Clearstream, Luxembourg and the CMU Service, in each case, to the extent applicable.

GENERAL

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent or, as the case may be, the CMU Lodging and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number, which are different from the common code and ISIN and, where applicable, CMU instrument number assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to Notes of such Tranche.

For so long as any Note is represented by a Global Note held on behalf of CDP and/or Euroclear and/or Clearstream, Luxembourg or the CMU Service, each person (other than CDP and/or Euroclear and/or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of CDP Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by CDP and/or Euroclear and/or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save, in the case of Notes not held on behalf of CDP, in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal, interest and any other amount payable on such nominal amount of such Notes, for which purposes the bearer of the relevant Global Bearer Note or the registered holder of the relevant Global Registered Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Any reference herein to CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Agent.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, on and subject to the terms of (in the case of Notes held through Euroclear or Clearstream, Luxembourg) a deed of covenant (the **Deed of Covenant**) dated 20 September 2012 and executed by the Issuer or (in the case of Notes cleared through CDP) the CDP Deed of Covenant.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

BOC AVIATION PTE. LTD.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$2,000,000,000
Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*insert date*] [and the supplemental Offering Circular dated [*insert date*]] (together, the **Offering Circular**). This document must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*insert date*] [and the supplemental Offering Circular dated [*insert date*]] (together, the **Offering Circular**). This document must be read in conjunction with the Offering Circular, save in respect of the Conditions which are extracted from the Offering Circular dated [*insert date*] and are attached hereto.]

[*The following language applies if any tranche of the Notes is issued by BOC Aviation Pte. Ltd. and is intended to be "qualifying debt securities" (as defined in the Income Tax Act, Chapter 134 of Singapore):*

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the **ITA**), shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer		BOC Aviation Ptc. Ltd
2.	(a)	Series Number	[ ]
	(b)	Tranche Number	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	[(a)]	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	[(b)]	Net Proceeds:	[ ] (*include for listed issues if required by the relevant stock exchange on which the Notes are listed.*)
6.	(a)	Specified Denominations:	[ ] (*Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]."*) (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [€100,000] minimum denomination is not required.*) (*In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.*)
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)

7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.		Maturity Date:	[*Fixed rate – specify date/* *Floating rate* – Interest Payment Date falling in or nearest to [*specify month*]]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR/SIBOR/SOR] +/− [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.		Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.		Status of the Notes:	[Senior]
14.		Listing:	[[ ] (*specify*)/None]
15.		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.		Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 6.1*)
	(b)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)

	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed) or [*specify other*]]
	(f)	[Determination Date(s):	[ ] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]

(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] (*Either LIBOR, EURIBOR, SIBOR, SOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement*)
	• Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR or second Singapore business day prior to the start of the interest period if SIBOR or SOR*)
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
(h)	Margin(s):	[+/−] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Other] (*See Condition 6.2 for alternatives*)

	(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
18.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 8.5(c) applies/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
19.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent	[*give name*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible, impracticable or otherwise disrupted:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]

	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[ ]
	(h)	Minimum Rate of Interest:	[ ] per cent. per annum
	(i)	Maximum Rate of Interest:	[ ] per cent. per annum
	(j)	Day Count Fraction:	[ ]
20.	Dual Currency Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]

	(c) If redeemable in part:	[ ]
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
	(d) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
22.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(c) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
23.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix]
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8.5):	[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Bearer Notes: Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Bearer Notes: Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [Registered Notes: Global Registered Note ([ ]) nominal amount [exchangeable for Registered Notes in definitive form]] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)
26.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/give details] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(c) and 19(g) relate*)
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
29.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	[Not Applicable/*give details*]
	(b) Instalment Date(s):	[Not Applicable/*give details*]

30.	Redenomination applicable:	Redenomination [not] applicable [(*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)]
31.	Other final terms:	[Not Applicable/*give details*]
32.	Rating[s]:	[Not Applicable/*give details*]
33.	Governing law:	English

DISTRIBUTION

34.	(a)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
35.	If non-syndicated, name of relevant Dealer:		[Not Applicable/*give name*]
36.	U.S. Selling Restrictions:		[Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]
37.	Additional selling restrictions:		[Not Applicable/*give details*]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue [and admission to trading on [*specify relevant stock exchange*]] of the Notes described herein pursuant to the U.S.$[2,000,000,000] Euro Medium Term Note Programme of BOC Aviation Pte. Ltd.

OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ] (*insert here any other relevant codes such as a CMU instrument number*)
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V., and Clearstream or, as the case may be, CDP and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]

(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[Not Applicable/*give name(s)*]
(vi)	Registrar:	[ ] *(include in respect of Registered Notes only)*

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
BOC AVIATION PTE. LTD.

By: ______________________
Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below), each Definitive Bearer Note (as defined below) and each Definitive Registered Note (as defined below), but, in the case of Definitive Bearer Notes and Definitive Registered Notes, only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Bearer Note or Definitive Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of the applicable Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by BOC Aviation Pte. Ltd., a company incorporated under the laws of Singapore (the **Issuer**), pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note in bearer form (each a **Bearer Global Note**);

(c) any Global Note in registered form (each a **Registered Global Note**);

(d) any definitive Notes in bearer form (**Definitive Bearer Notes** and, together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(e) any definitive Notes in registered form (**Definitive Registered Notes** and, together with Registered Global Notes, the **Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 20 September 2012 and made between the Issuer, The Bank of New York Mellon, London Branch as the agent (the **Agent**, which expression shall include any successor agent), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent and registrar (in the case of CMU Notes) (the **CMU Lodging and Paying Agent**, which expression shall include any successor CMU lodging and paying agent and registrar), The Bank of New York Mellon, Singapore Branch as Singapore paying agent and registrar (the **Singapore Paying Agent**) and the other paying agents named therein (together with the Agent, the Singapore Paying Agent and the CMU Lodging and Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon (Luxembourg) S.A. as registrar (other than in respect of Notes to be cleared through CMU or CDP) (the **Registrar**, which expression shall include any successor registrar) and The Bank of New York Mellon, London Branch as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

For the purposes of these Terms and Conditions (the **Conditions**), all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Agent shall, with respect to:

(a) with respect to a Series of Notes to be held in the computerised system operated by The Central Depository (Pte) Limited (**CDP**), be deemed to be a reference to the Singapore Paying Agent; and

(b) with respect to a Series of Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**), be deemed to be a reference to the CMU Lodging and Paying Agent,

and all such references shall be construed accordingly.

Interest bearing Definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note and supplement these and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify these Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean, in the case of Bearer Notes, the holders of the Notes and, in case of Registered Notes, the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

In the case of Notes cleared through Euroclear (as defined below), Clearstream, Luxembourg (as defined below) or the CMU Service, the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 20 September 2012 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg.

Where the Notes are cleared through The Central Depository (Pte) Limited (**CDP**), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the CDP Deed of Covenant (the **CDP Deed of Covenant**) dated 20 September 2012 and made by the Issuer. The original of the CDP Deed of Covenant is held by CDP.

Copies of the Agency Agreement, the Deed of Covenant and the CDP Deed of Covenant are available for inspection during normal business hours at the registered office of each of the Agent, the Registrar and the other Paying Agents. Copies of the applicable Pricing Supplement are available for viewing at the registered office of each the Issuer, the Agent and the Registrar, in case of Registered Notes and at the registered office of the other Paying Agents, in the case of Bearer Notes, and copies may be obtained from those offices save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant (if applicable), the CDP Deed of Covenant (if applicable) and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are either in bearer form or in registered form, as specified in the applicable Pricing Supplement and, in the case of Definitive Bearer Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of CDP, Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and/or a sub-custodian for the CMU Service, each person (other than CDP or Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be) who is for the time being shown in the records of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) as the holder of a particular nominal amount of such Bearer Notes (in which regard any certificate or other document issued by CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save, in the case of Notes not cleared through CDP, for manifest error) shall be treated by the Issuer, the Paying Agents and all other agents of the Issuer as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (**CMU Accountholders**) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of CDP, Euroclear, Clearstream, Luxembourg and the CMU Service, as the case may be. References to CDP, Euroclear, Clearstream, Luxembourg and the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

(a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for CDP, the CMU Service, Euroclear or Clearstream, Luxembourg shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) or to a successor of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) or such successor's nominee.

(b) *Transfers of Registered Notes in definitive form*

Subject as provided in paragraph (e) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

(i) the holder or holders must:

(A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and

(B) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and

(ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer shall require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered during the period of (i) 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer pursuant to Condition 8.3 and (ii) 15 days ending on (and including) any Payment Date.

(f) *Exchanges and transfers of Registered Notes generally*

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. NEGATIVE PLEDGE AND FINANCIAL COVENANTS

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not, and the Issuer will procure that none of its Principal Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Principal Subsidiaries to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Noteholders.

Where, for the purposes of these Conditions:

National Export Credit Agency Guaranteed Capital Markets Instrument means any Capital Markets Instrument issued by an entity (not being the Issuer or a Principal Subsidiary) that is guaranteed by any National Export Credit Agency.

National Export Credit Agency means any of Export-Import Bank of the United States or Export Credit Guarantee Department of the U.K. or Euler Hermes of Germany or COFACE of France or any other agency of the government of any country that provides guarantees to support the financing of aircraft (or parts thereof) exported from that country.

Net Tangible Assets means total tangible assets less total liabilities.

Principal Subsidiary means each of BOC Aviation (Ireland) Limited, BOC Aviation (USA) Corporation and any subsidiary of the Issuer whose Net Tangible Assets, as shown by the accounts of such subsidiary, based upon which the latest audited consolidated accounts of the Group have been prepared, are at least 10.0 per cent. of the Net Tangible Assets of the Group as shown by such audited consolidated accounts, provided that if any such subsidiary (the **transferor**) shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another subsidiary or the Issuer (the **transferee**) then (1) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and (2) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any subsidiary which becomes a Principal Subsidiary by virtue of (1) above or which remains or becomes a Principal Subsidiary by virtue of (2) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of (A) the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the Net Tangible Assets as shown by the accounts of such subsidiary, based upon which such audited consolidated accounts of the Group have been prepared, to be less than 10.0 per cent. of the Net Tangible Assets of the Group, as shown by such audited consolidated accounts or (B) a report by the Group's auditors as described below dated on or after the date of the relevant transfer which shows the Net Tangible Assets of such subsidiary to be less than 10.0 per cent. of the Net Tangible Assets of the Group. A report by the Group's auditors, who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive.

Subsidiary has the meaning ascribed to it in Section 5 of the Companies Act, Chapter 50 of Singapore.

Relevant Indebtedness means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market (**Capital Markets Instruments**), and (ii) any guarantee or indemnity in respect of any such indebtedness. For the avoidance of doubt, any amounts owed in relation to a National Export Credit Agency Guaranteed Capital Markets Instrument will not constitute Relevant Indebtedness notwithstanding that such amounts are guaranteed directly or indirectly by the Issuer or any Principal Subsidiary.

5. REDENOMINATION

5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders on giving prior notice to the Agent, CDP, Euroclear and Clearstream, Luxembourg, CMU Lodging and Paying Agents and CMU and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of euro 100,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 7; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

5.2 Definitions

In these Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

Relevant Notes means all Notes where the applicable Pricing Supplement provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area;

Specified Time means 11.00 a.m. (Singapore time); and

Treaty means the Treaty establishing the European Community, as amended.

6. INTEREST

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(c) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date divided by 365.

(d) In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest and such interest will be payable in arrear on either:

(i) the **Specified Interest Payment Date(s)** in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the **Specified Period** in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period** (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Singapore, (in the case of Notes not cleared through CDP and unless otherwise indicated) London, Hong Kong (in the case of any Notes lodged with the CMU Service (the **CMU Notes**)) and each Additional Business Centre specified in the applicable Pricing Supplement (in the case of Notes denominated in Renminbi), a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Singapore, London, Hong Kong and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SIBOR or SOR

Each Floating Rate Note denominated in Singapore Dollars where the Reference Rate is specified as being Singapore Dollar Interbank Offer Rate (**SIBOR**) (in which case such Note will be a **SIBOR Note**) or Singapore Dollar Swap Offer Rate (**SOR**) (in which case such Note will be a **Swap Rate Note**) bears interest at a floating rate determined by reference to a benchmark as specified hereon or in any case such other benchmark as specified hereon.

The Rate of Interest payable from time to time in respect of each Floating Rate Note under Condition 6.2(b)(ii) will be determined by the Agent on the basis of the following provisions:

(I) in the case of SIBOR Notes:

(aa) the Agent will, at or about the Specified Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ASSOCIATION OF BANKS IN SINGAPORE – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 A.M. SINGAPORE TIME" and the column headed "SGD SIBOR" (or such other Relevant Screen Page) and as adjusted by the Margin (if any);

(bb) if no such rate appears on the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof), the Agent will, at or about the Specified Time on such Interest Determination Date, determine the Rate of Interest for such Interest Period which shall be the rate which appears on the Reuters Screen SIBP Page under the caption "SINGAPORE DOLLAR INTER-BANK OFFERED RATES – 11:00 A.M." and the row headed "SIBOR SGD" (or such other replacement page thereof), being the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period and as adjusted by the Margin (if any);

(cc) if no such rate appears on the Reuters Screen SIBP Page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if the Reuters Screen SIBP Page (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Agent will request the principal Singapore offices of each of the Reference Banks to provide the Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Specified Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations and as adjusted by the Margin (if any), as determined by the Agent;

(dd) if on any Interest Determination Date, two but not all the Reference Banks provide the Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (cc) above on the basis of the quotations of those Reference Banks providing such quotations; and

(ee) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent at or about the Specified Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent with such quotation, the rate per annum which the Agent determines to be arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Specified Time on such Interest Determination Date and as adjusted by the Margin (if any).

(II) in the case of Swap Rate Notes:

(aa) the Agent will, at or about the Specified Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Agent as being the rate which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ASSOCIATION OF BANKS IN SG – SWAP OFFER AND SIBOR FIXING RATES – RATES AT 11:00 AM SINGAPORE TIME" and under the column headed "SGD SWAP OFFER" (or such other page as may replace Reuters Screen ABSIRFIX01 Page for the purpose of displaying the swap rates of leading reference banks) at or about the Specified Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Margin (if any);

(bb) if on any Interest Determination Date, no such rate appears on the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Agent will determine the Average Swap Rate (which shall be rounded up, if necessary, to the nearest 1/16 per cent.) for such Interest Period in accordance with the following formula:

In the case of Premium:

$$\text{Average Swap Rate} = \frac{365}{360} \text{ x SIBOR} + \frac{(\text{Premium x } 36500)}{(\text{T x Spot Rate})} + \frac{(\text{SIBOR x Premium})}{(\text{Spot Rate})} \text{ x } \frac{365}{360}$$

In the case of Discount:

$$\text{Average Swap Rate} = \frac{365}{360} \text{ x SIBOR} + \frac{(\text{Discount x } 36500)}{(\text{T x Spot Rate})} - \frac{(\text{SIBOR x Discount})}{(\text{Spot Rate})} \text{ x } \frac{365}{360}$$

where:

SIBOR = the rate which appears on the Reuters Screen SIBO Page under the caption "SINGAPORE INTERBANK OFFER RATES (DOLLAR DEPOSITS) 11 A.M." and the row headed "SIBOR USD" (or such other page as may replace Reuters Screen SIBO Page for the purpose of displaying Singapore Inter-bank United States dollar offered rates of leading reference banks) at or about the Specified Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Spot Rate = the rate (determined by the Agent) to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks and which appear under the caption "ASSOCIATION OF BANKS IN SINGAPORE – SGD SPOT AND SWAP OFFER RATES AT 11.00 A.M. SINGAPORE TIME" and the column headed "Spot" on the Reuters Screen ABSIRFIX06 Page (or such other page as may replace Reuters Screen ABSIRFIX06 Page for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Specified Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Premium or Discount = the rate (determined by the Agent) to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks for a period equal to the duration of the Interest Period concerned which appear under the caption "ASSOCIATION OF BANKS IN SINGAPORE SPOT AND SWAP OFFER RATES AT 11.00 A.M. SINGAPORE TIME" on the Reuters Screen ABSIRFIX06 Page (or such other page as may replace the Reuters Screen ABSIRFIX06 Page for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Specified Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned; and

T = the number of days in the Interest Period concerned.

The Rate of Interest for such Interest Period shall be the Average Swap Rate (as determined by the Agent) and as adjusted by the Margin (if any);

(cc) if on any Interest Determination Date, any one of the components for the purposes of calculating the Average Swap Rate under (bb) above is not quoted on the relevant Reuters Screen Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) or the relevant Reuters Screen Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Agent will request the principal Singapore offices of the Reference Banks to provide the Agent with quotations of their Swap Rates for the Interest Period concerned at or about the Specified Time on that Interest Determination Date and the Rate of Interest for such Interest Period shall be the Average Swap Rate for such Interest Period (which shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the Swap Rates quoted by the Reference Banks to the Agent) and as adjusted by the Margin (if any). The Swap Rate of a Reference Bank means the rate at which that Reference Bank can generate Singapore dollars for the Interest Period concerned in the Singapore Inter-bank market at or about the Specified Time on the relevant Interest Determination Date and shall be determined as follows:

In the case of Premium:

$$\text{Swap Rate} = \frac{365}{360} \text{ x SIBOR} + \frac{(\text{Premium x } 36500)}{(\text{T x Spot Rate})} + \frac{(\text{SIBOR x Premium})}{(\text{Spot Rate})} \text{ x } \frac{365}{360}$$

In the case of Discount:

$$\text{Swap Rate} = \frac{365}{360} \text{ x SIBOR} + \frac{(\text{Discount x } 36500)}{(\text{T x Spot Rate})}$$

$$- \frac{(\text{SIBOR x Discount})}{(\text{Spot Rate})} \text{ x } \frac{365}{360}$$

where:

SIBOR = the rate per annum at which United States dollar deposits for a period equal to the duration of the Interest Period concerned are being offered by that Reference Bank to prime banks in the Singapore inter-bank market at or about the Specified Time on the relevant Interest Determination Date;

Spot Rate = the rate at which that Reference Bank sells United States dollars spot in exchange for Singapore dollars in the Singapore inter-bank market at or about the Specified Time on the relevant Interest Determination Date;

Premium = the premium that would have been paid by that Reference Bank in buying United States dollars forward in exchange for Singapore dollars on the last day of the Interest Period concerned in the Singapore inter-bank market;

Discount = the discount that would have been received by that Reference Bank in buying United States dollars forward in exchange for Singapore dollars on the last day of the Interest Period concerned in the Singapore inter-bank market; and

T = the number of days in the Interest Period concerned; and

(dd) if on any Interest Determination Date, one only or none of the Reference Banks provides the Agent with quotations of their Swap Rate(s), the Average Swap Rate shall be determined by the Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent at or about the Specified Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, in an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and the Rate of Interest for the relevant Interest Period shall be the Average Swap Rate (as so determined by the Agent), or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Specified Time on such Interest Determination Date and as adjusted by the Margin (if any).

Reference Banks means, in the case of a determination of the SIBOR or the SOR, the principal Singapore offices of each of the three major banks in the Singapore interbank market, in each case selected by the Agent or as specified in the applicable Pricing Supplement.

(iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SIBOR or SOR or which are denominated in a currency other than Singapore Dollars.

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

Reference Rate means the rate specified in the applicable Pricing Supplement; and

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

(c) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent or as applicable, the Calculation Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent or as applicable, the Registrar, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Notes, will calculate the amount of interest (the **Interest Amount**) payable in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this

Condition 6.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; and

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) *Notification of Rate of Interest and Interest Amounts*

The Agent, the Registrar or, if applicable, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Singapore.

(f) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2, whether by the Agent, the Registrar, or, if applicable, the Calculation Agent, shall (in the absence of wilful default, fraud, manifest error or proven error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Registrar or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

6.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

6.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and

(c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the relevant Noteholder with a bank in Hong Kong.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

For the purpose of the Conditions, the term **Renminbi** means the lawful currency of the People's Republic of China.

7.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes not held in the CMU Service will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes not held in the CMU Service, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held in the CMU Service (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held in the CMU Service becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of Definitive Bearer Notes held in the CMU Service, payment will be made to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note (i) in the case of a Bearer Global Note lodged with the CMU Service, to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited as being held by the CMU Service in accordance with the CMU Rules, or (ii) in the case of a Bearer Global Note not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU Service) on such Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU Service) on withdrawal of the Bearer Global Note by the CMU Lodging and Paying Agent and, in each case, such record shall be prima facie evidence that the payment in question has been made.

7.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form at the close of the business day (being for this purpose, in respect of Notes clearing through CDP and/or Euroclear, Clearstream, Luxembourg and/or the CMU Service, a day on which CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) is open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account, or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form at the close of the business day (being for this purpose, in respect of Notes clearing through CDP and/or Euroclear, Clearstream, Luxembourg and/or the CMU Service, a day on which CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) is open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

In the case of a Definitive Registered Note or Registered Global Note held through the CMU Service, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligation of the Issuer in respect of that payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer or the Paying Agents or the Transfer Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 Payment of United States Dollar Equivalent

Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in CNY in Hong Kong, the Issuer may, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in United States dollars on the due date at the United States Dollar Equivalent of any such CNY denominated amount. Any payment made under such circumstances in United States dollars will constitute valid payment and will not constitute a default in respect of the Notes.

For the purposes of these Conditions:

CNY means the lawful currency of the People's Republic of China;

CNY Dealer means an independent foreign exchange dealer of international repute active in the CNY exchange market in Hong Kong;

Determination Business Day means a day (other than Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City;

Determination Date means the day which is two Determination Business Days before the due date of the relevant amount under these Conditions;

Governmental Authority means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of financial markets (including the central bank) of Hong Kong;

Illiquidity means the general CNY exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient CNY in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two CNY Dealers;

Inconvertibility means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general CNY exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

Non-transferability means the occurrence of any event that makes it impossible for the Issuer to deliver CNY between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

Spot Rate means the spot CNY/United States dollar exchange rate for the purchase of United States dollars with CNY in the over-the-counter CNY exchange market in Hong Kong for settlement in two business days, as determined by the Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/United States dollar official fixing rate for settlement in two business days reported by The State Administration of Foreign Exchange of the People's Republic of China, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designed on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate; and

United States Dollar Equivalent means the relevant CNY amount converted into United States dollars using the Spot Rate for the relevant Determination Date.

All determinations made for the purposes of the provisions of this Condition 7.5 by the Calculation Agent will (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agents and all Noteholders.

7.6 General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU Service) or (if the Global Note is lodged with the CMU Service, the CMU Accountholders) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or such CMU Accountholders in respect of each amount so paid. Each of the persons shown in the records of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to CDP, Euroclear, Clearstream, Luxembourg or the CMU Lodging and Paying Agent, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

(a) in the case of Notes denominated in a Specified Currency other than Renminbi:

  (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

    (A) the relevant place of presentation;

    (B) Singapore;

    (C) (in the case of Notes denominated in a Specified Currency other than Singapore (Dollars) London;

    (D) each Additional Financial Centre specified in the applicable Pricing Supplement; and

  (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, Singapore, London, Hong Kong (with respect to CMU Notes) and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(b) in the case of denominated in Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (i) the case of Notes in definitive form only, the relevant place of presentation and (ii) Singapore, Hong Kong, New York City, and London.

7.8 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

8.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition (15); and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Definitive Bearer Notes or Registered Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot (in such place as the Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes, may approve and in such manner as the Agent, or as applicable, the Registrar, shall deem to be appropriate and fair) not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be given notice in accordance with Condition 15 not less than 30 days prior to such date fixed for redemption (such date of selection being the **Selection Date**).

In the case of partial redemption of Bearer Notes which are represented by a Bearer Global Note, the relevant Bearer Notes will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or CDP and/or the CMU Service (as appropriate). If only some of the Notes then outstanding are to be so redeemed, the Optional Redemption Amount (after accounting for any interest accrued to (but excluding) the relevant Optional Redemption Date) shall be an amount that is (A) equal to or greater than the Minimum Redemption Amount and (B) equal to or less than the Maximum Redemption Amount.

In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

8.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside CDP, Euroclear and Clearstream, Luxembourg and the CMU Service, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is a Definitive Bearer Note, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) (which may include notice being given on his instruction by CDP, Euroclear or Clearstream, Luxembourg or the CMU Service or any common depositary for them to the Agent by electronic means) in a form acceptable to CDP, Euroclear and Clearstream, Luxembourg or the CMU Service (as the case may be) from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service given by a holder of any Note pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows unless otherwise specified in the applicable Pricing Supplement:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1+AY)^{y}$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.5.

8.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.8 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

8.9 Cancellation

All Notes purchased by or on behalf of the Issuer or any Subsidiary of the Issuer may be surrendered for cancellation, in the case of Definitive Bearer Notes, by surrendering each such Definitive Bearer Note together with all unmatured Receipts, Coupons and Talons to the Agent and, in the case of Definitive Registered Notes, by surrendering the Definitive Registered Note to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith). All Notes so cancelled (together with, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

8.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.3 or 8.4 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15 (Notices).

9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in Singapore; or

(b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction (including, without limitation, being a resident of or a permanent establishment in the Tax Jurisdiction) other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

(i) **Tax Jurisdiction** means Singapore or any political subdivision or any authority thereof or therein having power to tax in the case of payment made by the Issuer; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT

11.1 Events of Default

If any of the following events (each an **Event of Default**) occurs then any holder of a Note may, by written notice to the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind:

(a) the Issuer does not pay any sum payable by it in respect of the Notes within seven Business Days of its due date;

(b) the Issuer does not perform or comply with any one or more of its obligations (other than the payment obligation of the Issuer referred to in paragraph (a) above) under the Conditions or any of the Notes and, if that default is capable of remedy, it is not remedied within 30 days after notice of such default has been given by any holder of a Note to the Issuer;

(c) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries in respect of Indebtedness for Borrowed Money is or is declared to be rendered due and payable prior to its stated maturity by reason of any event of default (however described) or is not paid when due or, as the case may be, within any applicable grace period in any agreement relating to that indebtedness. However, no Event of Default will occur under this paragraph (c) unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned in this paragraph has/have occurred equals or exceeds US$50,000,000 or its equivalent in other currencies;

(d) the Issuer or any of its Principal Subsidiaries is (or is deemed by law or a court to be) unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its indebtedness, begins negotiations or proposes or enters into an agreement for the deferral, rescheduling or other readjustment of all or a material part of (or of a particular type of) its indebtedness (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) the indebtedness of the Issuer or any of its Principal Subsidiaries;

(e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days;

(f) any security on or over the whole or any substantial part of the assets of the Issuer or any of its Principal Subsidiaries is enforced;

(g) an order is made, an effective resolution is passed, a petition is presented or a meeting is convened for the winding-up of the Issuer or any of its Principal Subsidiaries or a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer or any of its Principal Subsidiaries or over the whole or any substantial part of the assets of the Issuer or any of its Principal Subsidiaries is appointed;

(h) the Issuer or any of its Principal Subsidiaries (i) ceases or threatens to cease to carry on all or substantially all of its business or (ii) disposes of all or substantially all of its assets except for intra-group disposals to the Issuer or to a subsidiary of the Issuer;

(i) all or a material part of the assets of the Issuer or any of its Principal Subsidiaries is seized, compulsorily acquired, expropriated or nationalised save in the case where the relevant assets are insured against such risk, and the Issuer or such Principal Subsidiary has received, or is entitled to receive, the proceeds of such insurance and such entitlement is not disputed by the relevant insurer;

(j) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are valid, legally binding and enforceable, (iii) to ensure that those obligations rank and will at all times rank in accordance with Condition 3 and (iv) to make the Notes admissible in evidence in the courts of England, is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable) and, if that default is capable of remedy, it is not remedied within 30 days after notice of such default has been given by any holder of a Note to the Issuer;

(k) it is or will become unlawful for the Issuer to perform or comply with any one or more of its material obligations under the Notes;

(l) any of the Notes ceases for any reason (or is claimed by the Issuer not) to be the legal and valid obligations of the Issuer, binding upon it in accordance with its terms; and

(m) any event occurs which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events mentioned in paragraph (d), (e), (f), (g) or (h).

11.2 Definitions

In the Conditions:

Business Day means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore; and

Indebtedness for Borrowed Money, with respect to any person, includes, without limitation, all obligations of such person for the payment of repayment of money, whether present or future, actual or contingent including, without limitation, such indebtedness in respect of:

(a) moneys borrowed;

(b) indebtedness under any hedging instrument (including, without limitation, interest rate swap, currency swap, cap, collar, floor, forward or option);

(c) amounts raised by acceptance under any acceptance credit facility;

(d) amounts raised through the issue of any bond, note or other debt security whether or not convertible into equity;

(e) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in Singapore, be treated as finance or capital leases;

(f) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days;

(g) the amount of any guarantee, indemnity, suretyship or other arrangement under which the relevant person is or may be liable for or assure the repayment of the indebtedness of any other person; and

(h) amounts raised under any other transaction which would, in accordance with generally accepted accounting standards in Singapore, be treated as a borrowing.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or as the case may be, the Registrar, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Receipt, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Receipt, Coupon or Talon) as the Issuer or the Registrar may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices in the case of a Bearer Note and the name and initial specified office of the initial Registrar in the case of a Registered Note are set out below.

The Issuer is entitled to vary or terminate the appointment of the Registrar or any Paying Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Paying Agent and/or Registrar and/or Transfer Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Registrar and a Transfer Agent which, so long as Registered Notes are listed on any stock exchange or admitted to listing by any other relevant authority, will have a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(d) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia, which is expected to be the Asian Wall Street Journal. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices to holders of Registered Notes will be deemed validly given if mailed to their registered addresses appearing on the register. Any such notice shall be deemed to have been given on the second day after the day on which it was mailed. In addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, a copy of such notice will be published by or on behalf of the Issuer in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes or (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day (for this purpose a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Hong Kong) preceding the date of despatch of such notice as holding interests in the relevant Global Note. In addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, a copy of such notice will be published by or on behalf of the Issuer in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or the persons shown in the relevant CMU Instrument Position Report. Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or CDP and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging and Paying Agent in Hong Kong, as the case may be, in such manner as the Agent, the Registrar, the Singapore Paying Agent, the CMU Lodging and Paying Agent and Euroclear and/or Clearstream, Luxembourg and/or CDP and/or the CMU Service, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent, the Registrar and the Issuer may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law or is required by CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU and/or any other clearing system in which the Notes may be held.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES)

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. The CDP Deed of Covenant is governed by, and shall be construed in accordance with, Singapore law.

19.2 Submission to jurisdiction

(a) The Issuer irrevocably agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

(b) The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

(c) For the purposes of process in England, the Issuer has a registered office at Fifth Floor, 100 Wood Street, London, EC2V 7EX, England and the Issuer agrees that, in the event of it ceasing to maintain a registered office in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

19.3 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the exclusive jurisdiction of the English courts.

USE OF PROCEEDS

The net proceeds of issuance of Notes under the Programme (after deduction of underwriting fees, discounts and commissions, and other expenses incurred by the Issuer in connection with the Programme or the Notes) will be used by the Issuer or the Group for the purpose of funding new capital expenditure, funding for general corporate purposes and/or refinancing existing borrowings.

CAPITALISATION AND INDEBTEDNESS

As of 31 December 2012, the issued share capital of the Issuer was US$608 million. The number of ordinary shares issued was 589,908,834. There is only one class of ordinary shares in the capital of the Issuer and all of the Issuer's share capital comprises fully paid shares.

The following table sets forth the capitalisation and indebtedness of the Issuer as at 31 December 2012:

In US$ million	**Audited as at 31 December 2012**
Indebtedness	
Medium term notes	769
Other loans and borrowings and finance lease payables	5,759
Total Indebtedness	**6,528**
Equity attributable to equity holder of the Company	
Share capital	608
Revenue reserve	1,155
Hedging reserve	(2)
Total equity	**1,761**
Total capitalisation and indebtedness	**8,289**

Indebtedness refers to the gross loans and borrowings and finance lease payables before deduction of debt issue costs and fair value adjustments.

There has been no material change in the capitalisation, indebtedness or contingent liabilities of the Issuer since 31 December 2012.

DESCRIPTION OF THE ISSUER

GENERAL INFORMATION

Business Overview

The Issuer and its subsidiaries are principally involved in the business of the provision of operating leases of commercial passenger and freighter aircraft to airlines worldwide. In addition to its core operating lease business, the Issuer is also actively involved in selling aircraft and providing aircraft lease management and re-marketing services to airlines, banks and other aircraft investors. Since its establishment in 1993, the Issuer has grown to become the largest aircraft operating lessor based in Asia by owned assets with a diversified portfolio of owned and managed aircraft. It is also the fourth largest aircraft operating leasing company globally as measured by value of owned assets as at 31 December 2012. The Issuer has been consistently profitable throughout its entire history with over US$1 billion in cumulative net profits after tax to date and has the highest return on equity of major stand alone top tier aircraft leasing companies.

The Issuer's fleet has grown significantly since establishment, reaching 50 aircraft in 2004, 100 aircraft in 2009 and 200 aircraft in 2012. As at 31 March 2013, the Issuer's portfolio comprised 215 aircraft, leased to 58 airlines in 34 countries worldwide.

History and Background

The Issuer's head office is in Singapore where the senior management and core functional departments of the Issuer are based. In addition to its head office, the Issuer has offices in the U.S. and Ireland and as at 31 March 2013, the Issuer employed 107 staff of whom 96 are based in Singapore.

The Issuer was founded in 1993 as Singapore Aircraft Leasing Enterprise Pte. Ltd. by Singapore Airlines Limited and Boullioun Aviation Services Inc (a United States based aircraft leasing company). In 1997, Temasek Holdings (Private) Limited and Government of Singapore Investment Corporation Private Limited joined the founders as investors in the Issuer. On 15 December 2006, Bank of China Limited (**Bank of China**) acquired the entire share capital of the Issuer for an enterprise value of US$3.25 billion, including US$965 million of equity. Following the acquisition, the Issuer changed its name to BOC Aviation Pte. Ltd. on 2 July 2007. Bank of China invested additional equity of US$100 million in 2009 and US$200 million in 2010 to support the growth of the Issuer's business.

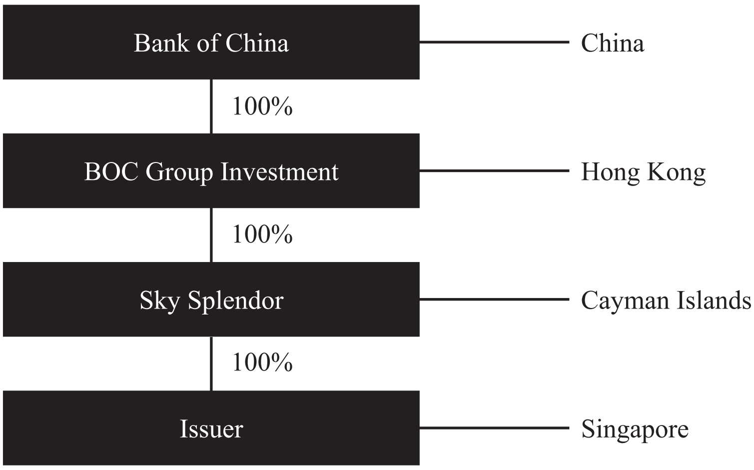
The Issuer first placed aircraft orders with Airbus S.A.S. (**Airbus**) in 1996, with The Boeing Company (**Boeing**) in 1997 and with Embraer S.A. (**Embraer**) in 2011. Most recently, in December 2012, the Issuer placed its first order for 25 A320 family New Engine Option (**NEO**) aircraft with Airbus as part of an order for 50 A320 family aircraft. To date, the Issuer has committed over US$21 billion to purchasing aircraft from these manufacturers and from airlines under purchase and leaseback arrangements.

The Group has been profitable every year since incorporation, with reported revenues of US$731 million and net profit after tax of US$225 million for the year ended 31 December 2012, revenues of US$641 million and net profit after tax of US$201 million for the year ended 31 December 2011 and revenues of US$550 million and net profit after tax of US$168 million for the year ended 31 December 2010. The Group successfully completed its first six years under the ownership of Bank of China in December 2012 during which time it generated cumulative net profits after tax of US$925 million. In June 2012, the Issuer was assigned its inaugural corporate credit ratings of A– (stable outlook) from Fitch Ratings (**Fitch**) and BBB (stable outlook) from Standard and Poor's Rating Services (**S&P**).

Reflecting its emphasis on new and modern equipment, the Issuer has one of the youngest fleets in the industry, with an average owned fleet age of less than four years.

Shareholding

The Issuer is a limited liability company which is incorporated and domiciled in Singapore. It is an indirect wholly-owned subsidiary of Bank of China, which is one of the world's largest banks by market capitalisation and one of China's four largest commercial banks with a global presence and assets in excess of US$2 trillion as at 31 December 2012. Bank of China is rated A1 (stable) by Moody's Investors Service (**Moody's**), A (stable) by S&P and A (stable) by Fitch. The Issuer's immediate shareholder is a Cayman Islands incorporated special purpose company (Sky Splendor Limited) which is owned by Bank of China Group Investment Ltd (**BOC Group Investment**) a Hong Kong incorporated company. BOC Group Investment is owned by Bank of China. The shareholding structure of the Issuer is set out below:



AIRCRAFT OPERATING LEASE INDUSTRY

Aircraft operating leasing is a strong growth industry that operates on a global scale and is defined by investment in aircraft assets which have long economic lives and high mobility. The industry is cyclical and highly correlated to the commercial airline industry, as well as changes in financing availability and aircraft supply. Primarily a US dollar denominated business, lessors in the aircraft operating lease industry assume airline credit, aircraft repossession and aircraft value risk, while the airline lessees take operating and maintenance risk.

Aircraft demand is driven by growth in air travel. According to Boeing, the long-term growth rate of air travel is approximately 5 per cent. as measured by revenue passenger kilometres flown (**RPKs**), which measure the kilometres flown by paying passengers. Boeing estimates in its Current Market Outlook 2012-2031 that the average annual rate of growth in air travel of 5 per cent. will continue for the next 20 years. However, there will be significant differences in traffic growth among regions. The following table illustrates the expected average per annum per cent. growth in RPK over the next 20 years between different regions of the world.

Projected Air Travel Growth Rates

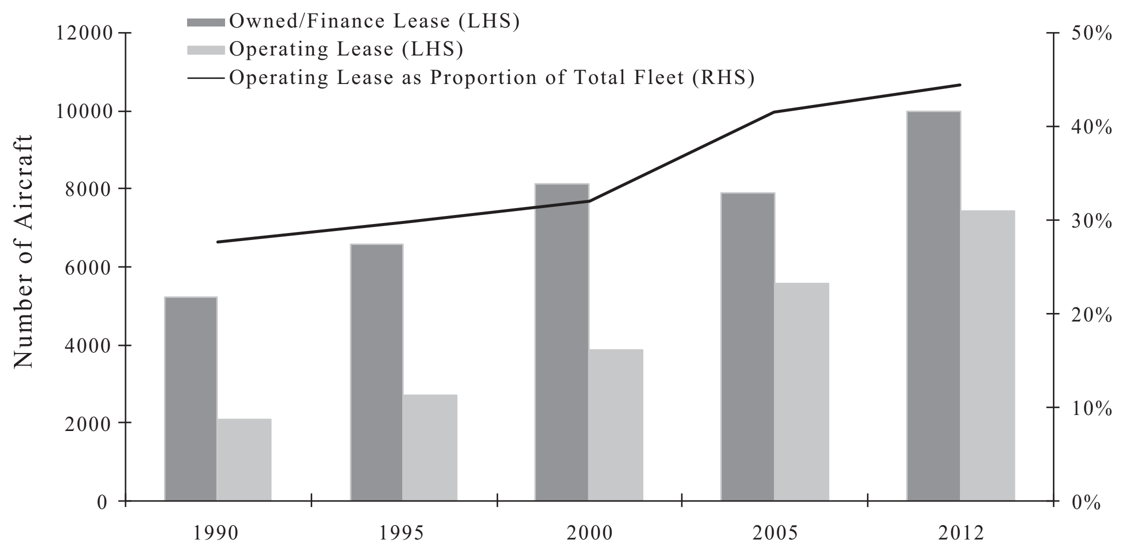
(average per annum % change in RPK – (2012-2031))

	Africa	Latin America	Middle East	Europe	North America	Asia Pacific
Asia Pacific	7.4%	5.4%	7.2%	5.7%	4.8%	6.7%
North America	8.0%	5.1%	6.4%	3.8%	2.2%	
Europe	4.8%	4.8%	5.1%	3.5%		
Middle East	8.9%	–	5.1%			
Latin America	8.3%	6.5%				
Africa	6.2%					

Source: The Boeing Company, Current Market Outlook 2012-2031.

The demand for aircraft operating leasing has grown significantly and currently approximately 45 per cent. of the global commercial aircraft fleet is on operating lease; this figure was only 30 per cent. in 2000. The following chart illustrates the growth of aircraft leasing both in terms of the total number of aircraft and as a percentage of the total commercial fleet.

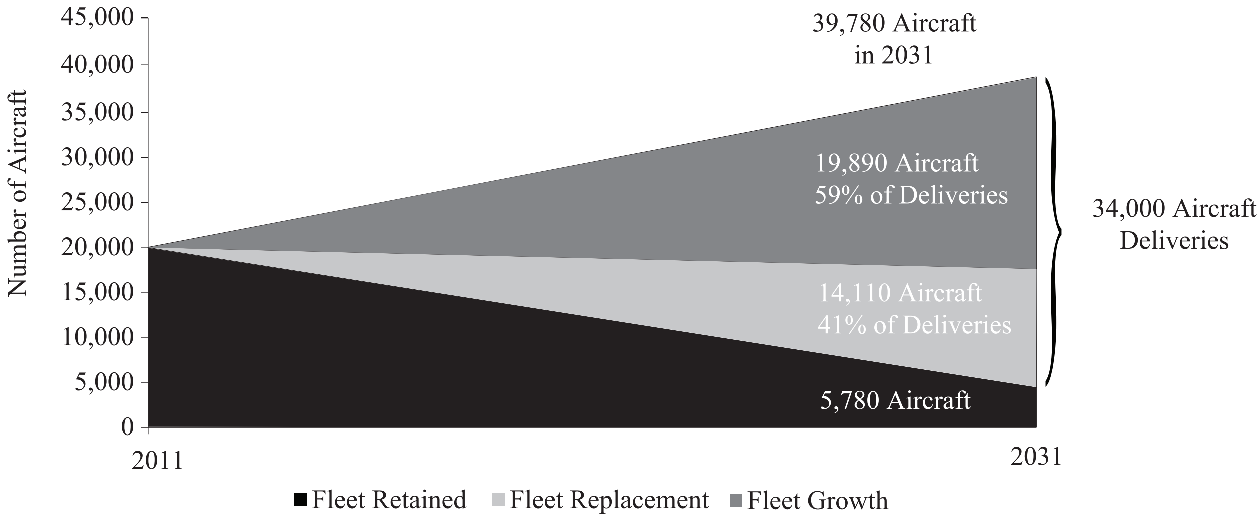
Global Aircraft Fleet – Growth of Operating Leases



Source: Ascend. Data refers to commercial passenger (100+ seats) and commercial freighter aircraft.

Boeing's Current Market Outlook 2012-2031 estimates that the in-service global commercial aircraft fleet will grow an average of 3.5 per cent. per annum for the next 20 years, which will result in its fleet doubling in size by 2031. The following chart illustrates expected in-service global fleet development projections from 2012 to 2031.

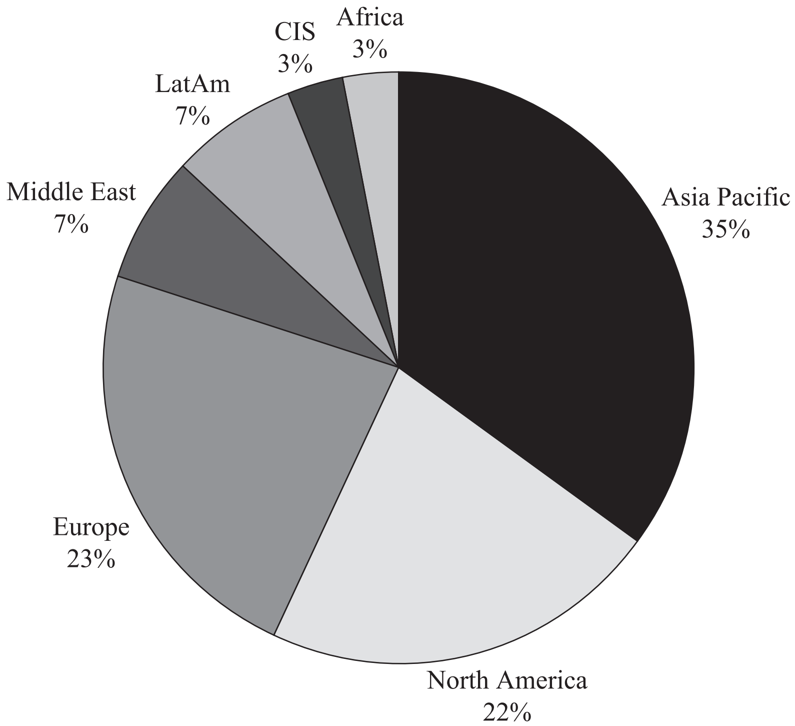
Projected Global Aircraft Fleet Growth from 2012 to 2031



Source: The Boeing Company, Current Market Outlook 2012-2031. Data refers to in-service commercial aircraft.

The Asia Pacific region is expected to have the strongest fleet growth during this period, with a 35 per cent. share of the total aircraft deliveries. The following chart illustrates the percentage allocation of expected aircraft deliveries by region from 2012 to 2031.

Projected Aircraft Deliveries by Region from 2012 to 2031



Source: The Boeing Company, Current Market Outlook 2012-2031. Data refers to in-service commercial aircraft.

The major lessors operate and compete on a global basis, but are differentiated by strategy and fleet composition. Key success factors are minimising aircraft purchase prices and financing costs, aircraft placement/trading/re-marketing and effective risk management. Risk management includes not only managing exposure to individual airline customers, but also balancing portfolio exposures to aircraft and engine types, geographical regions and countries. Lessors acquire assets through purchase and leaseback transactions arranged directly with airline operators as well as aircraft orders with aircraft manufacturers. While all lessors will be active at one time or another in the purchase and leaseback market, not all lessors place or have placed direct orders. The main areas of competition among lessors are placement of new aircraft, placement of used aircraft, and purchase and leaseback of new aircraft. The following table illustrates the five largest aircraft operating lessors in the global market by value of owned aircraft.

Rank	Lessor	Owned Fleet (in US$ Billion)
1	GE Capital Aviation Services (GECAS)	32.9
2	International Lease Finance Corporation (ILFC)	25.2
3	CIT Aerospace	7.1
4	BOC Aviation	6.6
5	AWAS	6.0

Source: Airline Business, February 2013, based on fleets/values by Ascend Online Fleets and Values database for December 2012.

Note: The above is based on Ascend's Generic Market Value on a half-life basis. The difference between half-life and full-life is over US$0.9 billion.

COMPETITIVE STRENGTHS

Shareholder Support from Bank of China

Bank of China has been the sole indirect shareholder of the Issuer since December 2006. The Issuer is one of only six Tier 1 subsidiaries of Bank of China, with the management of the Issuer having direct access to Bank of China's senior management. Bank of China has a track record of providing resources to the Company to facilitate its growth plans including:

- US$300 million of ordinary equity contributed in 2009 and 2010;
- US$2 billion in unsecured revolving committed credit facilities with maturity dates of 2017 for US$1 billion and 2019 for US$1 billion. These facilities were all undrawn and available as of 31 March 2013; and
- US$963 million in drawn committed long term loan facilities in place with branches of Bank of China and Bank of China (Hong Kong) Limited as of 31 December 2012.

There is also a strong governance link between Bank of China and the Issuer with seven out of nine board directors of the Issuer appointed by Bank of China including one executive director and the chairman. The other two directors are an independent director and the Chief Executive Officer of the Issuer. Bank of China-appointed directors chair the Audit Committee, Compensation Committee, Risk Committee and Technical Advisory Committee of the Issuer. All of the Bank of China appointed directors are senior executives with Bank of China.

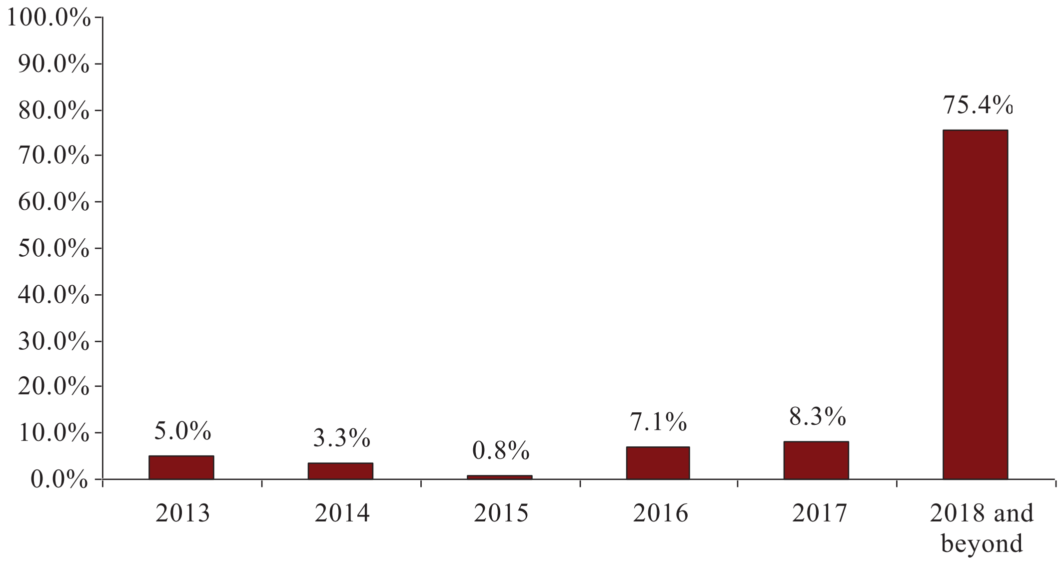
The Issuer also works closely with Bank of China as a dedicated resource for interface with all airlines and aviation airframe and equipment manufacturers. The Issuer's marketing teams work closely with Bank of China in the origination of lending, treasury sales and deposit business for customers in the aviation sector.

Well Diversified Portfolio, Stable Long Term Contracted Cash Flows, Consistent and Industry Leading Profitability

The Issuer has a well diversified portfolio of aircraft, with high quality airline lessees such as Cathay Pacific, WestJet, Aeroflot, Southwest Airlines, Qantas and Emirates leading the cash flow generation from the portfolio. The owned portfolio is diversified across 49 airlines in 31 countries as at 31 March 2013 and 47 airlines in 31 countries as at 31 December 2012. New aircraft are placed on long term leases of between six and 16 years. The average remaining lease term of the Issuer's leases is 7.3 years and the long term nature of the contracted revenue from these leases combined with a high quality lessee base provides a stable core base of earnings and cash flow from year to year. The Issuer has been consistently profitable throughout its entire history.

The following chart summarises the lease maturities of the aircraft in the Issuer's owned fleet, for both delivered aircraft and undelivered aircraft that are subject to signed lease agreements or letters of intent as at 31 December 2012:

Lease Maturity Profile



High Quality Young Fleet Maintained by Active Asset Management

The Issuer has one of the youngest fleets amongst major top tier aircraft leasing companies with an average aircraft age across the owned portfolio of 3.4 years as of 31 March 2013, comprising new generation Airbus, Boeing and Embraer aircraft. The Issuer is focused on acquiring and investing in young, in-demand, fuel-efficient aircraft with high liquidity and a broad operator base. The low average age of the Issuer's fleet is maintained through the purchase of new aircraft and a focus on selling aircraft over five years old. The Issuer intends to maintain a balance between single aisle/narrowbody aircraft and twin aisle/widebody aircraft of approximately 70 per cent. to 30 per cent. by net book value. The Issuer dedicates significant resources to active asset management through the sale of aircraft. Sales of aircraft are managed by a dedicated team of six aircraft sales professionals in Singapore, Europe and the United States and the team is overseen by the Chief Commercial Officer in Singapore. This team has sold 119 aircraft, including 59 aircraft since 2007 for an average gain after tax of US$3.6 million per aircraft.

Stable and Experienced Management Team with Proven Track Record

The Issuer has a highly experienced and stable management team with over 200 years of combined aviation experience. This depth of experience has been enhanced by the addition of several Bank of China employees to key management and functional positions since Bank of China acquired the Issuer. The Issuer maintains a cost-efficient operating platform with specialised internal departments that deliver the core competencies required by the business. These include airline leasing and sales, aircraft sales, procurement, technical, risk management, legal, treasury, finance and portfolio management. Together with corporate support functions, these departments form a multi-disciplined integrated operating platform.

Please refer to the information on the business and working experience of the Issuer's key management team as set out under "Board and Management – Management". A summary of the management team of the Issuer is set out below:

Name	Position	Years at BOC Aviation	Years of Aviation Sector Experience
Robert Martin	MD & Chief Executive Officer	15	26
Wang Genshan	DMD & Vice Chairman	6*	9
Phang Thim Fatt	DMD & Chief Financial Officer	17	34
Steven Townend	DMD & Chief Commercial Officer	12	22
Jonathan Mahony	General Counsel & Company Secretary	11	23
David Farrell	Head of Risk Management	7	22
Alistair Greig	Head of Procurement	10	21
Peter Davis	Head of Treasury	5	19
Felicia Ng	Chief Accounting Officer	5	5
Peter Negline	Head of Strategy and Market Research	5	19
Hugh Newman	Technical Director	11	36
Total			**236**

* 35 years' experience with Bank of China

Close Alignment Between Management Team and Bank of China

There is strong embedded alignment between the management team and Bank of China's objectives as a shareholder, as seen from the monthly financial reporting cycle, quarterly meetings of the Issuer's board of directors (the **Board**) and the annual budgeting process. The Issuer also puts in place five year financial plans approved by the Board to provide a road map for growth of the Issuer and to ensure allocation of shareholder resources to support growth. The Issuer has a performance-linked compensation scheme which is tied to an annually agreed scorecard between management and shareholders. This scorecard is linked to targets based on cash collection, profit maximisation, productivity and operational performance. The management compensation scheme is also structured to include a significant deferred portion that vests in later years.

Sound and Effective Risk Management

The Issuer has a dedicated risk management team of five individuals, including a Head of Risk Management who reports directly to the Board and the Chief Executive Officer of the Issuer. Risk management within the Issuer is focused on both sides of the balance sheet and the risk management team monitors the creditworthiness of the lessee portfolio using an in-house credit scoring model and enforcing internal guidelines on customer and geographic diversification. Robust risk management for the Issuer has resulted in:

- collection of over 99 per cent. of lease receivables during the six years to December 2012;
- repossession of only one aircraft from an airline required since 2005 (in December 2012); and
- an aircraft utilisation rate of over 99 per cent. since 2005.

The risk management team is also responsible for the liability side of the balance sheet. This role includes monitoring compliance with liquidity covenants, debt maturity risk and counterparty risk in relation to financial institutions and suppliers of equipment. The above risk management approach is reinforced through alignment with the Issuer's business strategy and corporate culture, led by the Board and the senior management team of the Issuer. Policies and procedures for managing risk across the company are also overseen by a Board Risk Committee that meets on a semi-annual basis and is chaired by a non-executive member of the Board and whose members comprise the Chief Executive Officer of the Issuer and two non-executive directors of the Board.

Disciplined Approach to Purchasing Aircraft

Growth of the portfolio is achieved through placement of orders of aircraft with major aircraft manufacturers as well as purchase and leaseback of aircraft with airlines. The experience of the management team in purchasing aircraft is vital to ensuring the Issuer obtains competitive pricing for aircraft. The Issuer pays close attention to this side of its business which has historically represented approximately 50 per cent. of its cost base (through depreciation of aircraft) and is a critical factor in maintaining competitiveness relative to other aircraft leasing companies. Purchasing is supported by a dedicated procurement department consisting of ten professional purchasing managers and contract lawyers. Competitive pricing in purchasing aircraft is achieved through applying the experience, judgment and management of this team to the timing of aircraft purchases both from manufacturers and airlines.

Strong Proven Aircraft Placement Capability

The Issuer has been leasing aircraft since 1993 and has a long track record of successfully leasing aircraft. The leasing and aircraft placement capability of the Issuer is driven by a global marketing team of 12 professionals based in Singapore, Ireland and the United States with an average of over 18 years of experience in the aviation industry. The marketing efforts of the Issuer are overseen by regional heads of marketing based in Singapore and Ireland, each of whom reports to the Chief Commercial Officer who is responsible for the revenue generation side of the Issuer's business. The Issuer's track record includes the execution of over 420 aircraft leases with over 90 airlines in over 50 countries. This includes over 200 leases executed since 2007.

Proven Financing Track Record and Strong Backstop Liquidity

The Issuer adopts a proactive approach towards financing through a dedicated Treasury team that maintains direct contact with a broad range of financial institutions. The Issuer finances itself on a full recourse corporate basis with both secured and unsecured financing and has raised over US$8 billion in financing since 2007. Its financing platform incorporates the ability to access the commercial banking market, the national export credit agency market (that supports financing of aircraft) and the debt capital markets. It has been obtaining financing from the commercial banking market and the debt capital markets since the mid-1990s and has established strongly embedded banking and financial relationships over that time with banks in Asia, Europe, the Middle East and North America and has financing relationships with over 40 banks. It has also been financing aircraft with the support of the Export-Import Bank of the United States (**U.S. Ex-Im Bank**) (for Boeing aircraft) and the national export credit agencies of Germany, France and the United Kingdom (**European ECAs**) (for Airbus aircraft) since 2000 and has close relationships with these national export credit agencies. The Issuer also has a history of debt capital markets issuance in the Singapore market going back to 2000; in 2011 the Issuer repaid its first ten-year bond. The Issuer established its first Euro Medium Term Note Programme in September 2012 and issued its first U.S. dollar denominated benchmark bond under this programme in October 2012. The Issuer also enjoys strong backstop liquidity with US$2 billion in committed unsecured revolving credit facilities from Bank of China and US$305 million in committed unsecured revolving credit facilities from other banks. As of the date of this Offering Circular US$2.293 billion of these facilities were undrawn. The Issuer's existing financing platform and access to a broad range of financing sources was further enhanced in June 2012 by the receipt of investment grade corporate credit ratings of A− from Fitch and BBB from S&P.

The Issuer's active approach to financing has enabled it to achieve one of the lowest debt costs of any aircraft leasing company with an average cost of 1.8 per cent. per annum in 2012, 1.9 per cent. per annum in 2011 and 1.8 per cent. per annum in 2010, and average margin across its floating rate debt of US$ LIBOR plus 1.17 per cent. per annum as of 31 December 2012.

Singapore Base

As a country with AAA ratings from S&P, Moody's and Fitch, Singapore provides a stable base for the Issuer with access to an experienced and well educated workforce and excellent global communications. Of direct significance is Singapore's Aircraft Leasing Scheme (**ALS**), which provides a favourable tax environment under which income derived from aircraft leasing operations is taxed at a concessionary tax rate (the prevailing corporate tax rate in Singapore is 17 per cent.). The Issuer has been granted a concessionary tax rate of 5 per cent. under the ALS and is also eligible to apply for exemptions from withholding tax on loans and leases. The ALS was renewed in July 2012 for five years up to 2017, and may be further extended with approval from the Minister for Finance of Singapore. The growth of Singapore as a significant Asian regional financial centre has also enhanced the Issuer's capability as a Singapore based business to tap into emerging sources of debt financing in Singapore and the Asian region. The Issuer's status as the only major top tier aircraft leasing company to be based in Asia leaves it well positioned to access these financing sources currently and in the future.

BUSINESS DESCRIPTION

Business Overview

The Issuer and its subsidiaries are principally involved in the business of the provision of operating leases of commercial passenger and freighter aircraft to airlines worldwide. In addition to its core operating lease business, the Issuer is also actively involved in selling aircraft and providing lease management re-marketing services to airlines, banks and other aircraft investors. The contribution of each business to the Group's revenues over the last three financial years are as follows:

In US$ million	Audited FY2012	Audited FY2011	Audited FY2010
Revenues			
Lease rental income	662	590	519
Net gain on sale of aircraft	24	34	22
Other revenues	45	17	9
Total	**731**	**641**	**550**

The Issuer's business model is focused on growing its recurring lease revenue, gain on sale of aircraft and fee income while maintaining a cost efficient platform. The Issuer focuses on acquiring aircraft at attractive prices, sourcing external funding at competitive rates, maintaining a lean and efficient operational structure with low overheads and minimising aircraft transition costs.

The Issuer's aircraft fleet comprises mainly modern, in-production fuel efficient aircraft types based around the Airbus A320, Airbus A330, Boeing 737 Next Generation (**NG**), Boeing 777 and Embraer E190 families of aircraft. The Issuer's owned aircraft fleet has an average age of less than four years, making it one of the youngest in the aircraft operating lease industry. As at 31 March 2013, the Issuer's portfolio comprised 215 owned and managed aircraft leased to 58 airlines in 34 countries worldwide.

The Issuer implements a portfolio strategy designed to maximise returns by selling aircraft during high market liquidity periods and by placing direct orders with manufacturers and concluding purchase and leaseback deals with good credit airlines during periods when the industry experiences downturns.

There are five key revenue drivers that help position the Issuer for its future growth:

- operating lease revenue from its existing portfolio;
- future lease revenue from its new order book;

- future lease revenue from purchase and leaseback transactions;
- income from the sale of aircraft; and
- fee income earned from the provision of services to third parties.

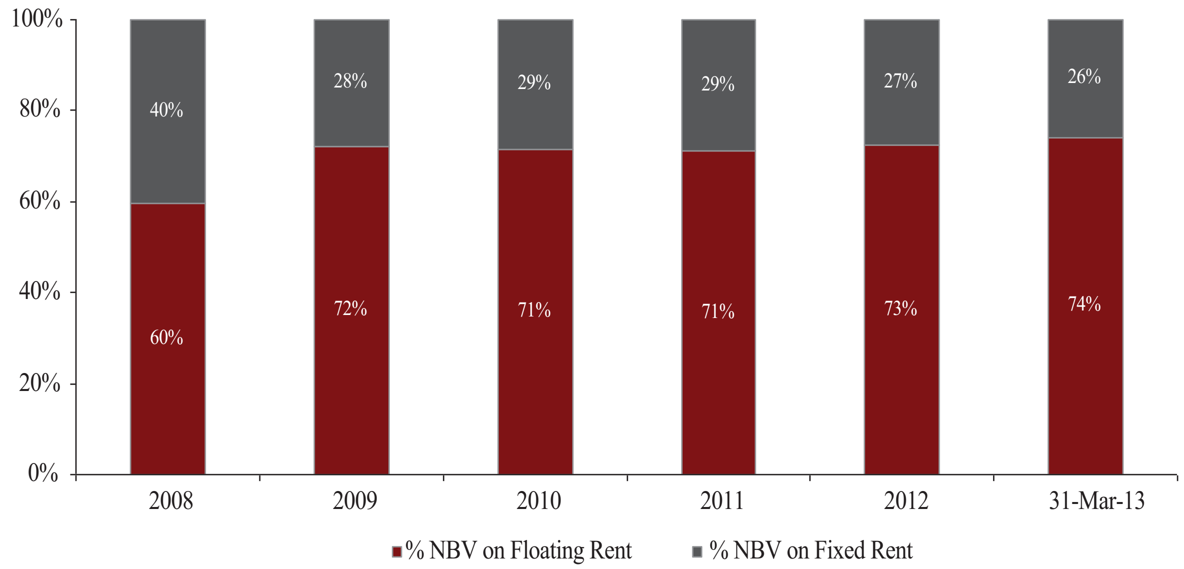
PRINCIPAL ACTIVITIES

Aircraft Leasing

The Issuer's core fleet comprises the Airbus A320, Airbus A330, Boeing 737NG, Boeing 777 and Embraer E190 families of aircraft. These aircraft are acquired either from the manufacturers directly or from airlines under purchase and leaseback arrangements whereby the Issuer purchases an aircraft from an airline and then leases the aircraft back to the airline on a long-term basis.

Under operating leases, the lessee bears the risks and rewards of operating the aircraft, while the lessor retains ownership and risks related to the ownership of the aircraft. Lessees pay rent to the Issuer monthly in advance, and the Issuer may hold a security deposit equivalent to between one and six months' rent. The lessee will be required to return the aircraft at the end of the lease term in a pre-agreed minimum condition that will allow the aircraft to immediately enter service with its next operator, with compensation mechanics in place as an alternative. Some lessees also make a monthly "maintenance reserve" payment based on the actual hourly utilisation of the aircraft, as contribution towards the cost of major aircraft and engine maintenance events. Other lessees will make a lump sum payment at lease expiry as a contribution towards the next lessee's maintenance costs. The Issuer accounts for these maintenance reserves as a liability in its balance sheet.

Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed at the time of execution of lease contract or just prior to the delivery date by reference to a swap rate in line with the term of the lease. For floating rate leases, monthly rents are typically re-set every three or six months by reference to either three or six month US$ LIBOR. Currently over 70 per cent. of the Issuer's lease rentals are contracted on a floating rate basis. The Issuer will typically look to enter into floating rate leases in a low interest rate environment in order not to lock in low lease rentals which may negatively affect its ability to sell an aircraft in a higher interest rate environment in the future (see "*Aircraft Sales*" below). The historical mix of fixed and floating rate leases for the Issuer for the years 2008 to 2012 and as of 31 March 2013 is set out below:



All aircraft are leased on a "dry" basis, with the lessees responsible for all operating expenses including fuel, crew, flight charges, maintenance and insurance. In addition, all aircraft maintenance and repairs are the responsibility of the lessees. Aircraft are generally leased on a long-term basis, with lease terms that align with scheduled major maintenance events so that the aircraft can be delivered to the next lessee fresh from the maintenance visit. Typical lease terms are between six and 12 years, although shorter lease terms or lease extensions may be agreed where deemed more optimal.

The leased aircraft are inspected at regular intervals by the Issuer's in-house engineers. Inspections are also done at the end of each lease to ensure that the aircraft meet the agreed return conditions. The leased aircraft are maintained in accordance with international industry standards benchmarked with the relevant aircraft manufacturers.

Since establishment and as of 31 March 2013, the Issuer has executed over 420 leases with more than 90 airlines in over 50 different countries.

Aircraft Sales

From time to time, the Issuer will sell aircraft to third party investors and other leasing companies, simultaneously transferring the operating lease with the airline to the buyer. The Issuer also sells aircraft to airlines. This is generally done in order to:

(a) reduce a concentration risk with a particular customer or geographical region;

(b) exit from a non-core asset type; and/or

(c) mitigate the risks and costs associated with transitioning the aircraft to another lessee when the current lease expires.

In some cases, the Issuer will continue to manage the lease on the investor's behalf after the sale.

Regular aircraft sales enable the Issuer to maintain a young fleet and to re-invest the sale proceeds in new aircraft, thereby efficiently recycling both equity and debt. Since its establishment and as of 31 March 2013, the Issuer has sold 119 aircraft to more than 40 airlines and investors, including 59 aircraft sold since 2007 for an average gain after tax of US$3.6 million per aircraft.

Third Party Management Services

The Issuer uses the in-house expertise that it has developed in lease management, technical support and aircraft re-marketing to offer a complete aircraft management service for non-airline aircraft investors. This covers all aspects of lease administration including billing and revenue collection and provision of inspection and comprehensive technical management services.

Capitalising on its track record in aircraft placement, the Issuer also offers re-marketing services to airlines, banks and investors worldwide. This area of the Issuer's business generates valuable fee income with minimal capital investment, as it utilises existing resources and expertise.

Aircraft Fleet

Aircraft Acquisition Strategy

The Issuer's owned aircraft fleet is one of the youngest in the aircraft operating lease industry, with an average age of less than four years. The portfolio comprises mainly modern, in-production fuel efficient aircraft types based around the Airbus A320, Airbus A330, Boeing 737NG, Boeing 777 and Embraer E190 families of aircraft, with an emphasis on narrowbody aircraft.

The Issuer frequently reviews opportunities to acquire suitable aircraft, focusing on assets that are not only popular with airlines worldwide but that also meet the Issuer's fleet portfolio mix criteria and leasing strategies. The core fleet comprises models that the Issuer believes will have operational longevity and that are capable of being easily transitioned between airlines to avoid potentially costly ground time between leases.

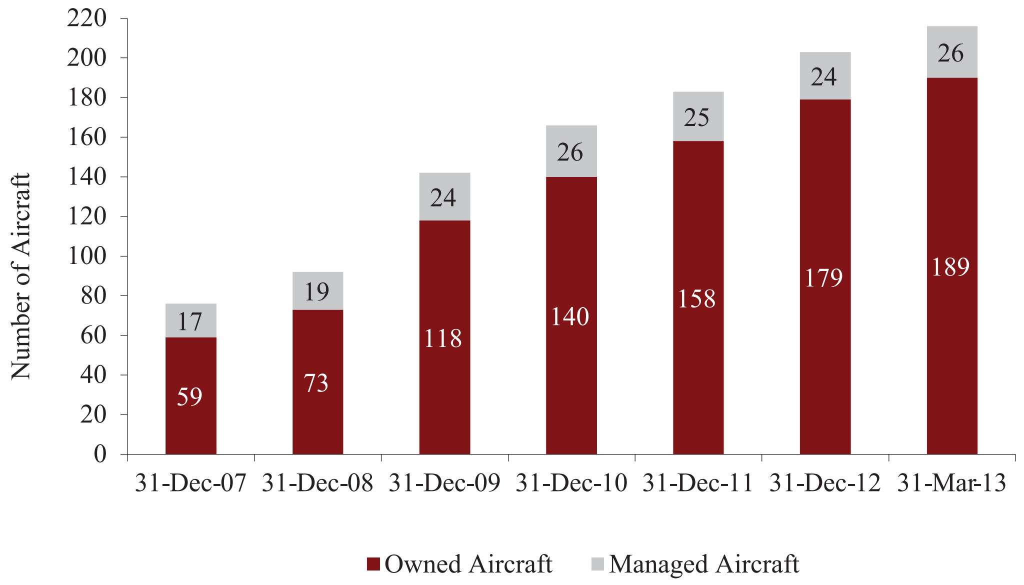
The Issuer maintains a measured approach to its purchasing and acquisition plans based on conservative market forecast models as well as capital availability. Before committing to purchasing specific aircraft, it takes into account factors such as future values, market and customer share, potential for re-marketing, manufacturer order backlogs, engine selection, competing products and likelihood of technological obsolescence. The delivery schedule for aircraft is also carefully planned and spread out over a desired time frame to avoid over-exposure to the cyclical nature of the aviation business.

The experience of the management team in purchasing aircraft is vital to ensuring the Issuer obtains competitive pricing for aircraft. The Issuer pays close attention to this side of its business which has historically represented approximately 50 per cent. of its cost base (through depreciation) and is a critical factor in maintaining competitiveness relative to other aircraft leasing companies. Purchasing is supported by a dedicated procurement department consisting of ten professional purchasing managers and contract lawyers. Competitive pricing in purchasing aircraft is achieved through applying the experience and judgment of this team and management to the timing of aircraft purchases both from manufacturers and airlines.

Since its inception and as at 31 March 2013, the Issuer has ordered and acquired 401 aircraft of which 276 were ordered directly from Airbus, Boeing and Embraer and 125 were acquired via purchase and leasebacks with airlines.

The following chart details the growth of the Issuer's owned and managed fleet since it was acquired by Bank of China:

Fleet Growth



Current Fleet

A table summarising the Issuer's fleet of aircraft as at 31 March 2013 is set out below:

Aircraft Type	Owned Aircraft[1]	Managed Aircraft	Total Number of Owned and Managed Aircraft	Number of Aircraft on Order or PLB[2]
Airbus A320 family	85	6	91	70
Airbus A330 family	3	6	9	6
Airbus A330 freighter	4	0	4	1
Boeing 737 family	69	10	79	19
Boeing 747 freighter	1	3	4	0
Boeing 777 family	18	1	19	5
Embraer E190 family	9	0	9	10
Total	**189**	**26**	**215**	**111**

Notes:

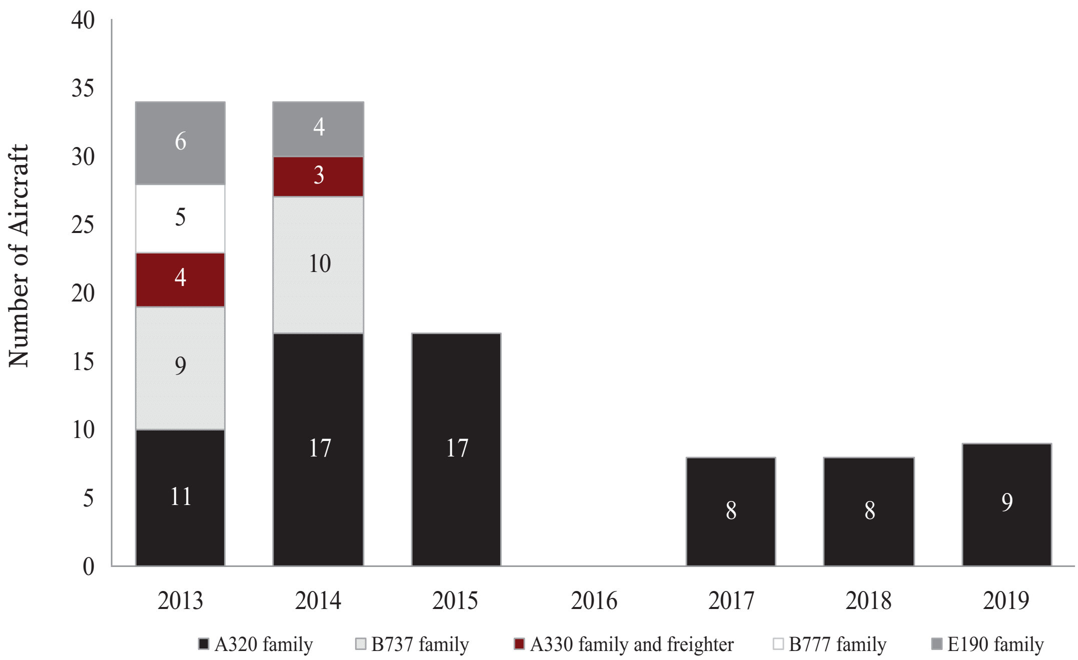
(1) Owned fleet includes two A320 aircraft on finance leases.

(2) Includes PLBs subject to signed letters of intent and confirmed by both parties.

Aircraft Orders and Purchase & Leaseback Commitments

As at 31 March 2013, the Issuer had commitments to acquire 111 aircraft either under direct orders with manufacturers or purchase and leaseback agreements (including purchase and leasebacks subject to signed letters of intent and confirmed by both parties) with customers through to 2019. Of these 111 aircraft, 52 are subject to signed lease agreements or letters of intent with airlines to lease these aircraft. The Issuer's commitments to acquire aircraft are set out below:

Scheduled Deliveries of New Aircraft – 1 April 2013 to 31 December 2019



Apart from the above orders, the Issuer has also entered into a Launch Customer Agreement with the Commercial Aircraft Corporation of China (**COMAC**) for 20 C919 aircraft. COMAC is a key customer of Bank of China with which it signed a RMB50 billion Strategic Cooperation Framework Agreement in June 2011 which stated that the Issuer will use its aircraft leasing expertise to work with COMAC to support the internationalisation of the C919 aircraft. A contract detailing the specification, pricing and delivery schedule for these aircraft has not been entered into between the Issuer and COMAC as yet and negotiations in relation to these matters will only occur once the C919 has flown.

BUSINESS STRATEGY

The aircraft leasing industry is cyclical, being highly correlated to the commercial airline industry, which itself is highly correlated to global economic conditions, and is affected by many factors, including manufacturers' production levels, passenger traffic, retirement and obsolescence of aircraft models, fuel costs, financing availability and governmental regulation. As a result of the cyclicality of the underlying airline industry, the market for new and used aircraft experiences periods of oversupply and undersupply.

Counter-Cyclical Strategy

The Issuer mitigates the risks resulting from this market cyclicality by (i) maintaining a portfolio of modern in-demand aircraft on lease to a diversified portfolio of airlines in major global regions, (ii) building flexibility into its order book through purchase options, (iii) exercising prudent financial management, in particular financing long-life assets with long-term financing and (iv) adopting a counter-cyclical strategy. The Issuer implements its counter-cyclical strategy by avoiding major acquisitions and by selling aircraft to investors during periods of high market liquidity and by placing direct orders with the manufacturers and concluding purchase and leaseback deals with good credit airlines (thereby improving the credit quality of its portfolio) during industry downturns when competitors retreat from the market and airlines face difficulties in obtaining financing.

Execution of Strategy

The Issuer's counter-cyclical strategy was applied very visibly in 2008 and 2009. The Issuer was a net seller of aircraft in the first half of 2008 when market liquidity remained favourable but quickly became a net buyer of aircraft through purchase and leasebacks in the second half of that year and in 2009 as competition among aircraft investors declined and transaction economics became more attractive. The Issuer took delivery of 31 aircraft through purchase and leasebacks in 2009 along with delivery of 17 new aircraft from manufacturers and the sale of four aircraft. The Issuer became more active as a seller again in 2010 and 2011, following the return of broader financial market liquidity and increased investor appetite.

A successful operating lessor has to manage its major cost areas well, of which the two largest cost items are (i) the depreciation of aircraft costs and (ii) funding costs. In order to manage these cost items and to successfully execute its counter-cyclical strategy, the Issuer focuses on the following important factors:

Acquiring Aircraft in Strong Demand

The Issuer will only purchase aircraft models that it believes will remain in strong demand in the industry in the long run. The Airbus A320, the Boeing 737NG and the Embraer E190 families of aircraft are currently the Issuer's choice of narrowbody aircraft given their wide operator base, thus ensuring their marketability to airlines. The Issuer's selection of the Airbus A330 and the Boeing 777 as its core fleet for widebody aircraft was made after careful deliberation as the Issuer believes that these widebody aircraft have become the main preferred widebody aircraft in their category given their combination of state-of-the-art technology, twin engine efficiency and large passenger capacity.

Acquiring Aircraft at Competitive Prices

The Issuer believes that acquiring aircraft at competitive prices is an important element in its leasing operations as it will provide the Issuer with a distinct advantage in leasing its aircraft at competitive lease rates in the market place, and for this reason, the Issuer has a dedicated procurement department to handle all manufacturer and supplier negotiations. Leveraging on its in-depth knowledge of the aviation industry, the Issuer has generally managed to place aircraft orders with manufacturers near the bottom of aircraft demand cycle to secure aircraft deliveries over future years at competitive prices. For purchase and leaseback arrangements, the Issuer maintains strict price discipline by benchmarking purchase prices to the pricing offered to the Issuer under direct orders.

Proactive and Robust Risk Management

The ability of a lessee to perform its financial and maintenance obligations under its lease agreement depends primarily on the lessee's financial condition. Through its in-house risk management team, the Issuer carries out thorough, rigorous and continual reviews of all existing lessees to monitor compliance with obligations under the leases and to detect warning signs of potential delinquent lessees so that corrective measures can be put in place in a timely manner.

Once transactions are entered into, the Issuer adopts a portfolio management approach to monitoring and managing risk which helps drive the Issuer's strategy in core activities such as portfolio allocation and aircraft acquisitions. This approach also influences the Issuer's exit strategy for leased aircraft. The impact of prospective transactions on the portfolio is assessed prior to the approval of the Board. Thereafter, the portfolio is subject to regular review. Exposures are monitored to ensure that the portfolio remains within guidelines with regard to lessee, country and regional concentrations and this data assists the Board in making decisions on exit strategies for particular leased aircraft.

1. Credit Risk

- Airlines: The Issuer's risk managers conduct thorough due diligence on prospective lessees, a process which involves customer visits and interviews, and analysis of a range of corporate information including financial and operating data. The Issuer also assesses the macroeconomic and industry environment in which prospective lessees operate. This information is used to complete a credit assessment and assign an internal credit rating. A disciplined approach to due diligence and periodic review of customer accounts is considered by the Issuer to be essential to the maintenance of a quality portfolio. The Issuer's credit rating system is also employed to calculate a risk charge to be applied in determining rent, permitting the calculation of a risk-adjusted internal rate of return so that different transactions may be validly compared. Based on the internal credit rating of the prospective lessee, the Issuer's risk managers advise on the levels of security required for the lease, and whether or not cash maintenance reserves should be paid throughout the lease term.

- Other Counterparties: The Issuer assesses the credit standing of significant business partners and third parties with whom the Issuer does business, such as banks, insurance companies and vendors in respect of whom the Issuer might be exposed to counterparty risk under long-term contracts.

2. Asset and Transaction Risk

The Issuer's risk managers also evaluate asset risk in their assessment of transactions. In addition to its credit rating system, the Issuer uses an in-house model which assigns a grade to an overall transaction, derived from a range of inputs which include aircraft price, rent, current and projected net book value and the ratio of projected net book value to discounted future appraisal during the lease term. The assigned transaction grade is included in all credit assessments.

3. Repossession Risk

In considering whether to proceed with leases in certain jurisdictions, the Issuer focuses on the area of recognition of property rights and the ability to repossess assets in that jurisdiction. The economic loss from a default is mitigated through the repossession process, which is dependent on the legal framework in the respective jurisdiction. For this reason, jurisdiction and repossession risks are also assessed prior to entering into new transactions.

4. Technical Risk

As the lessee is responsible for maintenance of the aircraft during the lease, the Issuer's technical management team assesses the technical risk prior to lease commencement and assigns an internal rating. In addition, they conduct periodic inspections of the Issuer's assets throughout the terms of the leases. The receipt of significant security deposits, the collection of monthly rent in advance and receipt of cash maintenance reserves where applicable are important mitigating factors to such technical risks.

5. Interest Rate and Currency Risk

The Issuer borrows primarily in U.S. dollars at floating interest rates pegged to the London Interbank Offered Rate. Interest rate risk exposure arises when the Issuer collects fixed rate rentals but pays floating rate interest under its borrowings. The Issuer looks to hedge this exposure through the use of interest rate swaps and interest rate caps.

At the inception of a hedge relationship, the Issuer formally designates and documents the hedge relationship to which the Issuer applies the hedge accounting and risk management objective and the strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial report periods for which they were designated.

The Issuer's policy is to hedge at least 50 per cent. of its mismatched interest rate exposure through interest rate swaps, interest rate caps and borrowing fixed rate debt. As at 31 December 2012, the Issuer had fully hedged its mismatched interest rate exposure.

Except for less than 10 per cent. of total expenses which are denominated in local currencies to meet administrative and staff cost needs and relatively small purchases of ancillary equipment for aircraft, the Issuer does not have any currency exposure as all its business activities are conducted in U.S. dollars.

Maintaining a Prudent Balance Sheet

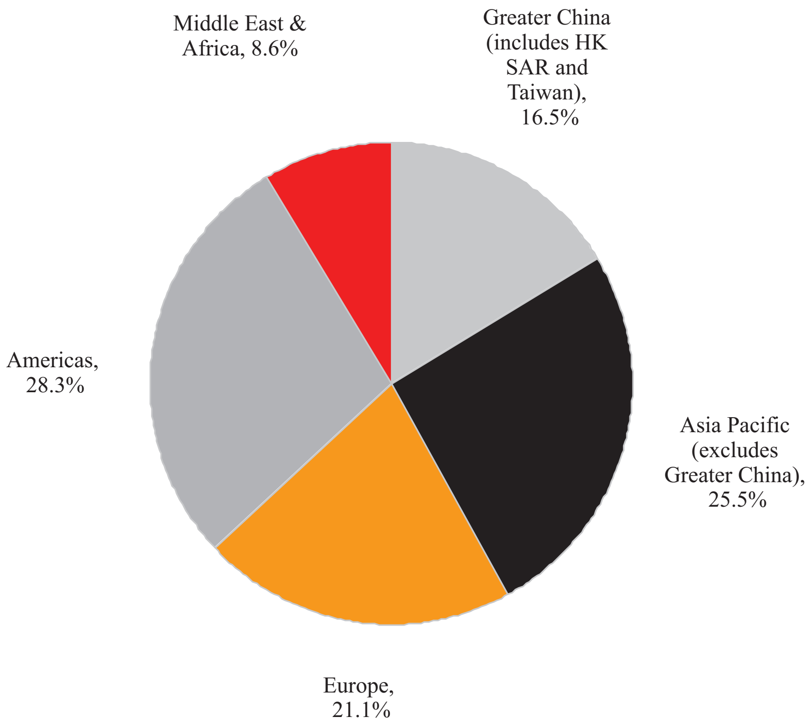
Given the capital intensive nature of the aircraft leasing business, the success of an aircraft leasing company is highly dependent upon its capital structure and financial strength. In this regard, the Issuer has set forth specific parameters to manage its financial health, including targeting a debt to equity ratio of no greater than 5:1 and ensuring that it maintains sufficient liquidity and undrawn committed credit facilities to be utilised when the need arises.

Maintaining Access to Diversified Sources of Financing

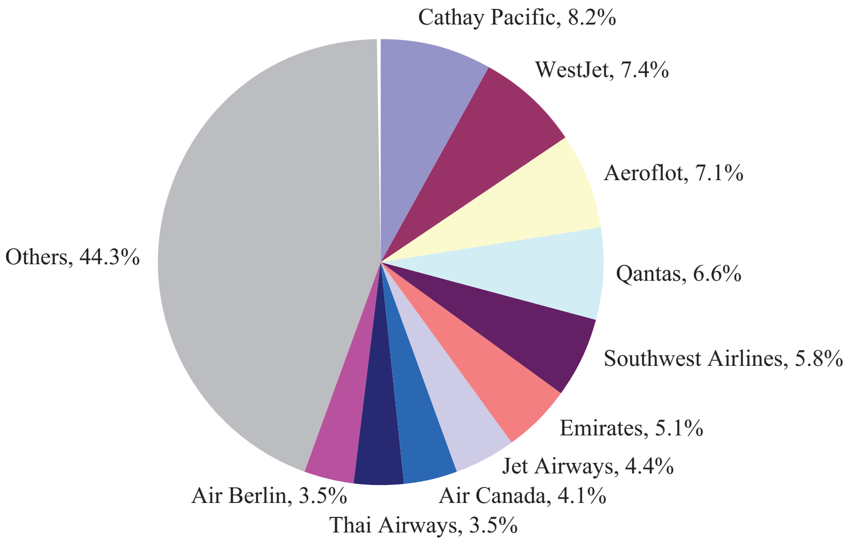
The Issuer finances its aircraft with borrowed funds and internally generated cash flow. The Issuer accesses the commercial banking markets, export credit and debt capital markets for such funds at times and on terms it considers appropriate. In order to manage the refinancing risk of the aircraft at loan maturities and to better match the financing tenors with the lease terms of the aircraft, the Issuer sources medium and long-term financing from the commercial banking markets and from committed short and long-term funding made available by Bank of China. The Issuer's financing strategy is discussed further below under "*Financing Strategy*".

Maintaining a Diversified Customer Base

The Issuer's fleet of 215 owned and managed aircraft comprise a range of popular narrowbody and widebody aircraft. The portfolio is spread throughout the major world regions to avoid overexposure to any given geographical area and customer group, in line with the Issuer's risk concentration policies. Geographic diversification by revenue for the Issuer as at 31 December 2012 is set out below:



Contribution of the Group's lessees to revenue as of 31 December 2012 is shown below. The top ten lessees of the Group as of 31 December 2012 were Cathay Pacific Airways, WestJet Airlines, Aeroflot Russian Airlines, Qantas Airways, Southwest Airlines, Emirates, Jet Airways, Air Canada, Thai Airways and Air Berlin.



FINANCING STRATEGY

Financing cost is historically the Issuer's second largest cost (after depreciation) representing 30 per cent. of its costs and is its largest cash cost. The Issuer is focused on ensuring that it maintains a competitive cost base within the industry in which it operates. This is achieved through:

- maintaining access to a diverse range of financing sources; and

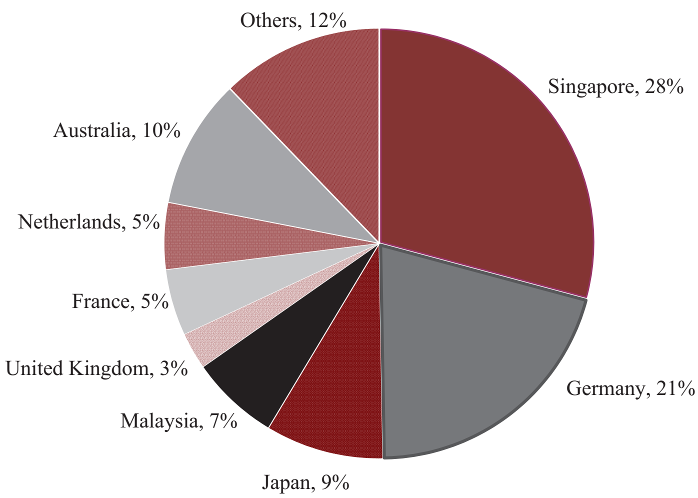
- adopting a proactive and direct contact approach towards financing.

The Issuer adopts a proactive approach towards financing through a dedicated Treasury team that maintains direct contact with a broad range of financial institutions. The Issuer finances itself on a full recourse corporate basis with both secured and unsecured financing and has raised over US$8 billion in financing since 2007. The Issuer's financing platform incorporates the ability to access the commercial banking market, the national export credit agency market (that supports financing of aircraft) and the debt capital markets. In addition to the above sources, the Issuer has access to financing from Bank of China. A description of these sources of financing is set out below:

1. Commercial Bank Financing

The Issuer has been obtaining financing from the commercial banking market and the debt capital markets since the mid 1990s and has established strongly embedded banking and financial relationships over that time with banks in Asia, Europe, the Middle East and North America and has financing relationships with over 40 banks. Direct contact with the Issuer's financiers is managed through its Treasury team. The geographic breakdown of lending from the Issuer's commercial banking group (excluding lending from Bank of China or lending guaranteed by U.S Ex-Im Bank or the European ECAs) is set out below:

Geographic Breakdown of Commercial Bank Financing



Competitive commercial financing costs are achieved through frequent "financing request for proposal" processes which provide for regular benchmarking of financing costs. Financing from banks is on either an unsecured or secured basis. Secured financing is typically structured as amortising term loans that are of full recourse to the Issuer. Commercial bank financing represented 45 per cent. of the Issuer's financing as at 31 December 2012.

2. **Export Credit Agency Financing**

The Issuer is able to obtain funding guaranteed by the European ECAs for Airbus aircraft and the U.S. Ex-Im Bank for Boeing aircraft, and has obtained in-principle commitments from each to provide financing support for all of its orders with Airbus and Boeing. It is also able to access funding under the Brazilian export credit scheme for financing of its Embraer aircraft deliveries. The Issuer has been financing aircraft with the support of U.S. Ex-Im Bank and the European ECAs since 2000 and has close relationships with these national export credit agencies. Export credit agency financing represented 28 per cent. of the Issuer's financing as at 31 December 2012.

3. **Debt Capital Markets Financing**

The Issuer also has a history of debt capital markets issuance in the Singapore and international markets dating back to 2000, with the Issuer redeeming its first ten-year bond in 2011. The Issuer established a US$100 million Medium Term Note (**MTN**) programme in September 2004 under a special purpose vehicle named Solitaire Capital Limited. Between September 2004 and February 2006, a total of S$240 million was raised in four issues under the programme. These issues were fully repaid by February 2009. The Issuer then established a US$300 million Multicurrency MTN Programme in September 2009 (the size of which was increased to US$600 million in December 2011) and as at the date of this Offering Circular, it had raised a total of S$475.5 million in 8 series of notes under its Multicurrency MTN Programme. In September 2012, the Issuer established its US$2 billion Euro Medium Term Note (EMTN) Programme. As at the date of this Offering Circular, the Issuer had issued US$610 million under this programme through three series of notes including a 5 year US$500 million benchmark issuance in October 2012. Debt capital markets financing represented 12 per cent. of the Issuer's financing as at 31 December 2012.

4. **Bank of China Financing**

The Issuer has access to committed financing from Bank of China. It currently has US$2 billion in unsecured committed revolving credit facilities in place with Bank of China of which US$1 billion matures in 2017 and US$1 billion matures in 2019. The Issuer has accessed these facilities in the past in order to fund attractive aircraft acquisition opportunities and they represent a key tool in allowing the Issuer to execute its counter-cyclical strategy and provide a source of committed backstop liquidity. These revolving credit facilities are currently undrawn. The Issuer has several other term loan facilities in place with branches of Bank of China as well as with Bank of China (Hong Kong) Ltd. These facilities represented 15 per cent. of the Issuer's financing as at 31 December 2012.

As of 31 December 2012, 85 per cent. of the Issuer's financing was on a secured basis with the remainder unsecured. Secured debt was 61 per cent. of total assets. The Issuer currently intends to increase its proportion of unsecured funding over the next several years whilst continuing to access the commercial banking market and export credit market for long term secured debt.

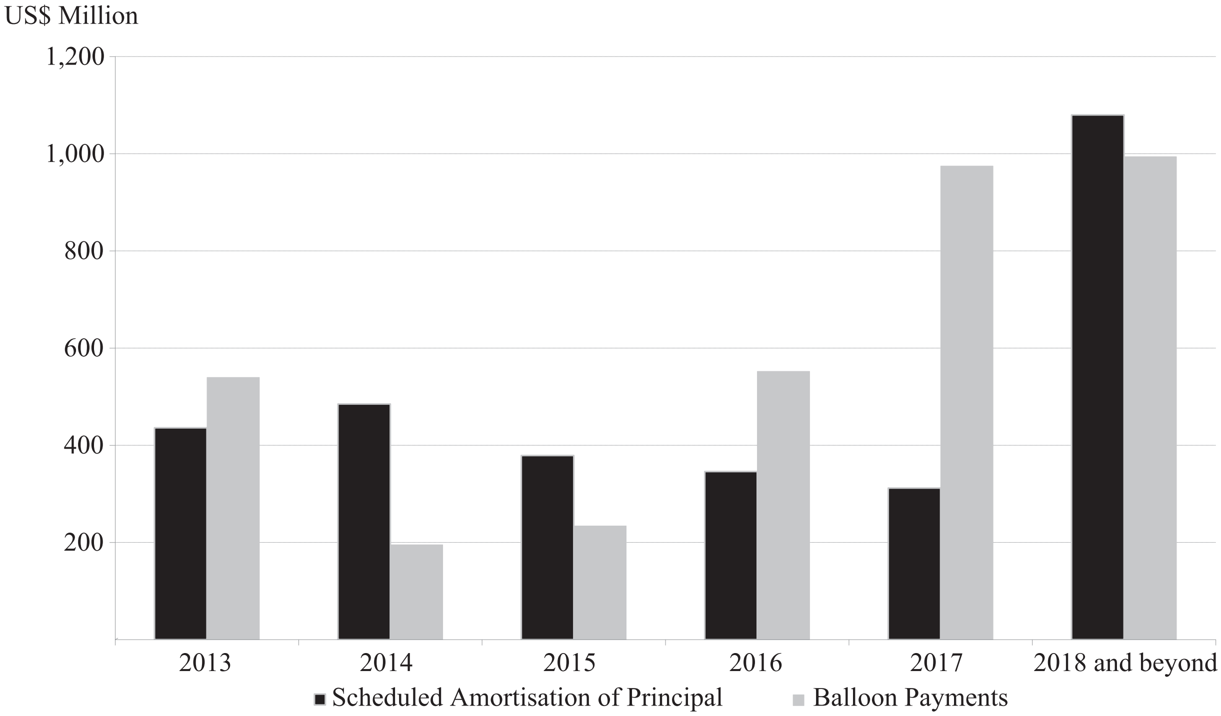
During 2012, the Issuer raised over US$2 billion of debt on a secured and unsecured basis through diversified financing sources including loans guaranteed by U.S. Ex-Im Bank and the European ECAs, commercial banking markets and the debt capital markets.

The growth of Singapore as a significant Asian regional financial centre has also enhanced the Issuer's capability as a Singapore based business to tap into emerging sources of debt financing in Singapore and the Asian region. The Issuer's status as the only major top tier aircraft leasing company to be based in Asia leaves it well positioned to access these financing sources at present and in the future.

The Issuer's active approach to financing has enabled it to achieve one of the lowest debt costs of any aircraft leasing company with an average cost of 1.8 per cent. per annum in 2012, 1.9 per cent. per annum in 2011 and 1.8 per cent. per annum in 2010, and average margin across its floating rate debt of US$ LIBOR plus 1.17 per cent. per annum as of 31 December 2012.

Debt Repayment

The chart below shows the annual debt repayment schedule of the Issuer as at 31 December 2012. 32 per cent. of the Issuer's debt falls due in 2018 and beyond.



FINANCIAL PERFORMANCE

Financial Summary of the Group

Highlights of the latest three years' audited consolidated income statements of the Group for the financial years ended 31 December 2012 (**FY2012**), 2011 (**FY2011**) and 2010 (**FY2010**) are set out below.

In US$ million	**Audited FY2012**	**Audited FY2011**	**Audited FY2010**
Revenues			
Lease rental income	662	590	519
Net gain on sale of aircraft	24	34	22
Other revenues	45	17	9
	731	**641**	**550**
Costs and expenses			
Finance expenses	110	94	83
Depreciation and amortisation	290	254	222
Impairment of aircraft	5	5	3
Other costs and expenses	69	59	48
	474	**412**	**356**
Profit before income tax	**257**	**229**	**194**
Income tax expense	32	28	26
Profit after income tax	**225**	**201**	**168**

Highlights of the consolidated balance sheets of the Group at the dates set out below are as follows:

In US$ million	**Audited As at 31 Dec 2012**	**Audited As at 31 Dec 2011**	**Audited As at 31 Dec 2010**
Unencumbered cash and bank balances and fixed deposits	614	227	190
Encumbered cash and bank balances and fixed deposits	50	40	63
Cash and bank balances and fixed deposits	**664**	**267**	**253**
Other current assets	42	15	53
Total current assets	**706**	**282**	**306**
Aircraft	7,464	6,547	5,945
Aircraft progress payments	885	731	356
Other plant and equipment	2	3	1
Other non-current assets	19	23	30
Total non-current assets	**8,370**	**7,304**	**6,332**
Total assets	**9,076**	**7,586**	**6,638**

In US$ million	**Audited As at 31 Dec 2012**	**Audited As at 31 Dec 2011**	**Audited As at 31 Dec 2010**
Loans and borrowings and finance lease payables	980	596	539
Other current liabilities	151	148	123
Total current liabilities	**1,131**	**744**	**662**
Loans and borrowings and finance lease payables	5,463	4,708	4,133
Security deposits and deferred lease income	250	227	223
Maintenance reserves	302	261	206
Other non-current liabilities	169	111	82
Total non-current liabilities	**6,184**	**5,307**	**4,644**
Total liabilities	**7,315**	**6,051**	**5,306**
Net assets	**1,761**	**1,535**	**1,332**
Share capital	608	608	608
Revenue reserve	1,155	930	729
Hedging reserve	(2)	(3)	(5)
Total equity	**1,761**	**1,535**	**1,332**

Review of Financial Performance

A brief review of the Group's financial performance is set out as follows:

FY2012 V FY2011

The Group achieved profit after tax of US$225 million in FY2012, an increase of 12 per cent. over the prior year. The increase was attributed to an increase in lease operating profit and was consistent with the increase in fleet size. During FY2012, the Group took delivery of 27 new aircraft (22 under its own orders with manufacturers and five from purchase and leaseback transactions with airlines) and sold six aircraft. As at 31 December 2012, there were 177 owned aircraft on operating leases and two aircraft on finance leases.

Total revenue increased by 14 per cent. to US$731 million in FY2012 as compared with FY2011 which was in line with the increase in aircraft fleet size. Finance expenses increased by 17 per cent. to US$110 million in FY2012 due to higher financing required for the larger fleet of aircraft. The increase in other costs was mainly due to the costs associated with the increase in business activities.

As at 31 December 2012, the Group had consolidated assets of approximately US$9.1 billion with shareholder's equity of US$1.8 billion and and a debt to equity ratio of 3.7:1.

FY2011 vs FY2010

The Group achieved profit after tax of US$201 million in FY2011, driven by an increase in lease operating profit as a result of a larger aircraft fleet. During FY2011, the Group took delivery of 28 aircraft (including 22 under its own orders with manufacturers and four from purchase and leaseback transactions with airlines) and sold ten aircraft. As at 31 December 2011, there were 156 owned aircraft on operating leases and two aircraft on finance leases.

Total revenue increased by 17 per cent. to US$641 million in FY2011 as compared with FY2010 mainly due to increase in aircraft fleet size. Finance expenses increased by 13 per cent. to US$94 million in FY2011 due to higher financing required for the larger fleet of aircraft. The increase in depreciation and amortisation was in line with the growth in aircraft fleet size. The increase in other costs was mainly due to the costs associated with the increase in business activities, provision for impairment of aircraft and provision made for the receivables of one delinquent lessee.

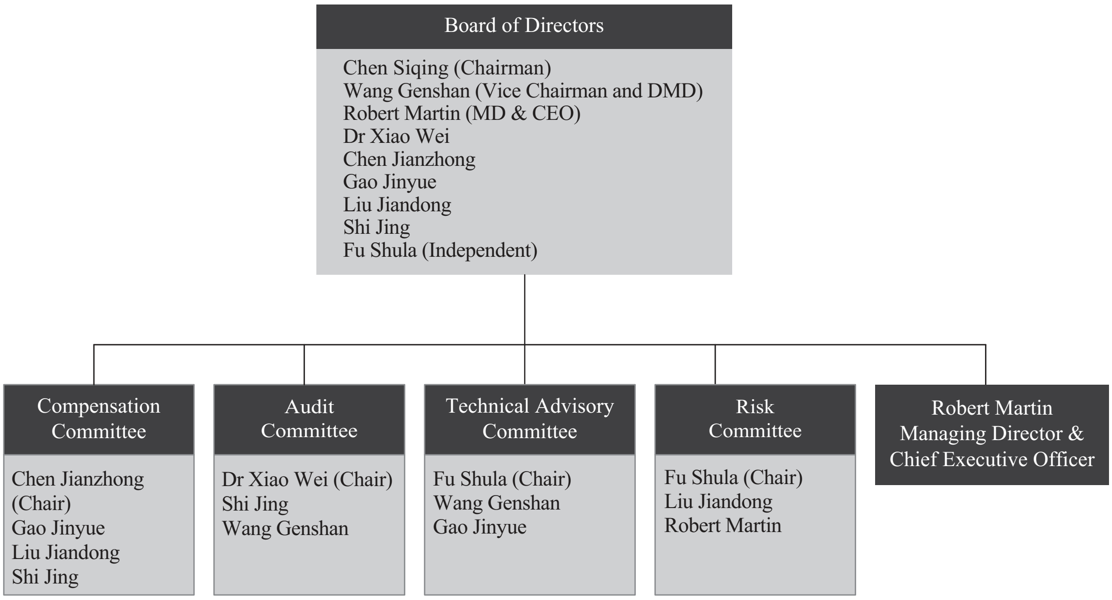
As at 31 December 2011, the Group had consolidated assets of approximately US$7.6 billion with shareholder's equity of US$1.5 billion and a debt to equity ratio of 3.5:1.

BOARD AND MANAGEMENT

Board of Directors

The Board is responsible for the overall corporate governance of the Issuer including establishing the strategic direction of the Issuer and the goals for management and monitoring the achievement of these goals. The Board comprises nine members, seven of whom are nominees of the shareholder and the remaining two being an independent director and the Managing Director of the Issuer. The Board has four standing Board Committees, namely the Audit Committee, the Compensation Committee, the Technical Advisory Committee and the Risk Committee.

Committee, the Compensation Committee, the Technical Advisory Committee and the Risk Committee.



The functions of the committees are as follows:

Compensation Committee	**Audit Committee**	**Technical Advisory Committee**	**Risk Committee**
• Review and approve pay policy and incentive plans • Review and approve salary increase and bonus allocation • Two regular meetings each year	• Review financial information to be provided by the Company • Review Company's internal controls • Review Company's internal and external auditing, accounting and financial reporting processes • Ensure that the Company has in place an internal audit function independent of the activities it audits • Two regular meetings each year	• Advise on technical risk management program issues • Advise on implications of current or impending airworthiness requirements • Advise on strategies aimed at maximising asset residual values • Review strategies to minimise the Company's operating costs in respect of procurement, aircraft deliveries and lease transactions • Two regular meetings each year	• Advise on risk matters with potential impact on both the asset and liability sides of the balance sheet, including but not limited to airline credit and aircraft asset risks, revenue risks to the Company, supplier and financial counterparty risks, hedging, cashflow and liquidity risks • Advise on broader enterprise and contingent risk factors including but not limited to event risk, reputational risk, fraud risk and insurance matters • Two regular meetings each year

The members of the Board are:

- Mr Chen Siqing, Chairman (Non-executive Director)
  Executive Vice President, Bank of China

- Mr Wang Genshan, Vice-Chairman (Executive Director)
  Deputy Managing Director, BOC Aviation Pte. Ltd.

- Mr Robert Martin (Executive Director)
  Managing Director and Chief Executive Officer, BOC Aviation Pte. Ltd.

- Mr Chen Jianzhong (Non-executive Director)
  Deputy General Manager, Human Resources, Bank of China

- Mr Fu Shula (Non-executive Independent Director)
  Senior Vice President, Aviation Industry Corporation of China

- Mr Gao Jinyue (Non-executive Director)
  Bank of China

- Mr Liu Jiandong (Non-executive Director)
  General Manager (Investment Banking), Corporate Banking Unit, Bank of China

- Mr Shi Jing (Non-executive Director)
  General Manager, Audit, Bank of China

- Dr Xiao Wei (Non-executive Director)
  General Manager, Financial Management, Bank of China

Background information on each of the Directors is set out below:

- **Mr Chen Siqing**

  Chairman

  Mr Chen Siqing was appointed Chairman of the Issuer in December 2011. He is a member of the Senior Management team of Bank of China and has been serving as Executive Vice President of Bank of China since June 2008. Mr Chen is responsible for Corporate & Institutional Banking business which includes Global Corporate Banking, International Trade Services, Global Financial Institutions, RMB Settlement as well as Overseas Business Management.

  Mr Chen joined Bank of China in 1990 and worked in the Hunan Branch before he was seconded to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Prior to his appointment as Executive Vice President of Bank of China in June 2008, Mr Chen held various senior positions in the bank including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management department in the Head Office, and General Manager of the Guangdong Branch. Mr Chen has also been serving as Non-Executive Director of BOC Hong Kong (Holdings) since December 2011.

  Mr Chen graduated from Hubei College of Finance and Economics in 1982 and received a Master of Business Administration degree from the Murdoch University of Australia in 1999. Mr Chen is also a Certified Public Accountant.

- **Mr Wang Genshan**

  Vice-Chairman, Deputy Managing Director

  Please refer to the information on Mr Wang's business and working experience as set out under "*Management*" below.

- **Mr Robert Martin**

  Managing Director & Chief Executive Officer

  Please refer to the information on Mr Martin's business and working experience as set out under "*Management*" below.

- **Mr Chen Jianzhong**

  Director

  Mr Chen Jianzhong was appointed to the Board in June 2012. He is the Deputy General Manager of Human Resources department in Bank of China, a position he has held since February 2011.

  Mr Chen joined Bank of China's Anhui Branch in 1992. In 1996, he assumed the role of Head of Secretariat in the Administration Office of the Anhui Branch. In October 2000, he joined the Human Resources department in Bank of China's Head Office and was subsequently promoted to Division Head and then Deputy General Manager of the department.

  Mr Chen holds a Bachelor degree in Chinese Language and Literature from Anhui Normal University.

- **Mr Fu Shula**

  Independent Director

  Mr Fu Shula was appointed to the Board in February 2011. He is the Vice-Chief Economist of Aviation Industry Corporation of China, Chairman of the Board of China Aviation Engine Holdings Corporation Ltd. and Chairman of the Board of AVIC Economy & Technology Establishment.

  Mr Fu has more than 20 years of experience in the aviation industry in market research, economic analysis, strategic planning, international trade and cooperation, enterprise operation and management.

  Mr Fu holds a Masters degree in Aero Engine Design from Northwestern Polytechnical University in Xi'an, China.

- **Mr Gao Jinyue**

  Director

  Mr Gao Jinyue was appointed to the Board in December 2006.

  Mr Gao joined Bank of China in 1986 and has extensive experience in treasury and corporate finance activities. He held various senior positions in Bank of China Head Office including Vice General Manager of Global Finance Department, Vice General Manager of Treasury Management Department and Division Chief in Treasury and Funds Department. Most recently, Mr Gao was the General Manager of Bank of China, Hong Kong branch.

Mr Gao holds a postgraduate degree in International Finance from Wuhan University, and a Master in Public Administration degree from the John F. Kennedy School of Government in Harvard University.

- **Mr Liu Jiandong**

  Director

  Mr Liu Jiandong was appointed to the Board in June 2012. He is the General Manager (Investment Banking) of the Corporate Banking Unit in Bank of China, a position he has held since February 2011.

  Mr Liu joined the Bank of China group in 1991 as a Manager in the Leasing Division of Bank of China Trust and Consultancy Corporation. He subsequently worked in Bank of China Oriental Trust and Investment Company before assuming the role of Deputy Division Head in the Risk Management department of Bank of China. In April 2002, he was promoted to Division Head. Mr. Liu became a Director of the Corporate Banking Unit in Bank of China in February 2005, a position he held until his promotion to General Manager (Investment Banking), Corporate Banking Unit.

  Mr Liu holds a Masters degree in Economics from Renmin University of China.

- **Mr Shi Jing**

  Director

  Mr Shi Jing was appointed to the Board in June 2012. He is the General Manager of the Audit department of Bank of China, a position he has held since January 2013.

  Mr Shi joined Bank of China as a Manager in Bank of China International Finance Institute in 1987. He subsequently worked in the Administration Office before assuming the role of Deputy General Manager in the Credit Management department and then the Risk Management department. In 2005, he became the Deputy General Manager of the Heilongjiang Branch and took on the additional role of Chief Risk Officer in the branch a year later. He was promoted to Chief Auditor (Regional) in the Audit department in the Head Office and then Chief Auditor (Business Line), a position he held prior to his current role.

  Mr Shi holds a Masters degree in International Finance from Graduate School of People's Bank of China.

- **Dr Xiao Wei**

  Director

  Dr Xiao Wei was appointed to the Board in March 2010. He is presently the General Manager of the Financial Management department in Bank of China's Head Office, a position he has held since 2009. Prior to this, Dr Xiao was the Deputy General Manager and Chief Financial Officer of Bank of China's Beijing Branch.

  Dr Xiao holds a Doctorate in Accountancy from Renmin University of China.

Management

The key members of the Issuer's management team are set out below:

Name	Designation
Robert Martin	Managing Director & Chief Executive Officer
Wang Genshan	Deputy Managing Director & Vice Chairman
Phang Thim Fatt	Deputy Managing Director & Chief Financial Officer
Steven Townend	Deputy Managing Director & Chief Commercial Officer
Jonathan Mahony	General Counsel & Company Secretary
David Farrell	Head of Risk Management
Alistair Greig	Head of Procurement
Peter Davis	Head of Treasury
Felicia Ng	Chief Accounting Officer
Peter Negline	Head of Strategy and Market Research
Hugh Newman	Technical Director

Background information on the key members of the management team is set out below:

- **Robert Martin**

  Managing Director & Chief Executive Officer

  Mr Robert Martin has 26 years of experience in the aircraft finance and leasing business. He joined the Issuer in January 1998 as Deputy Managing Director and was promoted six months later to the role of Chief Executive Officer in his position as Managing Director. Mr Martin has led the organisation through a successful expansion programme which has seen it emerge as a consistently profitable and leading player in the global aircraft leasing business with over US$1 billion in cumulative profits. Under his leadership, the Issuer was assigned investment grade corporate credit ratings of A– from Fitch and BBB from S&P in June 2012. Mr Martin is one of the longest serving chief executive officers of the same company in the aircraft operating leasing industry.

  Mr Martin began his career in aircraft financing in London with Bank of America in 1987. He subsequently held senior positions in both London and Singapore with The Long-Term Credit Bank of Japan, Ltd. before moving to HSBC Investment Bank in Hong Kong where he held the position of Aircraft Finance Director.

  In addition to his role as Managing Director & Chief Executive Officer, Mr Martin holds a seat on the Board.

  Mr Martin holds a Master of Arts degree in Economics from Cambridge University.

- **Wang Genshan**

  Deputy Managing Director

  Mr Wang Genshan was appointed as a director and Vice-Chairman of the Issuer in December 2006. In January 2008 he became Deputy Managing Director with executive responsibilities for Internal Audit and Shareholder Reporting and Internal Compliance. Following a change in portfolio in June 2012, he now oversees the Procurement and Shareholder Reporting and Internal Compliance departments.

  Mr Wang joined Bank of China in 1978 in the Trade Finance department of the Shanghai Branch. In 1985, he was posted to the Sydney Branch of Bank of China as Deputy Manager of the Administration Office and later as Manager of the Trade Settlement department. Mr Wang returned to the Shanghai Branch in 1992 where he was subsequently promoted to the position of Deputy General Manager in charge of Retail Banking, Corporate Finance, Risk Management, Credit Card, Foreign Exchange, International Trade Settlement, Legal and Compliance and IT. It was during this period that Mr Wang became involved in aircraft finance. In July 2006 he was Deputy Head of the project team in Bank of China that was tasked with the evaluation and eventual acquisition of the Issuer.

  Mr Wang holds a Diploma degree in English Linguistics from East China Normal University.

- **Phang Thim Fatt**

  Deputy Managing Director & Chief Financial Officer

  Mr Phang Thim Fatt has been involved with the Issuer since its inception in the early 1990s, when he took part in the study to evaluate the establishment of an aircraft leasing company in Singapore. He led the Issuer's first bond issue in 2000 and subsequently the medium term note programme in 2004.

  Initially seconded from former shareholder Singapore Airlines Limited in 1996 to be the Chief Financial Officer, Mr Phang formally joined the Issuer as Chief Financial Officer in 1999. In 2001, he was promoted to the position of Deputy Managing Director, while retaining the financing portfolio, corporate accounting and taxation functions. He lobbied for the Aircraft Leasing Scheme and maintains extensive contacts with governmental agencies including Ministry of Finance, Ministry of Transport, International Enterprise Singapore and Inland Revenue Authority of Singapore on all tax issues.

  Mr Phang began his career with the United Asian Bank in Kuala Lumpur, Malaysia in 1979. With a strong interest in the aviation sector, he quickly moved to Singapore Airlines Limited where his 17 year career saw him gain experience in every sector of corporate finance. This included negotiating and finalising export credit financing, tax sparing loans and cross-border leveraged leasing. He has 34 years of aviation financing and leasing experience.

  Mr Phang graduated with first class Honours in Business Administration from the University of Malaya.

- **Steven Townend**

  Deputy Managing Director & Chief Commercial Officer

  Mr Steven Townend is responsible for all revenue generating activities, including aircraft leasing, sales, purchase and leasebacks, fee-based and technical services. He has 22 years of aviation finance and leasing experience.

Mr Townend joined the Issuer in January 2001 as Structured Finance Director to establish the Issuer's European office and develop the Issuer's aircraft sales and fee-based activities. He was named Chief Commercial Officer in 2004 when he took over responsibility for all marketing and technical activities. Mr Townend was appointed to the additional role of Deputy Managing Director in 2006.

Prior to joining the Issuer, Mr Townend gained wide experience in the corporate and investment banking sector, having worked with DVB Bank AG, The Long-Term Credit Bank of Japan, Ltd. and National Westminster Bank.

Mr Townend holds an Honours degree in Banking and Finance from Loughborough University in the U.K.

- **Jonathan Mahony**

  General Counsel and Company Secretary

  Mr Jonathan Mahony has 23 years of experience in aviation finance and leasing. He has been heading the Issuer's corporate legal team since 2002, with responsibility for all contractual aircraft leasing and finance issues including preparation, negotiation and documentation of lease, aircraft sale and finance agreements. He provides strategic input in developing business strategies and acts as Company Secretary to the Board of Directors.

  Prior to joining the Issuer, Mr Mahony was a Partner with Denton Wilde Sapte in London, where he specialised in cross-border and domestic aircraft finance and leasing. He previously also worked with Johnson Stokes & Master in Hong Kong and Allen & Overy in London and Tokyo.

  Mr Mahony studied Law in the U.K. at Leicester University, followed by Chester College of Law.

- **David Farrell**

  Head of Risk Management

  Mr David Farrell joined the Issuer in 2006 with responsibility for all risk management matters, including credit evaluation activities related to customers, vendors and other counterparties. He is also responsible for general portfolio risk issues and IT matters.

  Mr Farrell has 22 years of experience in aircraft leasing and aviation finance having previously been with General Electric Capital Aviation Services (**GECAS**) and Guinness Peat Aviation Group. In addition, he has also worked for specialist transportation bank DVB Bank AG. Throughout his career, he has been based in the U.S., Ireland, Hong Kong and Singapore.

  Prior to joining the Issuer, Mr Farrell was with GECAS based in Singapore, where he was Vice President & Regional Manager of Structured Finance for Asia and previously Vice President Risk Management Asia-Pacific Region.

  Mr Farrell holds a Masters degree in Business Administration from Georgetown University, Washington D.C.

- **Alistair Greig**

  Head of Procurement

  Mr Alistair Greig is responsible for all procurement issues, including contracts with airframe, engine and equipment suppliers, new aircraft deliveries, pricing of all acquisitions of aircraft, and maintenance, repair and overhaul (MRO) contracts.

  Mr Greig has 21 years' experience in the aerospace and leasing sectors. This includes nine years at Airbus, where he initially worked as Legal Counsel, and went on to become Deputy Vice President of the Leasing Markets Sales Division.

  Prior to joining the Issuer in 2003, Mr Greig worked at IEM Airfinance in Amsterdam as Senior Vice President Lease Management.

  Mr Greig studied law in the U.K. at the University of Nottingham, and qualified as a solicitor with Simmons & Simmons in London.

- **Peter Davis**

  Head of Treasury

  Mr Peter Davis joined the Issuer in 2008 and is responsible for the Issuer's global treasury, funding, hedging, cash flow planning and cash management activities.

  Prior to joining the Issuer, Mr Davis was Managing Director for Transport and Logistics in DBS Bank Ltd. where he led a team that originated and structured aviation finance transactions involving loan syndications, debt capital markets, equity capital markets and global treasury activities. In addition, he has held senior positions in other banks including ING Bank and The Long-Term Credit Bank of Japan, Ltd. and has 19 years of experience in aviation finance.

  Mr Davis holds a Bachelors degree in Economics from the University of Sydney, Australia and is a Fellow of the Financial Services Institute of Australasia.

- **Felicia Ng**

  Chief Accounting Officer

  Ms Felicia Ng joined the Issuer in 2008 and heads the Finance, Settlement and Tax Department. She oversees the financial and management accounting, settlement function as well as taxation matters of the Group. Her responsibilities include ensuring that the financial statements are prepared in accordance with generally accepted accounting principles and supervising tax compliance and tax planning.

  Ms Ng is a Certified Public Accountant with more than 20 years of accounting and auditing experience. Prior to joining the Issuer, she was the Head of Finance Department in Allgreen Properties Limited. She has also previously worked as an auditor in KPMG LLP. Ms Ng has five years of aviation financing and leasing experience.

  Ms Ng holds a Bachelor of Accountancy Degree (Honours) from the National University of Singapore.

- **Peter Negline**

  Head of Strategy and Market Research

  Mr Peter Negline joined the Issuer in 2008 with responsibility for research and new product development. He has over 20 years of research and sales experience with investment houses in Australia, Hong Kong and Singapore. Early in his career he worked with Baring Securities and State Street Global before building a reputation at Salomon Smith Barney and thereafter at JPMorgan Securities where he was an Executive Director and Head of Regional Transportation Research. Prior to joining the Issuer, Mr Negline was the Chief Financial Officer of Tiger Airways, a low cost carrier. Mr Negline has 19 years' experience in aviation finance.

  Mr Negline holds a Master of Applied Finance degree from Macquarie University and a Bachelor of Commerce from University of Melbourne.

- **Hugh Newman**

  Technical Director

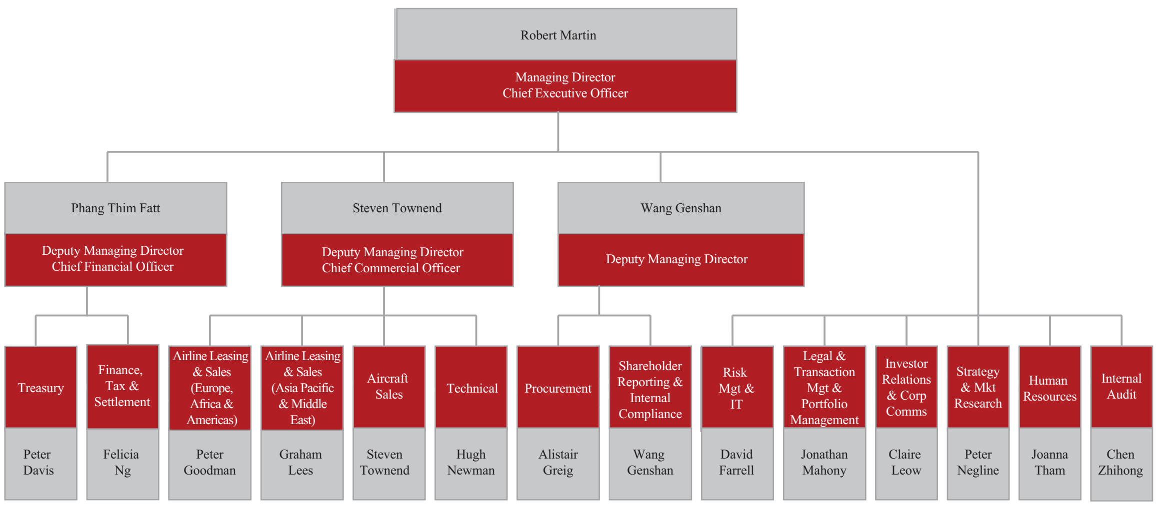
  Mr Hugh Newman joined the Issuer in 2002. He is responsible for the provision of technical services and delivery of effective asset management programmes for the Issuer's owned and managed portfolio. This includes assisting in marketing campaigns and supporting aircraft placement with lessees including negotiation and development of lease agreements.

  Mr Newman has in-depth experience with a wide range of aircraft types, including all versions of the Boeing 737, 747 and 777, the Airbus A320, A330 and A340. He holds licences from the United Kingdom Civil Aviation Authority, the U.S. Federal Aviation Administration and the Hong Kong Civil Aviation Department.

  Originally from the United Kingdom, Mr Newman has 36 years' experience in the aviation business. During this time he has held various engineering positions with companies including Britannia Airways, Cargolux, Cathay Pacific Airways and a private flight operator in the Middle East. Immediately before joining the Issuer, he was with the International Bureau of Aviation in the U.K., where he was Manager, Technical Services.

Management Structure

The following diagram sets out the Issuer's management structure:



TAXATION

Singapore

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines issued by the Monetary Authority of Singapore (**MAS**) in force as at the date of this Offering Circular and are subject to any changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Issuer nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.*

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore (**ITA**), the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is 17 per cent. with effect from the year of assessment 2010. The applicable rate for non-resident individuals is 20 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium or break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the Programme as a whole is arranged by Citigroup Global Markets Singapore Pte. Ltd. and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, each of which is a Financial Sector Incentive (Bond Market) Company (as defined in the ITA), any tranche of the Notes issued as debt securities under the Programme during the period from the date of this Offering Circular to 31 December 2013 (**Relevant Notes**) would be "qualifying debt securities" for the purposes of the ITA, to which the following treatment shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller of Income Tax in Singapore (the **Comptroller**) may direct, of a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require to the Comptroller and MAS, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the **Qualifying Income**) from the Relevant Notes, paid by the Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller may direct, of a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require to the Comptroller and MAS), Qualifying Income from the Relevant Notes paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

  (aa) the Issuer including in all offering documents relating to the Relevant Notes, a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and (bb) the Issuer, or such other person as the Comptroller may direct, furnishing to the Comptroller and MAS a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require,

payments of Qualifying Income derived from the Relevant Notes and made by the Issuer are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as "qualifying debt securities"; and

(B) even though a particular tranche of Relevant Notes are "qualifying debt securities", if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:

(I) any related party of the Issuer; or

(II) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term **related party**, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms **prepayment fee**, **redemption premium** and **break cost** are defined in the ITA as follows:

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "prepayment fee", "redemption premium" and "break cost" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Notwithstanding that the Issuer is permitted to make payments of interest, discount income, prepayment fee, redemption premium and break cost in respect of the Relevant Notes without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

The Qualifying Debt Securities Plus Scheme (**QDS Plus Scheme**) has also been introduced as an enhancement of the Qualifying Debt Securities Scheme. Under the QDS Plus Scheme, subject to certain conditions having been fulfilled (including the submission by the Issuer or such other person as the Comptroller may direct, of a return on debt securities in respect of the qualifying debt securities within such period as the Comptroller may specify and such other particulars in connection with the qualifying debt securities as the Comptroller may require to the Comptroller and MAS), income tax exemption is granted on interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost derived by any investor from qualifying debt securities (excluding Singapore Government Securities) which:

(a) are issued during the period from 16 February 2008 to 31 December 2013;

(b) have an original maturity of not less than 10 years;

(c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and

(d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

However, even if a particular tranche of the Relevant Notes are "qualifying debt securities" which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, interest, discount income, prepayment fee, redemption premium and break cost from such Relevant Notes derived by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

Pursuant to the Singapore Budget 2013, it was announced that the Qualifying Debt Securities Scheme and the QDS Plus Scheme are to be extended to debt securities issued during the period of 1 January 2014 to 31 December 2018, subject to certain amendments to be announced by the Monetary Authority of Singapore.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard 39 (**FRS 39**) may, for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "Adoption of FRS 39 Treatment for Singapore Income Tax Purposes".

3. Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39-Financial Instruments: Recognition and Measurement" (the **FRS 39 Circular**). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 20 September 2012, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;

- the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and

- the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each future Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**), (b) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7); or

(v) as specified in Regulation 32 of the Securities and Futures (Offer and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

Each Dealer understands that no action has been taken in any jurisdiction that would permit a public offering of the Notes or possession or distribution of this Offering Circular or any other document, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the Dealers shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have, directly or indirectly, provided advisory and investment banking services to, and entered into other commercial transactions with, the Issuer and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions with, the Issuer and its affiliates in the future.

In connection with each Tranche of Notes issued under the Programme, the Dealers and/or their respective affiliates may purchase and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution, and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 16 September 2012.

Listing of Notes

Application has been made to the SGX-ST for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer or its subsidiary companies, their associated companies, the Programme or the Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. The Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 so long as any of the Notes remain listed on the SGX-ST.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in Singapore:

(a) the constitutional documents of the Issuer;

(b) the audited consolidated financial statements of the Group in respect of the financial years ended 31 December 2011 and 2012. The Group currently prepares audited consolidated accounts on an annual basis;

(c) the most recently published audited consolidated financial statements of the Group and the most recent unaudited interim consolidated financial statements of the Group;

(d) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the CDP Deed of Covenant;

(e) a copy of this Offering Circular;

(f) any future offering circulars, prospectuses, information memoranda, supplements and Pricing Supplements (save that a Pricing Supplement relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(g) in the case of each issue of Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

Each series of Bearer Notes will be initially represented by either a Temporary Global Note or a Permanent Global Note that will be deposited on the issue date thereof with either (i) CDP, (ii) a common depositary on behalf of Euroclear and Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream, Luxembourg or (iii) a sub-custodian for the CMU Service. Each series of Registered Notes will be initially represented by interests in a Global Registered Note and deposited on the issue date thereof with (i) a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg or (ii) deposited with, and registered in the name of a nominee of, CDP or (iii) a sub-custodian for the CMU Service. The Common Code, the relevant ISIN number and, if applicable, the relevant CMU instrument number for each Series of Notes, will be contained in the applicable Pricing Supplement.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Group since 31 December 2012 and there has been no material adverse change in the financial position of the Group since 31 December 2012.

Litigation

Neither the Issuer nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a material adverse effect on the financial condition or business of the Issuer or the Group.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers LLP, independent auditors, who have audited the Group's consolidated financial statements prepared in accordance with Singapore Financial Reporting Standards for the financial years ended 31 December 2011 and 2012.

The reports of the auditors of the Issuer are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Offering Circular.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

FINANCIAL STATEMENTS

The financial statements set out herein have been reproduced from:

(a) the audited consolidated financial statements of the Group for the financial year ended 31 December 2012; and

(b) the audited consolidated financial statements of the Group for the financial year ended 31 December 2011.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

(Incorporated in Singapore. Registration Number: 199307789K)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

BANKERS

Agricultural Bank of China
Apple Bank for Savings
Arab Bank plc
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd
Bank of East Asia Limited
Bank of Tokyo – Mitsubishi UFJ, Ltd.
BNP Paribas
Cathay United Bank Co., Ltd
CIMB Bank Berhad
Citibank, N.A.
Commerzbank Aktiengesellschaft
Commonwealth Bank of Australia
DBS Bank Ltd
DekaBank Deutsche Girozentrale
Deutsche Bank AG
Development Bank of Japan Inc
DVB Bank SE
Flushing Savings Bank, FSB
Hachijuni Bank Ltd.
Hiroshima Bank, Ltd
Hongkong and Shanghai Banking Corporation Limited
HSH Nordbank
Hua Nan Commercial Bank Ltd.
Industrial and Commercial Bank of China
ING Bank N.V.
JPMorgan Chase Bank, N.A.
Kreditanstalt für Wiederaufbau
Landesbank Hessen – Thüeringen Girozentrale
Lloyds Banking Group plc
Malayan Banking Berhad
Mega International Commercial Bank Co., Ltd
Morgan Stanley Bank, N.A.
National Australia Bank Limited
Nomura Trust and Banking Co., Ltd
Norddeutsche Landesbank Girozentrale
Oversea-Chinese Banking Corporation Limited
Portigon AG
Private Export Funding Corporation
Royal Bank of Scotland N.V.
Santander Corporate Banking
Sovereign Bank, N.A.
Standard Chartered Bank plc
Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Trust Bank Company Limited
United Overseas Bank Limited
Westpac Banking Corporation

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES
(Incorporated in Singapore)

FINANCIAL STATEMENTS
For the financial year ended 31 December 2012

Contents

DIRECTORS' REPORT

For the financial year ended 31 December 2012

The Directors present their report to the member together with the audited financial statements of BOC Aviation Pte. Ltd. (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet of the Company as at 31 December 2012.

Directors

The Directors of the Company in office at the date of this report are as follows:

Chen Siqing	(Chairman)
Wang Genshan	(Vice-Chairman and Deputy Managing Director)
Robert James Martin	(Managing Director and Chief Executive Officer)
Fu Shula	(Director)
Gao Jinyue	(Director)
Dr Xiao Wei	(Director)
Liu Jiandong	(Director, appointed on 13 June 2012)
Chen Jianzhong	(Director, appointed on 13 June 2012)
Shi Jing	(Director, appointed on 13 June 2012)

Directors' interests in shares, options or debentures

According to the register of directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the shares, options or debentures of the Company or its related corporations.

Directors' contractual benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive benefits by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest except as disclosed in the accompanying financial statements.

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Audit Committee

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

Dr Xiao Wei	Chairman, non-executive member
Wang Genshan	Executive member, appointed on 13 June 2012
Shi Jing	Non-executive member, appointed on 13 June 2012

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

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

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

Independent Auditors

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors,

Chen Siqing
Chairman

Robert James Martin
Managing Director and Chief Executive Officer

Singapore, 26 March 2013

STATEMENT BY DIRECTORS
For the financial year ended 31 December 2012

In the opinion of the Directors:

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 7 to 87 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf of the Board of Directors,

Chen Siqing
Chairman

Robert James Martin
Managing Director and Chief Executive Officer

Singapore, 26 March 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BOC AVIATION PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of BOC Aviation Pte. Ltd. (the "Company") and its subsidiary companies (the "Group") set out on pages 7 to 87, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BOC AVIATION PTE. LTD. (continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 26 March 2013

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2012

	Note	**2012 US$'000**	2011 US$'000
Revenues			
Lease rental income	4	**662,231**	589,585
Interest and fee income	5	**33,835**	16,095
Other income			
- Net gain on sale of aircraft	6	**23,544**	34,577
- Maintenance reserves written-off	6	**-**	1,128
- Lease termination fees	6	**9,140**	-
- Others	6	**828**	-
Allowance for doubtful debts written-back			
- Trade debtors	16	**1,164**	-
- Other debtors	17	**17**	-
		730,759	641,385
Costs and expenses			
Depreciation of plant and equipment	12	**278,159**	245,097
Marketing and travelling expenses		**4,097**	3,607
Amortisation of deferred debt issue costs	7	**11,163**	8,836
Amortisation of lease transaction closing costs	13	**271**	327
Finance expenses	8	**109,838**	94,046
Staff costs	9	**33,576**	40,500
Other operating expenses	10	**31,029**	11,201
Allowance for doubtful debts			
- Trade debtors	16	**-**	1,943
- Other debtors	17	**-**	37
Impairment of aircraft	12	**5,300**	5,100
Legal claim expense		**-**	1,446
		(473,433)	(412,140)
Profit before income tax		**257,326**	229,245
Income tax expense	11	**(32,027)**	(28,454)
Profit for the year attributable to equity holder of the Company		**225,299**	200,791

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Profit net of tax		**225,299**	200,791
Other comprehensive income:			
Effective portion of changes in fair value of cash flow hedges	33	**864**	1,913
Total comprehensive income, net of tax		**226,163**	202,704
Total comprehensive income attributable to:			
Equity holder of the Company		**226,163**	202,704

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS
As at 31 December 2012

		Group		Company	
	Note	**2012**	2011	**2012**	2011
		US$'000	US$'000	**US$'000**	US$'000
Non-current assets					
Plant and equipment	12	**8,351,233**	7,280,968	**3,895,059**	3,237,179
Lease transaction closing costs	13	**643**	712	**2,427**	3,335
Finance lease receivables	35	**16,438**	22,375	**-**	-
Derivative financial instruments	30	**1,537**	-	**1,537**	-
Amounts due from subsidiary companies	14	**-**	-	**406,310**	288,441
Investments in subsidiary companies	15	**-**	-	**601,132**	551,132
		8,369,851	7,304,055	**4,906,465**	4,080,087
Current assets					
Finance lease receivables	35	**5,738**	5,371	**-**	-
Trade debtors	16	**9,142**	538	**5,236**	-
Prepayments		**781**	523	**534**	423
Other debtors	17	**15,379**	3,763	**10,211**	1,858
Derivative financial instruments	30	**10,790**	5,422	**10,790**	5,422
Fixed deposits	18	**585,977**	155,919	**374,876**	44,617
Cash and bank balances	19	**77,842**	110,674	**48,854**	72,132
		705,649	282,210	**450,501**	124,452
Less: Current liabilities					
Derivative financial instruments	30	**8,681**	12,573	**8,681**	12,573
Trade creditors	20	**35,191**	32,427	**15,194**	12,203
Other creditors	21	**90,400**	100,139	**79,119**	78,498
Tax payables		**62**	3	**-**	-
Loans and borrowings	22	**973,261**	589,626	**441,778**	309,590
Finance lease payable to subsidiary companies	24	**-**	-	**100,847**	59,822
Finance lease payables	25	**6,317**	6,134	**6,317**	6,134
Security deposits	26	**16,563**	3,499	**4,813**	850
Deferred asset value guarantee fee	28	**114**	-	**114**	-
		1,130,589	744,401	**656,863**	479,670
Net current liabilities		**(424,940)**	(462,191)	**(206,362)**	(355,218)
Less: Non-current liabilities					
Derivative financial liabilities	30	**-**	962	**-**	962
Loans and borrowings	22	**5,403,367**	4,642,224	**2,014,521**	1,564,381
Finance lease payable to subsidiary companies	24	**-**	-	**1,003,128**	618,026
Finance lease payables	25	**59,397**	65,688	**59,397**	65,688
Security deposits	26	**224,508**	201,553	**165,249**	161,792
Deferred lease income	26	**25,746**	24,959	**22,275**	23,256
Maintenance reserves	27	**301,604**	261,333	**110,550**	95,829
Deferred asset value guarantees fees	28	**-**	197	**-**	197
Long term payables	23	**27,203**	-	**24,486**	-
Deferred income tax liabilities	29	**142,022**	110,047	**16,321**	10,827
		6,183,847	5,306,963	**3,415,927**	2,540,958
Net assets		**1,761,064**	1,534,901	**1,284,176**	1,183,911
Equity attributable to equity holder of the Company					
Share capital	32	**607,601**	607,601	**607,601**	607,601
Revenue reserve		**1,155,175**	929,876	**677,292**	577,145
Hedging reserve	33	**(1,712)**	(2,576)	**(717)**	(835)
Total equity		**1,761,064**	1,534,901	**1,284,176**	1,183,911

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2012

		Attributable to equity holders of the Company				
	Note	**No. of shares** '000	**Share capital** US$'000	**Revenue reserve** US$'000	**Hedging reserve** US$'000	**Total equity** US$'000
2012						
Balance at 1 January 2012		**589,909**	**607,601**	**929,876**	**(2,576)**	**1,534,901**
Profit net of tax		-	-	225,299	-	225,299
Other comprehensive income	33	-	-	-	864	864
Total comprehensive income		-	-	225,299	864	226,163
Balance at 31 December 2012		**589,909**	**607,601**	**1,155,175**	**(1,712)**	**1,761,064**
2011						
Balance at 1 January 2011		589,909	607,601	729,085	(4,489)	1,332,197
Profit net of tax		-	-	200,791	-	200,791
Other comprehensive income	33	-	-	-	1,913	1,913
Total comprehensive income		-	-	200,791	1,913	202,704
Balance at 31 December 2011		**589,909**	**607,601**	**929,876**	**(2,576)**	**1,534,901**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2012

	Note	**2012 US$'000**	2011 US$'000
Cash flows from operating activities:			
Profit before income tax		**257,326**	229,245
Adjustments for:			
Depreciation of plant and equipment	12	**278,159**	245,097
Impairment of aircraft	12	**5,300**	5,100
Amortisation of deferred debt issue costs	7	**11,163**	8,836
Amortisation of lease transaction closing costs	13	**271**	327
Net gain on sale of aircraft	6	**(23,544)**	(34,577)
Asset value guarantees fees recognised	5	**(83)**	(83)
Allowance for doubtful debts (trade) – (written-back)/addition	16	**(1,164)**	1,943
Allowance for doubtful debts (non-trade) – (written-back)/addition	17	**(17)**	37
Interest income	5	**(32,616)**	(14,673)
Finance expenses	8	**109,838**	94,046
Maintenance reserves written-off	6	**-**	(1,128)
Legal claim expense		**-**	1,446
Fair value (gains)/losses of foreign exchange forward	30	**(310)**	310
Operating profit before working capital changes		**604,323**	535,926
(Increase)/decrease in debtors		**(13,218)**	132
Decrease in finance lease receivables		**5,570**	5,381
Increase in creditors		**10,484**	19,472
Increase in maintenance reserves		**40,271**	56,865
Cash generated from operations		**647,430**	617,776
Security deposit received, net		**36,806**	7,211
Lease transaction closing costs paid	13	**(244)**	(153)
Income tax refund/(paid)		**7**	(17)
Interest income received		**26,537**	13,771
Net cash provided by operating activities		**710,536**	638,588
Cash flows from investing activities:			
Purchase of plant and equipment	12	**(1,527,237)**	(1,728,675)
Proceeds from sale of plant and equipment	6	**197,102**	536,088
Net cash used in investing activities		**(1,330,135)**	(1,192,587)
Cash flows from financing activities:			
Drawdown on loans and borrowings		**2,042,393**	2,246,880
Repayment of loans and borrowings		**(893,855)**	(1,576,901)
Finance expenses paid		**(95,800)**	(84,850)
Debt issue costs paid		**(35,913)**	(17,766)
Decrease in fixed deposit - encumbered		**-**	22,042
(Increase)/decrease in cash and bank balances - encumbered		**(10,239)**	895
Net cash provided by financing activities		**1,006,586**	590,300
Net increase in cash and cash equivalents		**386,987**	36,301
Cash and cash equivalents at beginning of year		**226,566**	190,265
Cash and cash equivalents at end of year	31	**613,553**	226,566

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

BOC Aviation Pte. Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore. The immediate holding company is Sky Splendor Limited, which is incorporated in the Cayman Islands. The intermediate holding company is Bank of China Limited, which is owned by Central Huijin Investment Ltd. The intermediate holding company and its parent company are incorporated in the People's Republic of China.

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. The principal place of business of each subsidiary company is disclosed in Note 15. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies below.

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

Going concern assumption

As at 31 December 2012, the Group's and the Company's current liabilities exceeded its current assets by US$424.9 million and US$206.4 million respectively (2011: US$462.2 million and US$355.2 million respectively). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made, if applicable, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Basis of consolidation

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

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

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

2.3 Functional and foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operates ("functional currency"). The financial statements are presented in United States Dollar (USD or US$) and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

2. Summary of significant accounting policies (continued)

2.3 Functional and foreign currency (continued)

(b) Foreign currency transactions

Transactions arising in foreign currencies during the period are converted at rates closely approximating those prevailing on the transaction dates. Foreign currency monetary assets and liabilities are converted into United States Dollar at exchange rates prevailing at the balance sheet date. All exchange differences arising from conversion are included in the income statement.

2.4 Plant and equipment

(a) Aircraft

Purchased aircraft on operating lease to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of plant and equipment prior to delivery. Subsequent to recognition, purchased aircraft are stated at cost less accumulated depreciation and accumulated impairment loss. Modifications and all other costs associated with placing the aircraft in service are capitalised. The cost of aircraft is stated net of manufacturers' credits. Expenditures for additions and improvements are capitalised. Expenditures for maintenance and repairs, unless drawn from maintenance reserves, are charged to the income statement.

When the aircraft is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from its disposal is included in the income statement.

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the value equivalent to the present value of total rental payable during the period of the lease and the corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to income statement. Depreciation on the relevant asset is charged to income statement.

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

2. Summary of significant accounting policies (continued)

2.4 Plant and equipment (continued)

(b) *Progress payments*

Progress payments for aircraft under construction and Enterprise Resource Planning System in progress are recognised under plant and equipment when payments are made.

(c) *Other plant and equipment*

Other plant and equipment comprises office renovations, furniture and fittings and office equipment including computer hardware and software. Subsequent to recognition, these assets are stated at cost, less accumulated depreciation and accumulated impairment loss. Cost comprises purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalised. Expenditures for maintenance and repairs are charged to the income statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

(d) *Depreciation*

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

Depreciation on other plant and equipment are calculated on the straight-line method to write-off the cost of plant and equipment over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

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

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

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

2. Summary of significant accounting policies (continued)

2.4 Plant and equipment (continued)

(e) Disposal

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

2.5 Lease transaction closing costs

Upfront legal fees and all other costs incurred in procuring the lease for the aircraft are capitalised and amortised on a straight-line basis over the related lease period.

Where the lease agreement is terminated or transferred prior to its expiry date, the remaining lease transaction closing costs will be written-off to the income statement.

2.6 Subsidiary companies

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheets, investments in the subsidiary companies are initially stated at cost. Subsequent to initial recognition, these investments are stated at cost less accumulated impairment losses.

At each balance sheet date, the Company assesses whether there are any indicators of impairment of its investments in the subsidiary companies. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is made.

2.7 Impairment of non-financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that the value of an asset may be impaired. If such evidence exists, the estimated recoverable amount is determined and any impairment is charged to the income statement. The recoverable amount is the greater of the asset's fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In certain circumstances, the management may use the fair value less cost to sell to estimate the recoverable amounts and disregard the value-in-use.

2. Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.8 Financial assets

Financial assets within the scope of FRS 39 Financial Instruments: Recognition and Measurement (“FRS 39”) are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

All regular purchases and sales of financial assets are recognised on the trade date which is the date that the Group commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

The Group does not have any financial assets classified as held-to-maturity investments or available-for-sale financial assets.

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(a) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains or losses on financial assets classified as at fair value through profit or loss are recognised in the income statement.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method, less accumulated impairment loss. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. Summary of significant accounting policies (continued)

2.9 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

When the asset becomes uncollectable, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written-off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2. Summary of significant accounting policies (continued)

2.10 Trade and other debtors

Trade and other debtors, including amounts due from subsidiary companies are classified and accounted for as loans and receivables under FRS 39. The accounting policies for this category of financial assets are stated in Note 2.8. Most of the trade debtors are received monthly in advance. An allowance for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written-off to the income statement as incurred.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of unencumbered fixed deposits and cash and bank balances that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.12 Derivative financial instruments and hedging activities

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

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are taken to the income statement for the period.

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

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities (continued)

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

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

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

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

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

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

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement.

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities (continued)

(b) Cash flow hedges

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

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

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

2.13 Provisions

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

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

2. Summary of significant accounting policies (continued)

2.14 Maintenance reserves

Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessee to make maintenance reserve contributions to the Group which subsequently can be drawn on to pay for maintenance carried out. These maintenance reserve balances are accounted for as liabilities. Upon sale of aircraft or termination of the lease, any unutilised maintenance reserve balance will be released to the income statement, or continued to be retained as reserves for drawdown by the follow-on operators. Any shortfall identified in the balances held in respect of historic operation of the aircraft that are required to maintain the aircraft to the required standards by follow-on operators are provided for as aircraft maintenance as a charge to the income statement.

2.15 Deferred asset value guarantees fees

The Group receives fees by providing guarantees to third parties that certain aircraft will be worth a specified amount at a specified date in the future. The fee income, net of all expenses that are an integral part of the guarantee transactions, is deferred and recognised on a straight-line basis over the guarantee period.

2.16 Financial liabilities

(a) *Initial recognition and measurement*

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

Financial liabilities are recognised initially at fair value, plus, in the case of other financial liabilities, directly attributable transaction costs.

2. Summary of significant accounting policies (continued)

2.16 Financial liabilities (continued)

(b) Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

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

(ii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(c) *Derecognition*

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

2. Summary of significant accounting policies (continued)

2.17 Loans and borrowings

Term loans are initially recognised at fair value of the consideration received less directly attributable debt issue costs and subsequently measured at amortised cost using the effective interest rate method. Debt issue costs incurred to obtain loans and borrowings are accounted for in accordance with Note 2.19.

2.18 Capitalised interest

The Group borrows certain funds to finance progress payments for aircraft under construction. The interest incurred on such borrowings is capitalised and included in the cost of the aircraft. Capitalisation of interest ceases when the aircraft is delivered.

2.19 Debt issue costs

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

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

2.20 Trade and other creditors

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

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2. Summary of significant accounting policies (continued)

2.21 Employee benefits

(a) *Short term employee benefits*

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

(b) *Short term incentive plan*

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

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(c) *Long term incentive plan*

The long term incentive plan (“LTIP”) is payable to selected employees of the Group based on the achievement of certain key performance targets at the end of a pre-determined period.

Under the LTIP, the bonus pool is accrued and recognized in the income statement in the period in which the employees render their services to the Group. Any over or under provision will be recognized in the income statement. Payment of accrued bonus will be made over a period after each of the pre-determined period.

(d) *Defined contribution plans*

As required by law, the Group makes contributions to the respective state pension schemes, the Central Provident Fund (“CPF”), National Insurance, Pay Related Social Insurance and Federal Insurance Contributions Act, in the following countries: Singapore, United Kingdom, Ireland and United States of America. These contributions are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

2. Summary of significant accounting policies (continued)

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(a) *Where the Group/Company is the lessee*

Finance leases, which effectively transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed under Note 35. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated on the basis outlined in Note 2.4 above.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(b) *Where the Group/Company is the lessor*

Finance leases, which effectively transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the present value of the minimum lease receipts at the inception of the lease term and disclosed under Note 35. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset.

Leases where the Group and Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Aircraft assets subject to operating leases are included in plant and equipment in the balance sheet. Revenue recognition policy of lease income is disclosed under Note 2.23. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its operating lease and finance lease arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Lease income

The Company and certain of its subsidiary companies, as lessors, lease aircraft under operating leases. Lease income is recognised over the lives of the leases as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

Lease income is not recognized if the collections are not probable due to prolonged financial difficulties of lessees.

(b) *Arrangement and lease management fees*

Arrangement and lease management fees are recognised as revenue upon rendering of services.

(c) *Dividend income*

Dividend income from investments is recognised when the Group’s right to receive payment is established.

(d) *Interest income*

Interest income is recognised on an accrual basis unless collectability is in doubt.

(e) *Lease termination fees*

Lease termination fees are recognised based on contractual agreement with third parties to the extent that it is probable that the economic benefits will flow to the Group.

2. Summary of significant accounting policies (continued)

2.24 Income taxes

(a) *Current income tax*

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

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

(b) *Deferred tax*

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

2. Summary of significant accounting policies (continued)

2.24 Income taxes (continued)

(b) Deferred tax (continued)

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

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

2. Summary of significant accounting policies (continued)

2.24 Income taxes (continued)

(c) Goods and services tax

Revenues, expenses and assets are recognised excluding the amount of goods and services tax except:

(i) where the goods and services tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or

(ii) receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the tax authority is included as part of receivables or payables respectively in the balance sheet.

2.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.26 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

   (i) controls, is controlled by, or is under common control with, the Group;

   (ii) has an interest in the Group that gives it significant influence over the Group; or

   (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances at the time of valuation.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of aircraft

The Group follows the guidance of FRS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. This determination requires estimation of the value-in-use of an aircraft. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the aircraft and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's aircraft at 31 December 2012 was US$7,464.3 million (2011: US$6,547.5 million).

As at 31 December 2012, the Group has three aircraft with a total net book value of US$87.2 million on lease to a lessee in financial difficulties. One of the three aircraft had been repossessed during the financial year. Subsequent to financial year end, this aircraft has been de-registered and is under repair and maintenance. The other two are expected to return upon the expiry of the leases in 2013. The Group has provided in the financial year 2012 for the estimated costs to repair and maintain these aircraft to restore them to airworthiness condition. The Group has considered the circumstances and assessed that no impairment was required on the basis that the provision of costs to repair and maintain these aircraft will restore the aircraft to its carrying values within the next twelve months.

3. Critical accounting estimates, assumptions and judgements (continued)

(a) *Key sources of estimation uncertainty* (continued)

(ii) *Depreciation of aircraft and estimation of residual values*

Aircraft are depreciated on a straight-line basis over 25 years less aircraft's age with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years. The Group estimates the useful life to be 25 years based on the common life expectancies applied in the aircraft leasing industry. The Group has re-assessed the depreciation rate during the financial year and has decreased the residual value of aircraft from 15% to 0% for aircraft older than 12 years to effect a steeper depreciation rate for older aircraft.

The carrying amount of the Group's aircraft at 31 December 2012 was US$7,464.3 million (2011: US$6,547.5 million). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A 4% difference in the expected useful lives of these assets from management's estimates would result in approximately US$11.6 million (2011: US$10.0 million) variance in depreciation charges which could affect the Group's annual profit before tax in future.

(iii) *Asset value guarantees*

The Company has guaranteed the residual value of two aircraft to financial institutions, for which the asset value guarantees mature in 2014. The Company generally provides for the shortfall of the appraised value below the guaranteed value. At 31 December 2012, Management estimated that no provision is required as the estimated future aircraft values provided by the independent appraisers remain higher than the guaranteed values.

3. Critical accounting estimates, assumptions and judgements (continued)

(a) *Key sources of estimation uncertainty* (continued)

(iv) Income taxes and deferred taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables and deferred tax liabilities at 31 December 2012 were US$62,000 (2011: US$3,000) and US$142.0 million (2011: US$110.0 million) respectively.

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

Details have been disclosed in Note 11 and Note 29.

(v) Fair values

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties.

Fair values of other financial instruments have been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

The carrying amount of the Group's derivative financial instruments assets and liabilities were US$12.3 million (2011: US$5.4 million) and US$8.7 million (2011: US$13.5 million) respectively.

Fair values of other financial instruments have been disclosed in Note 38.

3. Critical accounting estimates, assumptions and judgements (continued)

(b) *Critical judgements made in applying accounting policies*

The following are the judgements made by management in the process of applying the Group's accounting policies that will have significant effect on the amounts recognised in the financial statements.

(i) *Maintenance of aircraft by lessees*

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make contributions to the Group which can subsequently be drawn on for maintenance carried out. Management has made a judgement based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements, except for one lessee which is in financial difficulties. As at 31 December 2012, the overdue maintenance reserve receivables of this lessee have been fully provided for in the income statement in the financial year 2012.

(ii) *Impairment of investments and financial assets*

The Group follows the guidance of FRS 39 in determining when an investment or financial asset is other-than-temporarily impaired and this requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(iii) *Fair value of financial instruments*

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 38.

3. Critical accounting estimates, assumptions and judgements (continued)

(b) *Critical judgements made in applying accounting policies* (continued)

(iv) *Classification of leases*

- *Operating lease commitments – As lessor*

  The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

- *Finance lease commitments – As lessor*

  The Group has entered into aircraft leases whereby the Group has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Group has recorded the transaction as a sale of aircraft and finance lease receivables on the balance sheet.

- *Finance lease commitments – As lessee*

  The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft on the balance sheet.

(v) *Concessionary tax rate under the enhanced Aircraft Leasing Scheme*

The Company was granted a renewal of the concessionary tax rate of 5% with effect from 1 July 2012 under the 5-year Aircraft Leasing Scheme incentive by the Economic Development Board of Singapore. To qualify for 5 years of concessionary tax rate of 5%, the Company is required to achieve certain conditions within the 5-year period.

4. Lease rental income

	Note	Group 2012 US$'000	Group 2011 US$'000
Lease rental income			
- Third parties		**623,126**	552,961
- Related parties	34	**39,105**	36,624
		662,231	589,585

There were no contingent rents recognised as income during the year (2011: US$ Nil).

5. Interest and fee income

	Note	Group 2012 US$'000	Group 2011 US$'000
Interest income			
- Finance charges receivable under finance leases		**1,685**	2,046
- Fixed deposits and bank balances		**1,172**	747
- Pre-delivery payment		**29,437**	11,690
- Others		**322**	190
		32,616	14,673
Fee income			
- Lease management fee income		**686**	699
- Asset value guarantees fee income	28	**83**	83
- Other fee income		**450**	640
		33,835	16,095

6. Other income

	Note	Group 2012 US$'000	2011 US$'000
Sale of aircraft			
- Proceeds from sale of aircraft		**197,102**	536,088
- Maintenance reserves released	27	**-**	95
- Net book value of aircraft		**(173,480)**	(499,932)
- Other expenses		**(78)**	(1,674)
Net gain on sale of aircraft		**23,544**	34,577
Maintenance reserves written-off	27	**-**	1,128
Lease termination fees		**9,140**	-
Others		**828**	-

7. Amortisation of deferred debt issue costs

	Note	Group 2012 US$'000	2011 US$'000
Arising from:			
Loans and borrowings	22	**11,131**	8,698
Finance lease payables	25	**32**	138
		11,163	8,836

8. Finance expenses

	Group	
	2012	2011
	US$'000	US$'000
Interest expense and other charges on:		
- Finance leases	**1,026**	482
- Loans and borrowings	**104,712**	76,923
	105,738	77,405
Net fair value losses on derivative financial instruments	**4,100**	16,641
	109,838	94,046

9. Staff costs

	Group	
	2012	2011
	US$'000	US$'000
Salaries, bonuses and other staff costs	**32,708**	39,731
Defined contribution benefits	**868**	769
	33,576	40,500

10. Other operating expenses

	Group	
	2012	2011
	US$'000	US$'000
General office expenses	**2,535**	2,246
Operating lease expenses	**1,302**	1,260
Technical service expenses	**23,655**	4,754
Professional fees	**3,883**	2,652
Net foreign exchange (gains)/losses	**(353)**	289
Others	**7**	-
	31,029	11,201

Technical services expenses include provisions for repair, maintenance and repossession costs of aircraft leased to lessee in financial difficulties.

11. Income tax expense

Major components of income tax expense for the financial years ended 31 December 2012 and 2011 were:

	Group 2012 US$'000	Group 2011 US$'000
Current tax		
- Singapore	**(18)**	-
- Foreign	**70**	14
	52	14
Deferred tax		
- Singapore	**7,135**	6,850
- Foreign	**26,480**	26,360
	33,615	33,210
Write-back of overprovision in prior years	**(1,640)**	(4,770)
	32,027	28,454

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	Group 2012 US$'000	Group 2011 US$'000
Profit before income tax	**257,326**	229,245
Tax at domestic tax rate of 17%	**43,745**	38,972
Adjustments:		
Overseas subsidiary companies' income not subject to tax	**(9,763)**	(6,765)
Different tax rates in other countries	**9,728**	11,797
Effects of Aircraft Leasing Scheme incentive on Company's results	**(11,786)**	(12,127)
Income not subject to tax	**(65)**	-
Expenses not deductible for tax purposes	**1,771**	1,264
Others	**37**	83
Write-back of overprovision in prior years	**(1,640)**	(4,770)
	32,027	28,454

11. Income tax expense (continued)

As at 31 December 2012, the Group had unabsorbed capital allowances of approximately US$826.4 million (2011: US$611.0 million) and unutilised tax losses of approximately US$647.9 million (2011: US$504.7 million) which, subject to the provisions of relevant local tax legislations and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profit.

Unrecognised temporary differences relating to investments in subsidiary companies

As a Singapore company, BOC Aviation Pte. Ltd. is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiary companies as at 31 December 2012 was US$657.4 million (2011: US$509.2 million) for which deferred tax liabilities have not been recognised.

12. Plant and equipment

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture and fittings and office equipment US$'000	Total US$'000
Group					
Cost:					
At 1 January 2012	7,488,826	730,872	126	4,494	8,224,318
Additions	850,010	676,663	-	564	1,527,237
Disposals	(218,556)	-	-	-	(218,556)
Transfers	522,449	(522,449)	-	-	-
Adjustments	(30)	-	-	-	(30)
At 31 December 2012	8,642,699	885,086	126	5,058	9,532,969
Accumulated depreciation and impairment:					
At 1 January 2012	941,366	-	53	1,931	943,350
Charge for the year	276,796	-	42	1,321	278,159
Disposals	(45,076)	-	-	-	(45,076)
Impairment	5,300	-	-	-	5,300
Adjustments	-	-	-	3	3
At 31 December 2012	1,178,386	-	95	3,255	1,181,736
Net book value:					
At 31 December 2012	**7,464,313**	**885,086**	**31**	**1,803**	**8,351,233**

12. Plant and equipment (continued)

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture and fittings and office equipment US$'000	Total US$'000
Group					
Cost:					
At 1 January 2011	6,699,022	356,264	874	3,194	7,059,354
Additions	1,068,847	657,322	-	2,506	1,728,675
Disposals	(561,757)	-	(746)	(1,206)	(563,709)
Transfers	282,714	(282,714)	-	-	-
Adjustments	-	-	(2)	-	(2)
At 31 December 2011	7,488,826	730,872	126	4,494	8,224,318
Accumulated depreciation and impairment:					
At 1 January 2011	753,761	-	753	2,407	756,921
Charge for the year	244,330	-	46	721	245,097
Disposals	(61,825)	-	(746)	(1,197)	(63,768)
Impairment	5,100	-	-	-	5,100
At 31 December 2011	941,366	-	53	1,931	943,350
Net book value:					
At 31 December 2011	**6,547,460**	**730,872**	**73**	**2,563**	**7,280,968**

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture and fittings and office equipment US$'000	Total US$'000
Company					
Cost:					
At 1 January 2012	3,177,234	344,691	126	4,479	3,526,530
Additions	763,154	161,111	-	555	924,820
Disposals	(155,597)	-	-	-	(155,597)
Transfer to subsidiary companies	-	(998)	-	-	(998)
Transfers	141,520	(141,520)	-	-	-
Adjustments	235	-	-	-	235
At 31 December 2012	3,926,546	363,284	126	5,034	4,294,990
Accumulated depreciation:					
At 1 January 2012	287,379	-	53	1,919	289,351
Charge for the year	121,939	-	42	1,313	123,294
Disposals	(16,114)	-	-	-	(16,114)
Impairment	3,400	-	-	-	3,400
At 31 December 2012	396,604	-	95	3,232	399,931
Net book value:					
At 31 December 2012	**3,529,942**	**363,284**	**31**	**1,802**	**3,895,059**

12. Plant and equipment (continued)

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture and fittings and office equipment US$'000	Total US$'000
Company					
Cost:					
At 1 January 2011	2,932,951	61,141	868	3,163	2,998,123
Additions	641,286	300,661	-	2,500	944,447
Disposals	(397,003)	-	(742)	(1,184)	(398,929)
Transfer to subsidiary companies	-	(17,111)	-	-	(17,111)
At 31 December 2011	3,177,234	344,691	126	4,479	3,526,530
Accumulated depreciation:					
At 1 January 2011	229,422	-	749	2,379	232,550
Charge for the year	108,518	-	46	715	109,279
Disposals	(50,561)	-	(742)	(1,175)	(52,478)
At 31 December 2011	287,379	-	53	1,919	289,351
Net book value:					
At 31 December 2011	**2,889,855**	**344,691**	**73**	**2,560**	**3,237,179**

(a) *Impairment of assets*

Cumulative provision for impairment loss of the Group and the Company of US$12.6 million and US$3.4 million (2011: US$13.0 million and US$Nil) respectively is included in accumulated depreciation and impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value-in-use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value-in-use.

Analysis of impairment loss provision:

	Group	
	2012 US$'000	2011 US$'000
Balance at beginning of year	**13,011**	7,911
Impairment of aircraft	**5,300**	5,100
Disposal of asset	**(5,679)**	-
Balance at end of year	**12,632**	13,011

12. Plant and equipment (continued)

(b) Assets held under finance leases

The net book value of aircraft owned by the Group and Company acquired under finance lease arrangements amounted to US$73.1 million and US$78.9 million (2011: US$75.7 million and US$81.7 million) respectively.

These assets are pledged as security for the related finance lease liabilities.

(c) Assets pledged as security

The net book value of aircraft owned by the Group and the Company that have been charged for loan facilities granted (Note 22 and Note 25) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft (Note 15) amounted to US$7,161.3 million (2011: US$6,119.5 million) and US$3,442.0 million (2011: US$2,832.4 million) respectively.

13. Lease transaction closing costs

	Group		**Company**	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Cost:				
At beginning of year	**3,358**	4,121	**4,337**	4,611
Additions	**244**	153	**197**	72
Written-off to income statement upon sale of aircraft	**-**	(130)	**(905)**	(88)
Adjustments	**(48)**	(606)	**(20)**	(39)
Written-off upon fully amortised	**-**	(180)	**-**	(219)
At end of year	**3,554**	3,358	**3,609**	4,337

13. Lease transaction closing costs (continued)

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Accumulated amortisation:				
At beginning of year	**2,646**	2,555	**1,002**	758
Provided during the year	**271**	327	**485**	485
Written-off to income statement upon sale of aircraft	**-**	(56)	**(305)**	(22)
Adjustments	**(6)**	-	**-**	-
Written-off upon fully amortised	**-**	(180)	**-**	(219)
At end of year	**2,911**	2,646	**1,182**	1,002
Net book value:				
At end of year	**643**	712	**2,427**	3,335

14. Amounts due from subsidiary companies

The amounts due from subsidiary companies are non-trade related and unsecured. They are not expected to be repaid within the next 12 months. The amounts are repayable only when the cash flows of the borrower permits. Accordingly, the fair value of the amounts due from subsidiary companies cannot be determined as the timing of the future cash flows cannot be estimated reliably.

15. Investments in subsidiary companies

	Company	
	2012	2011
	US$'000	US$'000
Equity investments at cost:		
At beginning of year	**551,132**	267,193
Additions	**50,000**	283,939
At end of year	**601,132**	551,132

During the financial year, the Company paid US$50 million to increase its investment in BOC Aviation (Ireland) Limited from US$100 million to US$150 million.

15. Investments in subsidiary companies (continued)

The subsidiary companies as at balance sheet date were:

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Company	
			2012 US$'000	2011 US$'000	**2012 %**	2011 %
[1]	BOC Aviation (Ireland) Limited (Ireland)	Leasing of aircraft (Ireland)	**150,000**	100,000	**100**	100
[2]	Stamford Leasing Limited (Bermuda)	Leasing of aircraft (Bermuda)	**7,500**	7,500	**100**	100
[1]	S.A.L.E. (Labuan) Pte. Ltd. (Malaysia)	Dormant (Malaysia)	**275**	275	**100**	100
[2]	BOC Aviation (Bermuda) Limited (Bermuda)	Holding of funds (Bermuda)	**12**	12	**100**	100
[2]	Quartet Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2]	Quartet Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Quartet Four Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Emerald One Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Emerald Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[1]	BOC Aviation (USA) Corporation (United States)	Leasing of aircraft (United States)	**420,339**	420,339	**100**	100
[1]	Solitaire Capital Limited (Singapore)	Investment holding (Singapore)	**+**	+	**100**	100
[2,3]	Excalibur Express Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**1**	1	**100**	100
[2,3]	Bluebell Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Avocet Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Dolphin Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100

15. Investments in subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Company	
			2012 US$'000	2011 US$'000	**2012 %**	2011 %
[2,3]	Emerald Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Emerald Four Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2]	SALE Cayman (MP1) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Nimue Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**1**	1	**100**	100
[2,3]	Penguin Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2]	SALE Cayman (VLE1) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**1**	1	**100**	100
[2]	BOC Aviation (Cayman) Limited (Cayman Islands)	Acquisition of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	SALE Cayman (35073) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2]	SALE Cayman (VLE2) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**1**	1	**100**	100
[2,3]	SALE Cayman (35075) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	SALE Cayman (35076) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	SALE Cayman (35077) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Yasashi Leasing Limited (Cayman Islands)	Dormant (Cayman Islands)	**+**	+	**100**	100
[2,3]	Acme Leasing One Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**11,500**	11,500	**100**	100
[2,3]	Acme Leasing Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**11,500**	11,500	**100**	100
[2,3]	Acme Leasing Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[3,4]	Echo Leasing One Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2,3]	Echo Leasing Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2]	Echo Leasing Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**100**	100
[2]	BOCA Leasing (Bermuda) Limited (Bermuda)	Leasing of aircraft (Bermuda)	**+**	+	**100**	100

15. Investments in subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Company	
			2012 US$'000	2011 US$'000	**2012 %**	2011 %
2	Echo Leasing Four Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Echo Leasing Five Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Echo Leasing Six Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Echo Leasing Seven Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing One Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Four Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Five Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Six Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Seven Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Eight Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Nine Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Ten Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Eleven Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-
2	Vanda Leasing Twelve Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**100**	-

15. Investments in subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Company	
			2012 **US$'000**	2011 US$'000	**2012** **%**	2011 %
	Deemed subsidiary companies *					
1,4	ARCU Aircraft Holdings Pte. Ltd. (Singapore)	Investment holding (Singapore)	**+**	+	**-**	-
1,4	Pacific Triangle Holdings Pte. Ltd. (Singapore)	Investment holding (Singapore)	**+**	+	**-**	-
2,4	ACME Lease Holdings LLC (United States)	Leasing of aircraft (United States)	**-**	-	**-**	-
2,4	Laylya Leasing LLC (United States)	Leasing of aircraft (United States)	**-**	-	**-**	-
2,4	Galahad Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**-**	-
2,4	Guinevere Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	-	**-**	-
2,4	Sunshine Aircraft Leasing LLC (United States)	Leasing of aircraft (United States)	**-**	-	**-**	-
2,4	Gawain Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**-**	-	**-**	-
2,4	Chilli Leasing LLC (United States)	Leasing of aircraft (United States)	**-**	-	**-**	-
			+	-		
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
2,4	ARCU Aircraft Leasing Limited* (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**-**	-
			+	-		
	Held by Pacific Triangle Holdings Pte. Ltd.:					
2,4	Pacific Triangle Leasing Limited* (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**-**	-
2,4	Pacific Triangle Leasing 2 Limited* (Cayman Islands)	Leasing of aircraft (Cayman Islands)	**+**	+	**-**	-
			+	-		

* The companies are deemed subsidiary companies of the Company as it has the power to govern the financial and operating policies of these companies so as to obtain benefits from the activities of these companies. These companies are set up for the purpose of facilitating the financing of the Group's and Company's aircraft.

15. Investments in subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Company	
			2012	2011	**2012**	2011
			US$'000	US$'000	**%**	%
	Held by BOC Aviation (Ireland) Limited:					
1	Dolphin Leasing (Ireland) Limited (Ireland)	Leasing of aircraft (Ireland)	**+**	+	**100**	100
1	Penguin Leasing (Ireland) Limited (Ireland)	Leasing of aircraft (Ireland)	**+**	+	**100**	100
2	BOC Aviation (France) SARL (France)	Leasing of aircraft (France)	**1**	-	**100**	-
			1	+		
	Held by BOC Aviation (USA) Corporation:					
2	Apex Leasing Corporation (United States)	Leasing of aircraft (United States)	**11,000**	11,000	**100**	100
2	Nexus Leasing Limited (United States)	Leasing of aircraft (United States)	**10**	10	**100**	100
2	BOC Aviation (Aruba) A.V. V (Aruba)	Leasing of aircraft (Aruba)	**+**	-	**100**	-
			11,010	11,010		
	Held by Solitaire Capital Limited:					
2	Goldfinch Limited (Bermuda)	Leasing of aircraft (Bermuda)	**12**	12	**100**	100

1 Audited by PricewaterhouseCoopers LLP, Singapore or member firms of PricewaterhouseCoopers.

2 Not required to be audited by law in its country of incorporation, but reviewed by PricewaterhouseCoopers LLP, Singapore for consolidation purposes.

3 The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Notes 22 and 25).

4 The shares of these companies are pledged for loan facilities granted to certain companies within the Group.

\+ These amounts are less than US$1,000 each.

16. Trade debtors

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Trade debtors (gross)	**9,921**	2,481	**6,015**	1,943
Allowance for impairment	**(779)**	(1,943)	**(779)**	(1,943)
Trade debtors (net)	**9,142**	538	**5,236**	-

Trade debtors are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Overdue trade debtors bear interest at the various interest rates stipulated in the lease agreements.

At the balance sheet date, the Group's trade debtors (gross) arising from lease rentals amounting to US$9.9 million (2011: US$2.5 million) were secured by cash security deposits held by the Group or letters of credit issued by acceptable banks in the countries where the lessees are based.

Included in trade debtors was an overdue amount of US$0.8 million (2011: US$1.9 million) from a lessee in financial difficulties and has not paid this amount as at the date of this report. A specific allowance of US$0.8 million (2011: US$1.9 million) was made for this amount at year end.

(a) Trade debtors that are past due but not impaired

The Group and Company had trade debtors, denominated in United States Dollar, amounting to US$9.9 million (2011: US$2.5 million) and US$6.0 million (2011: US$1.9 million) respectively, that were past due at the balance sheet date but not impaired. An analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables past due:				
Less than 15 days	**4,651**	757	**2,147**	219
15 to 30 days	**2,614**	642	**1,212**	642
More than 30 days	**2,656**	1,082	**2,656**	1,082
	9,921	2,481	**6,015**	1,943

16. Trade debtors (continued)

(b) Trade debtors that are impaired

As at 31 December 2012, the movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**1,943**	-	**1,943**	-
(Write-back)/charged for the year	**(1,164)**	1,943	**(1,164)**	1,943
At end of year	**779**	1,943	**779**	1,943

17. Other debtors

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**476**	492	**458**	419
Sundry debtors	**7,922**	1,409	**8,249**	299
Accrued income	**7,001**	1,899	**617**	538
Amounts due from subsidiary companies	**-**	-	**907**	639
Allowance for impairment	**(20)**	(37)	**(20)**	(37)
	15,379	3,763	**10,211**	1,858

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

Included in the Group's and the Company's sundry debtors were receivables for early termination of leases. Other sundry debtors are non-interest bearing and are generally on 30-day credit terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Certain of the balances past due are secured by security deposits collected and recognised on the balance sheet or through letters of credit from banks. The unsecured amounts not collected, if any, have been fully provided for.

17. **Other debtors** (continued)

Other debtors that are impaired

As at 31 December 2012, the movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
As beginning of year	**37**	-	**37**	-
(Write-back)/charged for the year	**(17)**	37	**(17)**	37
As end of year	**20**	37	**20**	37

18. **Fixed deposits**

	Note	Group		Company	
		2012	2011	**2012**	2011
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	31	**585,977**	155,919	**374,876**	44,617

Short term United States Dollar deposits are placed for varying periods between 1 day and 3 months (2011: 1 day and 1 month) depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term deposits was 0.93% (2011: 0.67%) per annum.

Included in the Group’s and Company’s fixed deposits was an amount of US$10.2 million (2011: US$9.6 million) denominated in Singapore Dollar.

As at 31 December 2012, fixed deposits placed with intermediate holding company amounted to US$299.9 million (2011: US$45.0 million) for the Group and US$299.9 million (2011: US$21.7 million) for the Company.

19. Cash and bank balances

	Note	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
Encumbered	22	**50,266**	40,027	**35,984**	10,792
Unencumbered	31	**27,576**	70,647	**12,870**	61,340
		77,842	110,674	**48,854**	72,132

An amount of US$50.3 million (2011: US$40.0 million) and US$36.0 million (2011: US$10.8 million) of the Group's and Company's cash and bank balances respectively have been pledged for loan obligations and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US$15.5 million (2011: US$62.6 million) and US$10.1 million (2011: US$57.8 million) respectively, placed in daily sweep accounts which are available upon demand.

Cash at banks of the Group earned interest at floating rates based on daily bank interest rates at an average of 0.05% (2011: 0.07%) per annum.

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

	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
Australian Dollar	**281**	464	**-**	117
Euro	**496**	1,928	**438**	1,870
Singapore Dollar	**582**	1,129	**582**	1,129
	1,359	3,521	**1,020**	3,116

20. Trade creditors

Trade creditors are substantially denominated in United States Dollar, non-interest bearing and are normally settled on 30-day credit terms.

21. Other creditors

	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
Other payables	**3,240**	1,638	**1,698**	1,092
Accrued interest expenses	**25,028**	15,192	**14,387**	6,772
General and administrative expense and other accruals	**62,132**	83,309	**54,731**	67,296
Amounts due to subsidiary companies	**-**	-	**8,303**	3,338
	90,400	100,139	**79,119**	78,498

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

Other creditors are non-interest bearing and are normally settled on 30-day credit terms.

22. Loans and borrowings

	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
Current:				
Medium Term Notes	**204,657**	73,794	**204,657**	73,794
Fair value adjustments	**6,244**	(2,328)	**6,244**	(2,328)
	210,901	71,466	**210,901**	71,466
USD bank loans	**771,446**	527,367	**229,579**	239,566
Fair value adjustments	**3,614**	-	**3,614**	-
	775,060	527,367	**233,193**	239,566
Deferred debt issue costs	**(12,700)**	(9,207)	**(2,316)**	(1,442)
	973,261	589,626	**441,778**	309,590
Non-current:				
Medium Term Notes	**563,967**	48,734	**563,967**	48,734
Medium Term Notes discount	**(2,274)**	-	**(2,274)**	-
Fair value adjustments	**1,537**	(441)	**1,537**	(441)
	563,230	48,293	**563,230**	48,293
USD bank loans	**4,922,096**	4,657,565	**1,459,815**	1,522,238
Fair value adjustments	**-**	(521)	**-**	(521)
	4,922,096	4,657,044	**1,459,815**	1,521,717
Deferred debt issue costs	**(81,959)**	(63,113)	**(8,524)**	(5,629)
	5,403,367	4,642,224	**2,014,521**	1,564,381
Total	**6,376,628**	5,231,850	**2,456,299**	1,873,971

22. **Loans and borrowings** (continued)

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

	Note	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
Cost:					
At beginning of year		**92,515**	79,449	**10,418**	10,193
Additions		**33,538**	17,546	**6,028**	1,962
Written-off to income statement upon sale of aircraft		**-**	(1,606)	**-**	(1,127)
Written-off to income statement upon fully amortised		**-**	(2,772)	**-**	(610)
Adjustments		**(68)**	(102)	**32**	-
At end of year		**125,985**	92,515	**16,478**	10,418
Accumulated amortisation:					
At beginning of year		**20,195**	15,011	**3,347**	2,452
Provided during the year	7	**11,131**	8,698	**2,291**	1,898
Written-off to income statement upon sale of aircraft		**-**	(701)	**-**	(393)
Written-off to income statement upon fully amortised		**-**	(2,772)	**-**	(610)
Adjustments		**-**	(41)	**-**	-
At end of year		**31,326**	20,195	**5,638**	3,347
Net book value:					
At end of year		**94,659**	72,320	**10,840**	7,071
Deferred debt issue costs, net		**94,659**	72,320	**10,840**	7,071
Less: Current portion		**(12,700)**	(9,207)	**(2,316)**	(1,442)
Non-current portion		**81,959**	63,113	**8,524**	5,629

22. Loans and borrowings (continued)

Total loans and borrowings included secured liabilities of US$5,498.5 million (2011: US$4,841.3 million) and US$1,604.3 million (2011: US$1,049.3 million) for the Group and the Company respectively. These amounts are secured by the related aircraft (Note 12), certain cash and bank balances and designated bank accounts (Note 19) and/or a pledge of the shares in certain subsidiary companies (Note 15) that hold title to aircraft.

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

(a) Bank loans

Interest on floating rate loans of the Group is set at specified margins above LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 1.95% (2011: 1.49%) per annum. The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans are between 2013 and 2024.

As at 31 December 2012, the Group's bank loans in terms of term loans due to intermediate holding company amounted to US$493.6 million (2011: US$582.6 million). There were no outstanding drawings under the first US$1 billion revolving credit facility which matures on 28 December 2017 or under the second US$1 billion revolving credit facility which matures on 2 April 2019, both credit facilities are granted by the intermediate holding company. Included in the Group's bank loans was an amount of US$526.3 million (2011: US$475.6 million) due to related parties.

As at 31 December 2012, the Company's bank loans due to intermediate holding company amounted to US$351.5 million (2011: US$433.7 million) and due to related parties amounted to US$278.2 million (2011: US$220.5 million).

As at 31 December 2012, the Group had unutilised unsecured committed credit facilities of US$2,225.0 million (2011: US$2,040.0 million) and committed long term credit facilities pending aircraft substitution of US$174.6 million (2011: US$16.5 million). The Group also had an unsecured uncommitted credit facility of US$50.0 million which was not drawn in 2012 and 2011.

22. Loans and borrowings (continued)

(b) *Medium Term Notes*

The Company set up a US$300 million Multi-Currency Medium Term Note Programme (the "Programme") on 2 September 2009. The Programme was increased to US$600 million on 12 December 2011. As at 31 December 2012, the Group and the Company had outstanding notes of S$337.5 million (2011: S$155.5 million) at fixed rates ranged from 2.40% to 3.25% (2011: 2.00% to 2.70%) per annum. The final maturities of the notes are between 2013 and 2014.

The Company has also set up a US$2 billion Euro Medium Term Note ("EMTN") Programme on 20 September 2012. Five-year US$500 million notes at fixed coupon rate of 2.875% per annum were issued at a discount with a yield of 2.978% per annum on 10 October 2012 maturing in 2017.

23. Long term payables

These relate to the non-current portion of bonuses payable and provided for under the staff incentive plans. The amounts are payable over the years from 2014 to 2016.

24. Finance lease payable to subsidiary companies

	Note	Company **2012** **US$'000**	 2011 US$'000
Current:			
Finance lease payables		**105,000**	62,496
Deferred debt issue costs		**(4,153)**	(2,674)
Finance lease payables, net		**100,847**	59,822
Non-current:			
Finance lease payables		**1,040,651**	641,331
Deferred debt issue costs		**(37,523)**	(23,305)
Finance lease payables, net		**1,003,128**	618,026
Total finance lease payables, net		**1,103,975**	677,848
The scheduled repayment of the finance lease payables is as follows:			
Finance lease payables	35(c)(i)	**1,145,651**	703,827
Less: Current portion		**(105,000)**	(62,496)
Non-current portion		**1,040,651**	641,331

24. Finance lease payable to subsidiary companies (continued)

The finance lease payable to subsidiary companies of US$1,059.6 million (2011: US$703.8 million) is secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.55% to 2.15% per annum (2011: 0.50% to 1.97% per annum).

The deferred debt issue costs relating to finance lease payable to subsidiary companies are analysed as follows:

	Company	
	2012	2011
	US$'000	US$'000
Cost:		
At beginning of year	**30,693**	24,163
Additions	**18,963**	7,419
Written-off to income statement	**-**	(889)
Adjustments	**(2)**	-
At end of year	**49,654**	30,693
Accumulated amortisation:		
At beginning of year	**4,714**	3,203
Provided during the year	**3,264**	2,400
Written-off to income statement	**-**	(889)
At end of year	**7,978**	4,714
Net book value:		
At end of year	**41,676**	25,979
Deferred debt issue costs, net	**41,676**	25,979
Less: Current portion	**(4,153)**	(2,674)
Non-current portion	**37,523**	23,305

25. Finance lease payables

	Note	Group and Company 2012 US$'000	2011 US$'000
Current:			
Finance lease payables		**6,347**	6,169
Deferred debt issue costs		**(30)**	(35)
Finance lease payables, net		**6,317**	6,134
Non-current:			
Finance lease payables		**59,525**	65,872
Deferred debt issue costs		**(128)**	(184)
Finance lease payables, net		**59,397**	65,688
Total finance lease payables, net		**65,714**	71,822
Finance lease payables	35(c)(i)	**65,872**	72,041
Less: Current portion		**(6,347)**	(6,169)
Non-current portion		**59,525**	65,872

The finance lease payables are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.97% to 2.72% per annum (2011: 0.87% to 2.67% per annum).

25. Finance lease payables (continued)

The deferred debt issue costs relating to finance lease payables are analysed as follows:

	Note	Group and Company 2012 US$'000	2011 US$'000
Cost:			
At beginning of year		**220**	420
Additions		**-**	220
Written off to income statement upon sale of aircraft		**-**	(221)
Written off to income statement upon fully amortised		**-**	(199)
Adjustment		**(29)**	-
At end of year		**191**	220
Accumulated amortisation:			
At beginning of year		**1**	169
Provided during the year	7	**32**	138
Written off to income statement upon sale of aircraft		**-**	(107)
Written off to income statement upon fully amortised		**-**	(199)
At end of year		**33**	1
Net book value:			
At end of year		**158**	219
Deferred debt issue costs, net		**158**	219
Less: Current portion		**(30)**	(35)
Non-current portion		**128**	184

26. Security deposits and deferred lease income

The difference between the nominal value of the security deposits and its fair value is recorded as deferred lease income and is charged to the income statement on a straight-line basis over the lease term. The security deposits are subsequently measured at amortised cost using the effective interest method.

In addition to the cash security deposits recorded on the balance sheet, the security deposits received by the Group and the Company in the form of irrevocable letters of credit and bank guarantees amounted to US$110.2 million (2011: US$98.9 million) and US$35.5 million (2011: US$36.1million) respectively.

27. Maintenance reserves

	Note	Group **2012** **US$'000**	Group 2011 US$'000	Company **2012** **US$'000**	Company 2011 US$'000
At beginning of year		**261,333**	205,691	**95,829**	74,902
Contribution from lessees		**99,077**	102,941	**27,093**	31,799
Utilisation by lessees		**(38,526)**	(5,803)	**(4,042)**	(4,123)
Transfer to buyers		**(20,280)**	(40,273)	**(8,330)**	(6,041)
Release to income statement for excess written-off	6	**-**	(1,128)	**-**	(708)
Release to income statement upon sale of aircraft	6	**-**	(95)	**-**	-
At end of year		**301,604**	261,333	**110,550**	95,829

Irrevocable letters of credit received by the Group and the Company from lessees to cover their maintenance reserve obligations amount to US$46.2 million (2011: US$34.0 million) and US$19.2 million (2011: US$15.0 million) respectively.

28. Deferred asset value guarantees fees

	Note	Group and Company **2012** **US$'000**	Group and Company 2011 US$'000
Cost:			
At beginning of year		**3,464**	3,464
Accumulated amortisation:			
At beginning of year		**(3,267)**	(3,184)
Release to income statement	5	**(83)**	(83)
At end of year		**(3,350)**	(3,267)
Net book value:			
At end of year		**114**	197
Deferred asset value guarantees fees, net		**114**	197
Less: Current portion		**(114)**	-
Non-current portion		**-**	197

29. Deferred income tax liabilities

Deferred income tax liabilities at the balance sheet dates relates to the following:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	376,751	305,560	66,978	50,406
Gross deferred tax assets	(234,729)	(195,513)	(50,657)	(39,579)
Net deferred tax liabilities	**142,022**	110,047	**16,321**	10,827

The unrecognised deferred tax liabilities are as disclosed in Note 11.

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

	Differences in depreciation	**Unremitted overseas income**	**Others**	**Total**
	US$'000	US$'000	US$'000	US$'000
Group				
31 December 2012				
Deferred tax liabilities arising from:				
At beginning of year	305,030	78	452	305,560
Charged to income statement	70,705	314	172	71,191
At end of year	375,735	392	624	376,751

	Unabsorbed capital allowances and unutilised tax losses	**Provisions**	**Others**	**Total**
	US$'000	US$'000	US$'000	US$'000
Deferred tax assets arising from:				
At beginning of year	(186,050)	(3,795)	(5,668)	(195,513)
(Credited)/charged to income statement	(41,148)	(411)	2,343	(39,216)
At end of year	(227,198)	(4,206)	(3,325)	(234,729)
Net deferred tax liabilities at end of year				**142,022**

29. Deferred income tax liabilities (continued)

	Differences in depreciation US$'000	**Unremitted overseas income** US$'000	**Others** US$'000	**Total** US$'000
Group				
31 December 2011				
Deferred tax liabilities arising from:				
At beginning of year	239,993	52	97	240,142
Charged to income statement	65,037	26	355	65,418
At end of year	305,030	78	452	305,560

	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions** US$'000	**Others** US$'000	**Total** US$'000
Deferred tax assets arising from:				
At beginning of year	(152,674)	(791)	(5,070)	(158,535)
Credited to income statement	(33,376)	(3,004)	(598)	(36,978)
At end of year	(186,050)	(3,795)	(5,668)	(195,513)
Net deferred tax liabilities at end of year				**110,047**

	Differences in depreciation US$'000	**Unremitted overseas income** US$'000	**Others** US$'000	**Total** US$'000
Company				
31 December 2012				
Deferred tax liabilities arising from:				
At beginning of year	49,876	78	452	50,406
Charged to income statement	16,086	314	172	16,572
At end of year	65,962	392	624	66,978

29. Deferred income tax liabilities (continued)

	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions** US$'000	**Others** US$'000	**Total** US$'000
Deferred tax assets arising from:				
At beginning of year	(36,673)	(2,906)	-	(39,579)
(Credited)/Charged to income statement	(11,163)	85	-	(11,078)
At end of year	(47,836)	(2,821)	-	(50,657)
Net deferred liabilities at end of year				**16,321**

	Differences in depreciation US$'000	**Unremitted overseas income** US$'000	**Others** US$'000	**Total** US$'000
Company				
31 December 2011				
Deferred tax liabilities arising from:				
At beginning of year	32,176	52	97	32,325
Charged to income statement	17,700	26	355	18,081
At end of year	49,876	78	452	50,406

	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions** US$'000	**Others** US$'000	**Total** US$'000
Deferred tax assets arising from:				
At beginning of year	(23,881)	120	(90)	(23,851)
(Credited)/Charged to income statement	(12,792)	(3,026)	90	(15,728)
At end of year	(36,673)	(2,906)	-	(39,579)
Net deferred liabilities at end of year				**10,827**

The unabsorbed capital allowances and unutilised tax losses which are subject to the provisions of relevant local tax legislations and subject to agreement with the relevant tax authorities can be carried forward and set off against future taxable profit as disclosed in Note 11.

30. Derivative financial instruments

	Group and Company					
	Outstanding notional amounts	**Assets**	**Liabilities**	**Outstanding notional amounts**	**Assets**	**Liabilities**
	2012	**2012**	**2012**	**2011**	**2011**	**2011**
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Current:						
Cross-currency interest rate swap	**259,502**	**9,858**	**-**	73,794	-	(2,328)
Interest rate swap	**180,446**	**-**	**(8,681)**	190,540	-	(9,935)
Interest rate cap	**831,284**	**932**	**-**	928,485	5,422	-
Foreign exchange forward	**-**	**-**	**-**	15,600	-	(310)
		10,790	**(8,681)**		5,422	(12,573)
Non-current:						
Cross-currency interest rate swap	**63,967**	**1,537**	**-**	104,189	-	(962)
		1,537	**-**		-	(962)
		12,327	**(8,681)**		5,422	(13,535)

The fair values of cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

30. Derivative financial instruments (continued)

Hedge accounting has been applied for the interest rate swaps that are assessed to be effective hedges.

Cash flow hedges

The Group borrows at floating interest rates pegged to LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates. As at the balance sheet date, the Group had the following interest rate swap contracts in place to hedge the exposure to changes in interest rates whereby the Group paid fixed rate and received floating rate on a notional amount on a quarterly to half yearly basis:

Group
31 December 2012

	Notional amount				
Product type	**Initial amount**	**As at 31.12.2012**	**Fixed rate range From**	**To**	**Fair value liability**
	US$'000	US$'000	%	%	US$'000
Interest rate swap	109,734	83,183	2.07	2.57	(1,712)

31 December 2011

	Notional amount				
Product type	**Initial amount**	**As at 31.12.2011**	**Fixed rate range From**	**To**	**Fair value liability**
	US$'000	US$'000	%	%	US$'000
Interest rate swap	109,734	91,435	2.07	2.57	(2,576)

The term 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 ineffective portion, if any, has been recognised in the income statement.

The fair value of the above financial derivatives for the Group as at 31 December 2012 amounted to US$1.7 million (2011: US$2.6 million) has been recognised in the balance sheet as a financial liability. A fair value gain of US$0.9 million (2011: gain of US$1.9 million) relating to the above financial derivatives was included in the hedging reserve.

30. Derivative financial instruments (continued)

Cash flow hedges (continued)

Company
31 December 2012

Product type	Notional amount: Initial amount US$'000	Notional amount: As at 31.12.2012 US$'000	Fixed rate %	Fair value liability US$'000
Interest rate swap	33,666	27,861	2.07	(717)

31 December 2011

Product type	Notional amount: Initial amount US$'000	Notional amount: As at 31.12.2011 US$'000	Fixed rate %	Fair value liability US$'000
Interest rate swap	33,666	29,892	2.07	(835)

The term 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 ineffective portion has been recognised in the income statement.

The fair value of the above financial derivatives for the Company as at 31 December 2012 amounted to US$0.7 million (2011: US$0.8 million) has been recognized in the balance sheet as a financial liability. A fair value gain of US$0.1 million (2011: gain of US$0.6 million) relating to the above financial derivatives was included in the hedging reserve.

31. Cash and cash equivalents

Cash and cash equivalents consist of balances in current accounts and short term fixed deposits with banks with maturity periods of less than three months and are readily realisable.

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Note	Group 2012 US$'000	Group 2011 US$'000
Fixed deposits	18	**585,977**	155,919
Cash and bank balances	19	**27,576**	70,647
		613,553	226,566

32. Share capital

	Group and Company No. of shares 2012 '000	2012 US$'000	No. of shares 2011 '000	2011 US$'000
Issued and fully paid ordinary shares				
At 1 January/31 December	**589,909**	**607,601**	589,909	607,601

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.

33. Hedging reserve

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

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**(2,576)**	(4,489)	**(835)**	(1,377)
Net change in the reserve	**864**	1,913	**118**	542
At end of year	**(1,712)**	(2,576)	**(717)**	(835)

34. Related party transactions

In addition to related party transactions disclosed in other notes to the financial statements, the following are significant related party transactions entered into during the financial year at terms agreed between the parties:

	Group	
	2012	2011
	US$'000	US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**935**	669
Interest expense	**(11,996)**	(16,585)
(b) Other related parties:		
Lease rental income	**39,105**	36,624
Interest expense	**(8,249)**	(7,471)

34. Related party transactions (continued)

	Group	
	2012	2011
	US$'000	US$'000
Directors' and key executives' remuneration of the Company paid during the year		
(a) Directors (of the Company)		
Salary, fees, bonuses and other costs	**6,804**	3,591
(b) Key executives (excluding executive directors)		
Salary, bonuses and other costs	**10,015**	5,272
CPF and other defined contributions	**8**	7
	10,023	5,279

As at 31 December 2012, an amount of US$22.7 million (2011: US$4.1 million) of deferred bonus is payable to directors and key personnel in year 2013 to 2015 (2011: year 2012 and 2013).

35. Commitments

(a) *Operating lease commitments*

(i) Operating lease commitments - As lessor

Aircraft

The Group leases its aircraft under operating lease agreements that are non-cancellable, which expire between 2013 and 2025 (2011: 2012 and 2025).

Future net minimum lease receivables under the operating leases as of 31 December for existing aircraft are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**687,114**	618,043	**303,060**	264,920
After one year but not more than five years	**2,466,323**	2,207,913	**1,149,394**	967,902
After five years	**1,795,720**	1,701,442	**972,729**	840,541
	4,949,157	4,527,398	**2,425,183**	2,073,363

35. Commitments (continued)

(a) *Operating lease commitments* (continued)

(i) Operating lease commitments - As lessor (continued)

Aircraft (continued)

Future net minimum lease receivables committed as of 31 December for aircraft yet to be delivered are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**141,553**	50,806	**52,842**	38,402
After one year but not more than five years	**1,235,857**	855,536	**419,322**	588,844
After five years	**2,262,727**	1,513,077	**728,036**	1,167,823
	3,640,137	2,419,419	**1,200,200**	1,795,069

(ii) Operating lease commitments - As lessee

Offices

The Company leases head-office space under a lease agreement which expires on 30 September 2013. It has a lease agreement with a service provider in the United Kingdom to provide meeting facilities, which expires on 30 April 2013.

One subsidiary company leases office space in the United States under a lease agreement that is non-cancellable within the two-year lease. The lease expires on 30 June 2013. Another subsidiary company leases office space in Ireland under a lease agreement which expires on 31 December 2013.

There are no purchase options granted for the offices. There are no restrictions placed upon the Group and Company by entering into the leases.

35. Commitments (continued)

(a) *Operating lease commitments* (continued)

(ii) Operating lease commitments - As lessee (continued)

Offices (continued)

Future minimum lease payments for the office leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**901**	1,274	**812**	1,169
After one year but not more than five years	**-**	1,023	**-**	931
	901	2,297	**812**	2,100

(b) *Capital expenditure commitments*

As at 31 December 2012, the Group has committed to purchase various aircraft delivering between 2013 and 2019. The remaining commitment under the Group's order, net of progress payments made to date, is approximately US$10,239 million (2011: US$6,954 million) based on manufacturers' list prices including assumed escalation to delivery.

As at 31 December 2012, the Group has committed to US$1,516.4 million (2011: US$66.0 million) of purchase and leaseback transactions. These transactions are expected to take place in 2013 and 2014.

35. **Commitments** (continued)

(c) *Finance lease commitments*

(i) Finance lease commitments - As lessee

The Company and certain of its subsidiary companies lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Company or its subsidiary companies upon the Company or its subsidiary companies discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Company by entering into these leases.

Finance lease with third parties:

	Note	**Group and Company** Minimum lease payments 2012 US$'000	Present value of payments 2012 US$'000	Minimum lease payments 2011 US$'000	Present value of payments 2011 US$'000
Within one year		**7,390**	**6,347**	7,834	6,169
After one year but not more than five years		**31,125**	**28,196**	27,874	22,502
More than five years		**31,542**	**31,329**	44,753	43,370
Total minimum lease payments		**70,057**	**65,872**	80,461	72,041
Less: Amounts representing finance charges		**(4,185)**	**-**	(8,420)	-
Present value of minimum lease payments	25	**65,872**	**65,872**	72,041	72,041

Finance lease with its subsidiary companies:

	Note	**Company** Minimum lease payments 2012 US$'000	Present value of payments 2012 US$'000	Minimum lease payments 2011 US$'000	Present value of payments 2011 US$'000
Within one year		**126,392**	**103,337**	76,215	59,199
After one year but not more than five years		**552,456**	**485,869**	318,840	268,145
More than five years		**590,039**	**556,445**	404,562	376,483
Total minimum lease payments		**1,268,887**	**1,145,651**	799,617	703,827
Less: Amounts representing finance charges		**(123,236)**	**-**	(95,790)	-
Present value of minimum lease payments	24	**1,145,651**	**1,145,651**	703,827	703,827

35. Commitments (continued)

(c) *Finance lease commitments* (continued)

(ii) Finance lease commitments - As lessor

The Group leases aircraft to third parties under finance leases which have maturity dates in 2016. Title to these aircraft will be transferred to the lessee upon the lessee discharging fully its obligations under the relevant lease agreements.

Finance lease with third parties:

	Group			
	Minimum lease receivables 2012 US$'000	**Present value of receivables 2012 US$'000**	**Minimum lease receivables 2011** US$'000	**Present value of receivables 2011** US$'000
Within one year	**6,980**	**5,738**	6,980	5,371
After one year but not more than five years	**17,860**	**16,438**	25,100	22,375
Total minimum lease receivables	**24,840**	**22,176**	32,080	27,746
Less: Unearned finance income	**(2,664)**	**-**	(4,334)	-
Present value of minimum lease receivables	**22,176**	**22,176**	27,746	27,746

	2012 US$'000	2011 US$'000
The scheduled receivables of the finance lease are as follows:		
Finance lease receivables	**22,176**	27,746
Less: Current portion	**(5,738)**	(5,371)
Non-current portion	**16,438**	22,375

36. Contingent liabilities

(a) *Asset value guarantees*

The Company issues asset value guarantees which underwrite the value of certain aircraft at specific dates in the future. The Company assesses the risk of a claim under the guarantees using the same method as is used in assessment of impairment of assets in the Company's business generally.

The Company receives fees from the beneficiary on the issue of the guarantees, which are amortised to the income statement on a straight-line basis over the term of the guarantees, and may also have the opportunity to share in the values of the assets to the extent their sale proceeds exceed the guaranteed amounts.

As at year end, BOC Aviation's maximum liability which might arise in the future under the guarantees is US$15.5 million. At the present time it is management's assessment that the liability arising under such guarantees will be US$Nil.

(b) *Corporate guarantee to subsidiary companies*

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligation under certain lease agreements entered into by the subsidiary companies. As at 31 December 2012, the corporate guarantees amounted to approximately US$4,070.0 million (2011: US$3,513.2 million).

37. Contingent assets

The Company manages two accounts on behalf of two third party aircraft owners and is entitled to interest earned for excess funds held by the owners, as a form of gratuity for managing the aircraft. The collectability of the excess income earned is contingent on the aircraft lessee not defaulting on payment prior to the end of the lease term in 2013. Excess interest earned to date as at 31 December 2012 is estimated to be US$2.5 million (2011: US$2.5 million). Subsequent to the financial year end, the Company has received US$1.4 million from the owner of one aircraft.

38. Classification of financial instruments and their fair values

All financial assets and liabilities, except as disclosed below, are carried at fair values or their carrying amounts are reasonable approximation of their fair values.

(a) *Financial instruments carried at fair values*

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

(b) *Financial instruments whose fair values cannot be reliably measured*

Amounts due from subsidiary companies are included in this category. The amounts will be derecognised where the contractual rights to receive cash flows from the subsidiary companies have ceased.

(c) *Financial instruments whose carrying amounts approximate fair values*

The carrying amounts of the different categories of financial instruments are as disclosed on the face of the balance sheet and in Note 16 to Note 27 to the financial statements.

(d) *Financial instruments carried at other than fair values*

Set out below is a comparison of carrying amounts and fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than fair values.

	Group and Company			
	Carrying amount		**Fair values**	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
SGD fixed rate deposit	**10,221**	9,610	**10,243**	9,600
SGD fixed rate loan	**(10,221)**	(9,610)	**(10,243)**	(9,600)
Euro Medium Term Notes	**497,726**	-	**495,490**	-

39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) *Interest rate risk*

Interest rate risk is the risk that the fair values or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related parties and lease rental income and expenses.

The Group obtains financing through bank borrowings and capital market bond issues. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A significant portion of the Group's loans and borrowings are contracted at floating interest rates pegged to LIBOR. Interest rate exposure arises when the Group collects fixed rate rentals but pays floating interest rate under the borrowings.

A significant portion of the Group's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 12 months (2011: less than 12 months) from the balance sheet date.

The Group's policy is to hedge at least 50% (2011: 50%) of its mismatched interest rate exposure through appropriate interest rate financial derivative instruments and borrowing fixed rate debts. At the balance sheet date, the Group has fully hedged the Group's mismatched interest rate exposure.

39. Financial risk management objectives and policies (continued)

(a) *Interest rate risk* (continued)

Sensitivity analysis for interest rate risk

Sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the balance sheet date:

- Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include floating rate loans and deposits.
- Changes in interest rates affect the fair values of derivative financial instruments.
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

For a more meaningful analysis on the impact of interest rate on the Group, the sensitivity analysis includes the effect of interest rate fluctuation on the lease rental income.

Under these assumptions, an increase in interest rate of 25 basis points or a decrease in interest rates of 15 basis points for all currencies for which the Group has variable interest financial instruments at 31 December, with all other variables held constant, will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

		Group	
	Basis points	**Effect on profit net of tax** US$'000	**Effect on hedging reserve in equity** US$'000
2012			
- Increase in interest rate	+25	1,264	183
- Decrease in interest rate	-15	(69)	(98)
2011			
- Increase in interest rate	+25	990	243
- Decrease in interest rate	-15	(717)	(432)

39. Financial risk management objectives and policies (continued)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to mismatch of assets and liabilities and/or due to refinancing risk.

To ensure that the Group is able to meet its financial obligation, the Group's policy is to have its loan repayment over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2012, the Group had unutilised unsecured committed credit facilities of US$2,225.0 million (2011: US$2,040.0 million).

The Company had also committed long term credit facilities pending the provision of a new aircraft as collateral of US$174.6 million (2011: US$16.5 million).

Revenue from lease rentals will be sufficient to meet annual interest and regular loan repayment over the next one year period.

At the balance sheet date, approximately 15% (2011: 11%) of the Group's gross debt, comprising loans and borrowings and finance lease payables, will mature in less than one year.

<u>Analysis of financial instruments by remaining contractual maturities</u>

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

	1 year or less US$'000	**Between 1 to 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
Group				
2012				
Financial liabilities				
Trade creditors	35,191	-	-	35,191
Other creditors	90,400	-	-	90,400
Loans and borrowings	976,103	3,443,524	2,042,539	6,462,166
Estimated interest payments	90,073	314,837	60,776	465,686
Finance lease payables	6,347	28,197	31,328	65,872
Security deposits	16,563	101,163	149,091	266,817
Estimated net swap payments	3,018	5,514	-	8,532
Long term payables	-	27,203	-	27,203
Total undiscounted financial liabilities	1,217,695	3,920,438	2,283,734	7,421,867

39. Financial risk management objectives and policies (continued)

(b) *Liquidity risk* (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less US$'000	**Between 1 to 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
Group				
2011				
Financial liabilities				
Trade creditors	32,427	-	-	32,427
Other creditors	100,139	-	-	100,139
Loans and borrowings	601,161	2,532,029	2,174,270	5,307,460
Estimated interest payments	70,159	253,868	81,460	405,487
Finance lease payables	6,169	27,047	38,825	72,041
Security deposits	3,499	103,427	123,085	230,011
Estimated net swap payments	3,142	8,496	-	11,638
Total undiscounted financial liabilities	816,696	2,924,867	2,417,640	6,159,203

	1 year or less US$'000	**Between 1 to 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
Company				
2012				
Financial liabilities				
Trade creditors	15,194	-	-	15,194
Other creditors	79,119	-	-	79,119
Loans and borrowings	434,236	1,447,521	576,261	2,458,018
Estimated interest payments	35,041	129,044	40,212	204,297
Finance lease payable to subsidiary companies	103,337	485,869	556,445	1,145,651
Finance lease payables	6,347	28,197	31,328	65,872
Security deposits	4,813	59,847	127,677	192,337
Estimated net swap payments	3,018	5,514	-	8,532
Long term payables	-	24,486	-	24,486
Total undiscounted financial liabilities	681,105	2,180,478	1,331,923	4,193,506

39. Financial risk management objectives and policies (continued)

(b) *Liquidity risk* (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less US$'000	**Between 1 to 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
Company				
2011				
Financial liabilities				
Trade creditors	12,203	-	-	12,203
Other creditors	78,498	-	-	78,498
Loans and borrowings	313,361	918,340	652,632	1,884,333
Estimated interest payments	28,664	104,943	39,563	173,170
Finance lease payable to subsidiary companies	59,199	268,145	376,483	703,827
Finance lease payables	6,169	27,047	38,825	72,041
Security deposits	850	73,559	111,489	185,898
Estimated net swap payments	3,142	8,496	-	11,638
Total undiscounted financial liabilities	502,086	1,400,530	1,218,992	3,121,608

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less US$'000	**Between 1 to 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
Company				
2012				
Financial guarantees	209,783	1,253,454	2,606,783	4,070,020
2011				
Financial guarantees	14,200	946,945	2,552,149	3,513,294

39. Financial risk management objectives and policies (continued)

(c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other debtors, derivative financial instruments, fixed deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and maintenance reserves. However, early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with maintenance activity and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long term procurement contracts are being contemplated.

The Group's policy is to undertake deposit and derivatives business with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard and Poor's "A-".

(i) Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and
- nominal amounts of approximately US$4,070 million (2011: US$3,513 million) relating to corporate guarantees provided by the Company to the banks on bank loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

39. Financial risk management objectives and policies (continued)

(c) *Credit risk* (continued)

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual lessee and regional exposure to its trade debtors on an on-going basis. The credit risk concentration profile of the Group's trade debtors at the balance sheet date is as follows:

	2012		2011	
	US$'000	**% of total**	US$'000	% of total
Group				
By region:				
Europe and Africa	**327**	**3**	281	11
China	**4,040**	**41**	-	-
Asia Pacific	**4,733**	**48**	2,200	89
USA	**821**	**8**	-	-
	9,921	**100**	2,481	100
Less: Allowance for impairment	**(779)**		(1,943)	
	9,142		538	

At the balance sheet date, approximately 75% (2011: 78%) of the Group's trade debtors before allowance for impairment were due from four (2011: one) airline lessees located in China and India (2011: India).

As at 31 December 2012 and 2011, none of the lessees represent more than 10% of total monthly lease rental income.

(iii) Financial assets that are neither past due nor impaired

Trade and other debtors and finance lease receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 and 17.

39. Financial risk management objectives and policies (continued)

(d) *Foreign currency risk*

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the respective functional currencies of the Group entities.

Certain loans and borrowings which are denominated in Singapore Dollar are swapped into United States Dollar. Foreign currency exposure arises when the Group collects United States Dollar rentals to repay the Singapore Dollar borrowings. The Group primarily utilises cross-currency interest rate swap contracts to hedge its Singapore Dollar denominated financial liabilities.

Accordingly, movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Capital management

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

The Group manages its capital structure and makes adjustments to it after taking into account its capital expenditures and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from shareholders, adjust dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 December 2012 and 31 December 2011 respectively.

The Group monitors capital using a gearing ratio, which is gross debt divided by total equity. The Group's policy is to keep the gearing at less than 5 times (which is the limit imposed by the covenants of certain banking facilities). The Group includes within gross debt, loans and borrowings and finance lease payables. Total equity refers to the equity attributable to the equity holder of the Company.

	Group	
	2012	2011
	US$'000	US$'000
Gross debt	**6,528,038**	5,379,501
Total equity	**1,761,064**	1,534,901
Gearing (times)	**3.71**	3.50

41. New or revised accounting standards and interpretations

Below are the mandatory standards and amendments to existing standards that have been published, and are relevant for the Group's accounting periods commencing on their effective dates as indicated below and which the Group has not early adopted:

- Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
- Annual Improvements 2011 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to FRS 107 Disclosure – Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2013)
- FRS 113 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (revised 2011) Separate Financial Statements and FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)

The management anticipates that the adoption of the above FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

42. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of BOC Aviation Pte. Ltd. on 26 March 2013.

DIRECTORS' REPORT

For the financial year ended 31 December 2011

The Directors present their report to the member together with the audited financial statements of BOC Aviation Pte. Ltd. (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet of the Company as at 31 December 2011.

Directors

The Directors of the Company in office at the date of this report are as follows:

Chen Siqing	(Chairman, appointed on 13 December 2011)
Wang Yi	(Vice-Chairman)
Wang Genshan	(Vice-Chairman and Deputy Managing Director)
Robert James Martin	(Managing Director and Chief Executive Officer)
Fu Shula	(Director, appointed on 1 February 2011)
Gao Jinyue	(Director)
Wang Jian	(Director)
Dr Xiao Wei	(Director)

Directors' interests in shares, options or debentures

According to the register of directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the shares, options or debentures of the Company or its related corporations, except as follows:

	Direct interest		Deemed interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Intermediate holding company				
Bank of China Limited				
(No. of ordinary shares of RMB1 each)				
Wang Yi	240,900	240,900	–	–

Directors' contractual benefits

Except as disclosed in the accompanying financial statements and in this report, and emoluments paid by related corporations, since the end of the previous financial year, no Director has received or has become entitled to receive benefits by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

For the financial year ended 31 December 2011

Audit Committee

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

Dr Xiao Wei	Chairman, non-executive member
Wang Jian	Non-executive member
Wang Yi	Non-executive member

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

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

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

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors,

Chen Siqing
Chairman

Robert James Martin
Managing Director and Chief Executive Officer

Singapore, 30 March 2012

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2011

In the opinion of the Directors:

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 23 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf of the Board of Directors,

Chen Siqing
Chairman

Robert James Martin
Managing Director and Chief Executive Officer

Singapore, 30 March 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BOC AVIATION PTE. LTD.

For the financial year ended 31 December 2011

Report on the Financial Statements

We have audited the accompanying financial statements of BOC Aviation Pte. Ltd. (the "Company") and its subsidiary companies (the "Group") set out on pages 23 to 98, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BOC AVIATION PTE. LTD.

For the financial year ended 31 December 2011

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 30 March 2012

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Revenues			
Lease rental income	4	589,585	518,764
Interest and fee income	5	16,095	5,302
Other income			
– Net gain on sale of aircraft	6	34,577	21,806
– Maintenance reserves written-off	6	1,128	945
Allowance for doubtful debts written-back			
– Trade debtors	16	–	2,300
– Other debtors	17	–	570
Total revenues		641,385	549,687
Costs and expenses			
Depreciation of plant and equipment	12	245,097	215,710
Marketing and travelling expenses		3,607	2,886
Amortisation of deferred debt issue costs	7	8,836	5,557
Amortisation of lease transaction closing costs	13	327	281
Finance expenses	8	94,046	82,715
Staff costs	9	40,500	38,302
Other operating expenses	10	11,201	7,362
Allowance for doubtful debts			
– Trade debtors	16	1,943	–
– Other debtors	17	37	–
Impairment of aircraft	12	5,100	3,000
Legal claim expense	35(a)	1,446	–
Total costs and expenses		(412,140)	(355,813)
Profit before income tax		229,245	193,874
Income tax expense	11	(28,454)	(26,195)
Profit for the year attributable to equity holder of the Company		200,791	167,679

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Profit net of tax		200,791	167,679
Other comprehensive income:			
Effective portion of changes in fair value of cash flow hedges		1,913	1,718
Fair value gain of cash flow hedges transferred to income statement		–	2,913
Other comprehensive income for the year, net of tax	32	1,913	4,631
Total comprehensive income for the year		202,704	172,310
Total comprehensive income attributable to:			
Equity holder of the Company		202,704	172,310

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2011

		Group		Company	
		2011	2010	2011	2010
	Note	US$'000	US$'000	US$'000	US$'000
Non-current assets					
Plant and equipment	12	7,280,968	6,302,433	3,237,179	2,765,573
Lease transaction closing costs	13	712	1,566	3,335	3,853
Finance lease receivables	34	22,375	27,930	–	–
Amounts due from subsidiary companies	14	–	–	288,441	489,120
Investment in subsidiary companies	15	–	–	551,132	267,193
		7,304,055	6,331,929	4,080,087	3,525,739
Current assets					
Finance lease receivables	34	5,371	5,197	–	–
Trade debtors	16	538	1,719	–	615
Prepayments		523	532	423	415
Other debtors	17	3,763	3,783	1,858	269,979
Derivative financial instruments	29	5,422	41,457	5,422	15,520
Fixed deposits	18	155,919	202,047	44,617	65,762
Cash and bank balances	19	110,674	51,182	72,132	26,108
		282,210	305,917	124,452	378,399
Less: Current liabilities					
Derivative financial instruments	29	12,573	12,609	12,573	12,609
Trade creditors	20	32,427	36,675	12,203	10,531
Other creditors	21	100,139	73,574	78,498	196,475
Tax payables		3	6	–	–
Loans and borrowings	22	589,626	535,565	309,590	133,347
Finance lease payable to subsidiary companies	23	–	–	59,822	81,310
Finance lease payables	24	6,134	3,604	6,134	3,604
Security deposits	25	3,499	49	850	–
		744,401	662,082	479,670	437,876
Net current liabilities		(462,191)	(356,165)	(355,218)	(59,477)
Less: Non-current liabilities					
Derivative financial liabilities	29	962	102	962	102
Loans and borrowings	22	4,642,224	4,077,312	1,564,381	1,524,756
Finance lease payable to subsidiary companies	23	–	–	618,026	539,342
Finance lease payables	24	65,688	55,824	65,688	55,824
Security deposits	25	201,553	182,026	161,792	143,814
Deferred lease income	25	24,959	40,725	23,256	38,052
Maintenance reserves	26	261,333	205,691	95,829	74,902
Deferred asset value guarantees fees	27	197	280	197	280
Deferred tax	28	110,047	81,607	10,827	8,474
		5,306,963	4,643,567	2,540,958	2,385,546
Net assets		1,534,901	1,332,197	1,183,911	1,080,716
Equity attributable to equity holder of the Company					
Share capital	31	607,601	607,601	607,601	607,601
Revenue reserve		929,876	729,085	577,145	474,492
Hedging reserve	32	(2,576)	(4,489)	(835)	(1,377)
Total equity		1,534,901	1,332,197	1,183,911	1,080,716

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2011

		Attributable to equity holders of the Company				
	Note	No. of shares '000	Share capital US$'000	Revenue reserve US$'000	Hedging reserve US$'000	Total equity US$'000
2011						
Balance at 1 January 2011		589,909	607,601	729,085	(4,489)	1,332,197
Profit net of tax		–	–	200,791	–	200,791
Other comprehensive income for the year	32	–	–	–	1,913	1,913
Total comprehensive income for the year		–	–	200,791	1,913	202,704
Balance at 31 December 2011		589,909	607,601	929,876	(2,576)	1,534,901
2010						
Balance at 1 January 2010		389,909	407,601	561,406	(9,120)	959,887
Profit net of tax		–	–	167,679	–	167,679
Other comprehensive income for the year	32	–	–	–	4,631	4,631
Total comprehensive income for the year		–	–	167,679	4,631	172,310
Equity injection	31	200,000	200,000	–	–	200,000
Balance at 31 December 2010		589,909	607,601	729,085	(4,489)	1,332,197

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Cash flows from operating activities:			
Profit before income tax		229,245	193,874
Adjustments for:			
Depreciation of plant and equipment	12	245,097	215,710
Impairment of aircraft	12	5,100	3,000
Amortisation of deferred debt issue costs	7	8,836	5,557
Amortisation of lease transaction closing costs	13	327	281
Net gain on sale of aircraft	6	(34,577)	(21,806)
Asset value guarantees fees recognised	5	(83)	(336)
Write-back of allowance for doubtful debts – trade debtors	16	1,943	(2,300)
Write-back of allowance for doubtful debts – other debtors	17	37	(570)
Interest income	5	(14,673)	(3,831)
Finance expenses	8	94,046	82,715
Maintenance reserves written-off	6	(1,128)	(945)
Legal claim expense	35(a)	1,446	–
Fair value loss of foreign exchange forward	29	310	–
Operating profit before working capital changes		535,926	471,349
Decrease/(Increase) in debtors		132	(28)
Decrease in finance lease receivables		5,381	3,887
Increase in creditors		19,472	20,758
Increase/(Decrease) in maintenance reserves		56,865	(1,543)
Cash generated from operations		617,776	494,423
Security deposit received, net		7,211	138,768
Lease transaction closing costs paid		(153)	(1,177)
Income tax paid		(17)	(51)
Interest income received		13,771	3,814
Net cash provided by operating activities		638,588	635,777

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Net cash provided by operating activities		638,588	635,777
Cash flows from investing activities:			
Purchase of plant and equipment	12	(1,728,675)	(1,258,239)
Proceeds from sale of plant and equipment	6	536,088	332,456
Net cash used in investing activities		(1,192,587)	(925,783)
Cash flows from financing activities:			
Proceeds from issue of share capital		–	200,000
Drawdown on loans and borrowings		2,246,880	2,256,036
Repayment of loans and borrowings		(1,576,901)	(1,959,680)
Finance expenses paid		(84,850)	(87,125)
Debt issue costs paid		(17,766)	(41,325)
Decrease in fixed deposit – encumbered		22,042	–
Decrease/(Increase) in cash and bank balances – encumbered		895	(48,100)
Net cash provided by financing activities		590,300	319,806
Net increase in cash and cash equivalents		36,301	29,800
Cash and cash equivalents at beginning of year		190,265	160,465
Cash and cash equivalents at end of year	30	226,566	190,265

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

BOC Aviation Pte. Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore. The immediate holding company is Sky Splendor Limited, which is incorporated in the Cayman Islands. The intermediate holding company is Bank of China Limited, which is owned by Central Huijin Investment Ltd. The intermediate holding company and its parent company are incorporated in the People's Republic of China.

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. The principal place of business of each subsidiary company is disclosed in Note 15. There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies below.

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

Going concern assumption

As at 31 December 2011, the Group's and the Company's current liabilities exceeded its current assets by US$462.2 million and US$355.2 million respectively (2010: US$356.2 million and US$59.5 million respectively). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

Interpretations and amendments to published standards effective in 2011

On 1 January 2011, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made, if applicable, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation

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

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

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

2.3 Functional and foreign currency

(a) Functional and presentation currency

The management has determined the functional currency, which is the primary economic environment in which the Company operates, to be United States Dollars. Revenues and major costs of providing goods and services including major operating expenses are primarily denominated in United States Dollars. The financial statements are presented in United States Dollars (USD or US$) and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

(b) Foreign currency transactions

Transactions arising in foreign currencies during the period are converted at rates closely approximating those prevailing on the transaction dates. Foreign currency monetary assets and liabilities are converted into United States Dollars at exchange rates prevailing at the balance sheet date. All exchange differences arising from conversion are included in the income statement.

2.4 Plant and equipment

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

When the aircraft is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from its disposal is included in the income statement.

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the value equivalent to the present value of total rental payable during the period of the lease and the corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to income statement. Depreciation on the relevant asset is charged to income statement.

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

2. Summary of significant accounting policies (continued)

2.4 Plant and equipment (continued)

Progress payments for aircraft under construction and Enterprise Resource Planning System in progress are recognised under plant and equipment when payments are made.

Other plant and equipment comprises office renovations, furniture and fittings and office equipment including computer hardware and software. Subsequent to recognition, these assets are stated at cost, less accumulated depreciation and accumulated impairment loss. Cost comprises purchase price, any restoration costs and any directly attributable costs of bringing the asset to working condition for its intended use. Any restoration costs and expenditure for additions, improvements and renewals are capitalised. Expenditure for maintenance and repairs are charged to the income statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

Aircraft are depreciated on a straight-line basis over the estimated useful life of 25 years less the aircraft's age at the time of purchase to a 15% residual value.

Depreciation on other plant and equipment are calculated on the straight-line method to write-off the cost of plant and equipment over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

Office renovations	–	3 to 5 years
Furniture and fittings and office equipment	–	1 to 3 years

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

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

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

2.5 Lease transaction closing costs

Upfront lease commission fees, legal fees and all other costs incurred in procuring the lease for the aircraft are capitalised and amortised on a straight-line basis over the related lease period.

Where the lease agreement is terminated or transferred prior to its maturity date, the remaining lease transaction closing costs will be written-off to the income statement.

2.6 Subsidiary companies

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in the subsidiary companies are initially stated at cost. Subsequent to initial recognition, these investments are stated at cost less accumulated impairment losses.

2. Summary of significant accounting policies (continued)

2.6 Subsidiary companies (continued)

At each balance sheet date, the Company assesses whether there are any indicators of impairment of its investments in the subsidiary companies. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is made.

2.7 Impairment of non-financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that the value of an asset may be impaired. If such evidence exists, the estimated recoverable amount is determined and any impairment is charged to the income statement. The recoverable amount is the greater of the asset's fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In certain circumstances, the management may use the fair value less cost to sell to estimate the recoverable amounts even though the value-in-use amounts are higher.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.8 Financial assets

Financial assets within the scope of FRS 39 Financial Instruments: Recognition and Measurement ("FRS 39") are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

All regular purchases and sales of financial assets are recognised on the trade date which is the date that the Group commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

The Group does not have any financial assets classified as held-to-maturity investments or available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains or losses on financial assets classified as at fair value through profit or loss are recognised in the income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.9 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

2. Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

When the asset becomes uncollectable, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written-off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.10 Trade and other debtors

Trade and other debtors, including amounts due from subsidiary companies are classified and accounted for as loans and receivables under FRS 39. The accounting policies for this category of financial assets are stated in Note 2.8. Most of the debts are received monthly in advance. An allowance for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written-off to the income statement as incurred.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of unencumbered fixed deposits and cash and bank balances that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities

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

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are taken to the income statement for the period.

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

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

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

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

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

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

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

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement.

(b) Cash flow hedges

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

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

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities (continued)

(b) Cash flow hedges (continued)

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

2.13 Provisions

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

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

2.14 Maintenance reserves

Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessee to make maintenance reserve contributions to the Group which subsequently can be drawn on to pay for maintenance carried out. These maintenance reserve balances are accounted for as liabilities. Upon termination of the lease, any unutilised maintenance reserve balance will be released to the income statement, or continued to be retained as reserves for drawdown by the follow-on operators. Any shortfall identified in the balances held in respect of historic operation of the aircraft that are required to maintain the aircraft to the required standards by follow-on operators are provided for as aircraft maintenance as a charge to the income statement.

2.15 Deferred asset value guarantees fees

The Group receives fees by providing guarantees to third parties that certain aircraft will be worth a specified amount at a specified date in the future. The fee income, net of all expenses that are an integral part of the guarantee transactions, is deferred and recognised on a straight-line basis over the guarantee period.

2.16 Financial liabilities

(a) Initial recognition and measurement

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

Financial liabilities are recognised initially at fair value, plus, in the case of other financial liabilities, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2. Summary of significant accounting policies (continued)

2.16 Financial liabilities (continued)

(b) Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(c) Derecognition

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

2.17 Loans and borrowings

All term loans are initially recognised at fair value of the consideration received less directly attributable debt issue costs and subsequently measured at amortised cost using the effective interest rate method. Debt issue costs relating to the securing of loans and borrowings are accounted for in accordance with Note 2.19.

2.18 Capitalised interest

The Group borrows certain funds to finance progress payments for aircraft under construction. The interest incurred on such borrowings is capitalised and included in the cost of the aircraft. Capitalisation of interest ceases when the aircraft is delivered.

2. Summary of significant accounting policies (continued)

2.19 Debt issue costs

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

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

2.20 Trade and other creditors

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

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.21 Employee benefits

(a) Short term employee benefits

All short term employee benefits, including accumulated compensated absences and short term cash-based incentive payments, are recognised in the income statement in the period in which the employees render their services to the Group.

(b) Medium term incentive plan

The medium term incentive plan ("MTIP") bonus is payable to selected employees of the Group when certain key performance indicator targets for each year are met and payment is to be made over a period. The bonus is accrued and recognised in the income statement in the period in which the employees render their services to the Group.

(c) Long term incentive plan

The long term incentive plan ("LTIP") is a 5-year plan running from 1 January 2007 to 31 December 2011. This plan provides a cash incentive to all employees of the Group based on the achievement of certain key performance targets as at 31 December 2011.

Under the LTIP, the bonus pool is accrued annually as at year end, and the accrual will be re-assessed at each year end. Any over or under provision will be recognised in the income statement. Payment of accrued bonus will be made over a period after 31 December 2011.

(d) Defined contribution plans

As required by law, the Group make contributions to the respective state pension schemes, the Central Provident Fund ("CPF"), National Insurance, Pay Related Social Insurance and Federal Insurance Contributions Act, in the following countries: Singapore, United Kingdom, Ireland and United States of America. These contributions are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2. Summary of significant accounting policies (continued)

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(a) Where the Group/Company is the lessee

Finance leases, which effectively transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed under Note 34. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated on the basis outlined in Note 2.4 above.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(b) Where the Group/Company is the lessor

Finance leases, which effectively transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the present value of the minimum lease receipts at the inception of the lease term and disclosed under Note 34. Lease receipts are apportioned between the finance charges and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset.

Leases where the Group and Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Aircraft assets subject to operating leases are included in plant and equipment in the balance sheet. Revenue recognition policy of lease income is disclosed under Note 2.23. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Lease income

The Company and certain of its subsidiary companies, as lessors, lease aircraft under operating leases. Lease income is recognised over the lives of the leases as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(b) Arrangement and lease management fees

Arrangement and lease management fees are recognised as revenue upon rendering of services.

(c) Dividend income

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

(d) Interest income

Interest income is recognised on an accrual basis unless collectability is in doubt.

2.24 Income taxes

(a) Current income tax

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

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

(b) Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2. Summary of significant accounting policies (continued)

2.24 Income taxes (continued)

(b) Deferred tax (continued)

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

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

(c) Goods and services tax

Revenues, expenses and assets are recognised excluding the amount of goods and services tax except:

(i) where the goods and services tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or

(ii) receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the tax authority is included as part of receivables or payables respectively in the balance sheet.

2. Summary of significant accounting policies (continued)

2.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.26 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances at the time of valuation.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Impairment of aircraft*

The Group follows the guidance of FRS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. This determination requires estimation of the value in use of an aircraft. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the aircraft and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's aircraft at 31 December 2011 was US$6,547.5 million (2010: US$5,945.3 million).

As at 31 December 2011, the Group has three aircraft with a total net book value of US$91.1 million on lease to a lessee who is in financial difficulties. One of the three aircraft is due for a six-year maintenance check and management estimates that additional expenditure of about US$1.6 million would be required to prepare the aircraft for airworthiness before going for its maintenance check. The amount has been provided for in the financial year 2011. Management has considered the circumstances and the financial position and no impairment was required on the assumption that any additional costs required during the maintenance check could be recovered from the maintenance reserves.

(ii) *Depreciation of aircraft and estimation of residual values*

Aircraft are depreciated on a straight-line basis over the estimated useful life of 25 years less an aircraft's age at time of purchase to a 15% residual value. Management estimates the useful life to be 25 years and the residual value of 15% based on the common life expectancies applied in the aircraft leasing industry. The carrying amount of the Group's aircraft at 31 December 2011 was US$6,547.5 million (2010: US$5,945.3 million). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A 4% difference in the expected useful lives of these assets from management's estimates would result in approximately US$10.0 million (2010: US$8.8 million) variance in depreciation charges which could affect the Group's annual profit before tax in future.

(iii) *Asset value guarantees*

The Company has guaranteed the residual value of two aircraft to financial institutions, which expire in 2014. The Company generally provides for the shortfall of the appraised value below the guaranteed value. At 31 December 2011, management estimates that no provision is required as the estimated future aircraft values provided by the independent appraisers remain higher than the guaranteed values.

3. Critical accounting estimates, assumptions and judgements (continued)

(a) Key sources of estimation uncertainty (continued)

(iv) Income taxes and deferred taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables and deferred tax liabilities at 31 December 2011 were US$3,000 (2010: US$6,000) and US$110.0 million (2010: US$81.6 million) respectively.

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

Details have been disclosed in Note 11 and Note 28.

(v) Fair values

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties.

Fair values of other financial instruments have been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

The carrying amount of the Group's derivative financial instruments assets and liabilities were US$5.4 million (2010: US$41.5 million) and US$13.5 million (2010: US$12.7 million) respectively.

Fair values of other financial instruments have been disclosed in Note 37.

(b) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that will have significant effect on the amounts recognised in the financial statements.

(i) Maintenance of aircraft by lessees

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make contributions to the Group which can subsequently be drawn on for maintenance carried out. Management has made a judgement based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements, except for one lessee which is in financial difficulties. As at 31 December 2011, the overdue maintenance reserve receivables of US$1.3 million from this lessee can be covered by the security deposits collected from the lessee. As at date of this report, no further payment has been received from the lessee and the Company has therefore provided in the accrued expense for the uncollected amount of US$1.3 million at year end in the financial year 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

3. Critical accounting estimates, assumptions and judgements (continued)

(b) Critical judgements made in applying accounting policies (continued)

(ii) *Impairment of investments and financial assets*

The Group follows the guidance of FRS 39 in determining when an investment or financial asset is other-than-temporarily impaired and this requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(iii) *Fair value of financial instruments*

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 37.

(iv) *Classification of leases*

- Operating lease commitments – As lessor

  The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

- Finance lease commitments – As lessor

  The Group has entered into aircraft leases whereby the Group has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Group has recorded the transaction as a sale of aircraft and finance lease receivables on the balance sheet.

- Finance lease commitments – As lessee

  The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft on the balance sheet.

(v) *Concessionary tax rate under the enhanced Aircraft Leasing Scheme*

The Company was granted a concessionary tax rate of 5% with effect from 1 July 2007 under the 5-year Aircraft Leasing Scheme incentive by the Economic Development Board of Singapore (EDB). To qualify for 5 years of concessionary tax rate of 5%, the Company is required to achieve certain conditions in terms of number of professionals and annual total business spending by 31 December 2011. The conditions have been met and the management is unaware of any reason that the extension of the enhanced concessionary tax rate after the expiry will not be considered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

4. Lease rental income

	Note	Group 2011 US$'000	Group 2010 US$'000
Lease rental income			
– Third parties		552,961	483,488
– Related parties	33	36,624	35,276
		589,585	518,764

There were no contingent rents recognised as income during the year (2010: US$ Nil).

5. Interest and fee income

	Note	Group 2011 US$'000	Group 2010 US$'000
Interest income			
– Finance charges receivable under finance leases		2,046	2,422
– Fixed deposits and bank balances		747	506
– Pre-delivery payment income		11,690	586
– Others		190	317
		14,673	3,831
Fee income			
– Lease management fee income		699	699
– Asset value guarantees fee income	27	83	336
– Other fee income		613	295
– Others		27	141
		16,095	5,302

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

6. Other income

		Group	
		2011	2010
	Note	US$'000	US$'000
Sale of aircraft			
– Proceeds from sale of aircraft		536,088	332,456
– Maintenance reserves released	26	95	1,400
– Net book value of aircraft		(499,932)	(311,807)
– Other expenses		(1,674)	(243)
Net gain on sale of aircraft		34,577	21,806
Maintenance reserves written-off	26	1,128	945

7. Amortisation of deferred debt issue costs

		Group	
		2011	2010
	Note	US$'000	US$'000
Arising from:			
Loans and borrowings	22	8,698	5,523
Finance lease payables	24	138	34
		8,836	5,557

8. Finance expenses

	Group	
	2011	2010
	US$'000	US$'000
Interest expense and other charges on:		
– Finance leases	482	606
– Loans and borrowings	76,923	75,117
	77,405	75,723
Net fair value losses on derivative financial instruments	16,641	6,992
	94,046	82,715

9. Staff costs

	Group 2011 US$'000	Group 2010 US$'000
Salaries, bonuses and other staff costs	39,731	37,742
Defined contribution benefits	769	560
	40,500	38,302

As at 31 December 2011, an amount of US$7.1 million (2010: US$5.9 million) of deferred bonus is payable to certain staff in year 2012 and 2013 (2010: year 2011 and 2012).

10. Other operating expenses

	Group 2011 US$'000	Group 2010 US$'000
General office expenses	2,246	1,797
Operating lease expenses	1,260	1,348
Technical service expenses	4,754	1,813
Professional fees	2,652	2,605
Net foreign exchange losses/(gains)	289	(201)
	11,201	7,362

11. Income tax expense

Major components of income tax expense for the financial years ended 31 December 2011 and 2010 were:

	Group 2011 US$'000	Group 2010 US$'000
Current tax		
– Singapore	–	102
– Foreign	14	(45)
	14	57
Deferred tax		
– Singapore	6,850	4,379
– Foreign	26,360	23,589
	33,210	27,968
Write-back of overprovision in prior years	(4,770)	(1,830)
	28,454	26,195

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

11. Income tax expense (continued)

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

	Group	
	2011 US$'000	2010 US$'000
Profit before income tax	229,245	193,874
Tax at domestic tax rate of 17% (2010: 17%)	38,972	32,959
Adjustments:		
Overseas subsidiary companies' income not subject to tax	(6,765)	(8,385)
Different tax rates in other countries	11,797	11,783
Effects of Aircraft Leasing Scheme incentive on Company's results	(12,127)	(8,986)
Income not subject to tax	-	(23)
Expenses not deductible for tax purposes	1,264	481
Others	83	196
Write-back of overprovision in prior years	(4,770)	(1,830)
	28,454	26,195

As at 31 December 2011, the Group had unabsorbed capital allowances of approximately US$611.0 million (2010: US$451.6 million) and unutilised tax losses of approximately US$504.7 million (2010: US$396.1 million) which, subject to the provisions of relevant local tax legislations and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profit.

Unrecognised temporary differences relating to investments in subsidiary companies

As a Singapore company, BOC Aviation Pte. Ltd. is subject to Singapore taxation on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. In addition, certain of BOC Aviation Pte. Ltd.'s income is subject to foreign tax where the payer of such income is domiciled outside Singapore. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiary companies as at 31 December 2011 was US$509.2 million (2010: US$378.9 million) for which deferred tax liabilities have not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

12. Plant and equipment

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture and fittings and office equipment US$'000	Total US$'000
Group					
Cost:					
At 1 January 2011	6,699,022	356,264	874	3,194	7,059,354
Additions	1,068,847	657,322	–	2,506	1,728,675
Disposals	(561,757)	–	(746)	(1,206)	(563,709)
Transfers	282,714	(282,714)	–	–	–
Adjustments	–	–	(2)	–	(2)
At 31 December 2011	7,488,826	730,872	126	4,494	8,224,318
Accumulated depreciation and impairment:					
At 1 January 2011	753,761	–	753	2,407	756,921
Charge for the year	244,330	–	46	721	245,097
Disposals	(61,825)	–	(746)	(1,197)	(63,768)
Impairment	5,100	–	–	–	5,100
At 31 December 2011	941,366	–	53	1,931	943,350
Net book value:					
At 31 December 2011	6,547,460	730,872	73	2,563	7,280,968
Cost:					
At 1 January 2010	5,769,145	405,509	746	2,388	6,177,788
Additions	942,660	314,639	128	812	1,258,239
Disposals	(376,667)	–	–	(6)	(376,673)
Transfers	363,884	(363,884)	–	–	–
At 31 December 2010	6,699,022	356,264	874	3,194	7,059,354
Accumulated depreciation and impairment:					
At 1 January 2010	600,191	–	649	2,237	603,077
Charge for the year	215,430	–	104	176	215,710
Disposals	(64,860)	–	–	(6)	(64,866)
Impairment	3,000	–	–	–	3,000
At 31 December 2010	753,761	–	753	2,407	756,921
Net book value:					
At 31 December 2010	5,945,261	356,264	121	787	6,302,433

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

12. Plant and equipment (continued)

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture and fittings and office equipment US$'000	Total US$'000
Company					
Cost:					
At 1 January 2011	2,932,951	61,141	868	3,163	2,998,123
Additions	641,286	300,661	–	2,500	944,447
Disposals	(397,003)	–	(742)	(1,184)	(398,929)
Transfer to subsidiary companies	–	(17,111)	–	–	(17,111)
At 31 December 2011	3,177,234	344,691	126	4,479	3,526,530
Accumulated depreciation:					
At 1 January 2011	229,422	–	749	2,379	232,550
Charge for the year	108,518	–	46	715	109,279
Disposals	(50,561)	–	(742)	(1,175)	(52,478)
At 31 December 2011	287,379	–	53	1,919	289,351
Net book value:					
At 31 December 2011	2,889,855	344,691	73	2,560	3,237,179
Cost:					
At 1 January 2010	2,446,740	2,063	742	2,362	2,451,907
Additions	1,076,055	91,774	126	807	1,168,762
Disposals	(589,844)	–	–	(6)	(589,850)
Transfer to subsidiary companies	–	(32,696)	–	–	(32,696)
At 31 December 2010	2,932,951	61,141	868	3,163	2,998,123
Accumulated depreciation:					
At 1 January 2010	168,144	–	645	2,213	171,002
Additions	94,642	–	104	172	94,918
Disposals	(33,364)	–	–	(6)	(33,370)
At 31 December 2010	229,422	–	749	2,379	232,550
Net book value:					
At 31 December 2010	2,703,529	61,141	119	784	2,765,573

Included in furniture and fittings and office equipment is work-in-progress for an Enterprise Resource Planning System with an amount of US$1.9 million (2010: US$0.1 million).

12. Plant and equipment (continued)

(a) Impairment of assets

Cumulative provision for impairment loss of the Group and the Company of US$13.0 million and US$Nil (2010: US$7.9 million and US$Nil) respectively is included in accumulated depreciation and impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value-in-use. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate.

Analysis of impairment loss:

	Group	
	2011	**2010**
	US$'000	**US$'000**
Balance at beginning of year	7,911	4,911
Impairment of aircraft	5,100	3,000
Balance at end of year	13,011	7,911

(b) Assets held under finance leases

The net book value of aircraft owned by the Group and Company acquired under finance lease arrangements amounted to US$75.7 million and US$81.7 million (2010: US$72.9 million and US$72.9 million) respectively.

These assets are pledged as security for the related finance lease liabilities.

(c) Capitalisation of borrowing costs

During the year, no interest costs (2010: US$0.8 million) were capitalised by the Group as the progress payments were financed by cash.

(d) Assets pledged as security

The net book value of aircraft owned by the Group and the Company that have been charged for loan facilities granted (Note 22 and Note 24) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft (Note 15) amounted to US$6,119.5 million (2010: US$5,257.0 million) and US$2,832.4 million (2010: US$2,704.0 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

13. Lease transaction closing costs

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Cost:				
At beginning of year	4,121	6,965	4,611	4,276
Additions	153	1,177	72	1,432
Written-off to income statement upon sale of aircraft	(130)	(74)	(88)	(360)
Adjustments	(606)	(1,335)	(39)	(327)
Written-off upon fully amortised	(180)	(2,612)	(219)	(410)
At end of year	3,358	4,121	4,337	4,611
Accumulated amortisation:				
At beginning of year	2,555	4,912	758	779
Provided during the year	327	281	485	488
Written-off to income statement upon sale of aircraft	(56)	(26)	(22)	(99)
Written-off upon fully amortised	(180)	(2,612)	(219)	(410)
At end of year	2,646	2,555	1,002	758
Net book value:				
At end of year	712	1,566	3,335	3,853

14. Amounts due from subsidiary companies

The amounts due from subsidiary companies are non-trade related, unsecured and interest free. They have no repayment terms and are not expected to be repaid within the next 12 months. The amounts are repayable only when the cash flows of the borrower permits. Accordingly, the fair value of the amounts due from subsidiary companies cannot be determined as the timing of the future cash flows cannot be estimated reliably.

15. Investment in subsidiary companies

	Company	
	2011 US$'000	2010 US$'000
Equity investment at cost:		
At beginning of year	267,193	67,193
Additions	283,939	200,000
At end of year	551,132	267,193

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

15. Subsidiary companies (continued)

The subsidiary companies as at balance sheet date were:

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Group	
			2011 US$'000	2010 US$'000	2011 %	2010 %
[2]	BOC Aviation (Ireland) Limited (Ireland)	Leasing of aircraft (Ireland)	100,000	50,000	100	100
[3]	Stamford Leasing Limited (Bermuda)	Leasing of aircraft (Bermuda)	7,500	7,500	100	100
[2]	S.A.L.E. (Labuan) Pte. Ltd. (Malaysia)	Dormant (Malaysia)	275	275	100	100
[3]	BOC Aviation (Bermuda) Limited (Bermuda)	Holding of funds (Bermuda)	12	12	100	100
[3]	Quartet Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3]	Quartet Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Quartet Four Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Emerald One Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Emerald Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[1]	BOC Aviation (USA) Corporation (United States)	Leasing of aircraft (United States)	420,339	186,400	100	100
[1]	Solitaire Capital Limited (Singapore)	Investment holding (Singapore)	+	+	100	100
[3,4]	Excalibur Express Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	1	1	100	100
[3,4]	Bluebell Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Avocet Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100

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15. Subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Group	
			2011 US$'000	2010 US$'000	2011 %	2010 %
[3,4]	Dolphin Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Emerald Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Emerald Four Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3]	SALE Cayman (MP1) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Nimue Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	1	1	100	100
[3,4]	Penguin Leasing Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3]	SALE Cayman (VLE1) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	1	1	100	100
[3]	BOC Aviation (Cayman) Limited (Cayman Islands)	Acquisition of aircraft (Cayman Islands)	+	+	100	100
[3,4]	SALE Cayman (35073) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3]	SALE Cayman (VLE2) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	1	1	100	100
[3,4]	SALE Cayman (35075) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	SALE Cayman (35076) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	SALE Cayman (35077) Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Yasashi Leasing Limited (Cayman Islands)	Dormant (Cayman Islands)	+	+	100	100
[3,4]	Acme Leasing One Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	11,500	11,500	100	100

15. Subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost 2011 US$'000	Cost 2010 US$'000	Percentage of equity held by the Group 2011 %	Percentage of equity held by the Group 2010 %
[3,4]	Acme Leasing Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	11,500	11,500	100	100
[3,4]	Acme Leasing Three Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Echo Leasing One Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3,4]	Echo Leasing Two Limited (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	+	100	100
[3]	Echo Leasing Three Limited (Cayman Islands)	Leasing of aircarft (Cayman Islands)	+	+	100	100
[3]	BOCA Leasing (Bermuda) Limited (Bermuda)	Leasing of aircraft (Bermuda)	+	+	100	100
	Deemed subsidiary companies					
[1,5]	ARCU Aircraft Holdings Pte. Ltd. * (Singapore)	Investment holding (Singapore)	+	–	–	–
[1,5]	Pacific Triangle Holdings Pte. Ltd.* (Singapore)	Investment holding (Singapore)	+	–	–	–
[3,4,5]	ACME Lease Holdings LLC* (United States)	Leasing of aircraft (United States)	–	–	–	–
[3,5]	Laylya Leasing LLC* (United States)	Leasing of aircraft (United States)	–	–	–	–
			+	–		
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
[3,5]	ARCU Aircraft Leasing Limited* (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	–	–	–
			+	–		

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15. Subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Group	
			2011 US$'000	2010 US$'000	2011 %	2010 %
	Held by Pacific Triangle Holdings Pte. Ltd.:					
[3,5]	Pacific Triangle Leasing Limited* (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	–	–	–
[3,5]	Pacific Triangle Leasing 2 Limited* (Cayman Islands)	Leasing of aircraft (Cayman Islands)	+	–	–	–
			+	–		

* The companies are deemed subsidiary companies of the Company as it has the power to govern the financial and operating policies of these companies so as to obtain benefits from the activities of these companies. These companies are set up for the purpose of facilitating the financing of the Group's aircraft.

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Group	
			2011 US$'000	2010 US$'000	2011 %	2010 %
	Held by BOC Aviation (Ireland) Limited:					
[2]	Dolphin Leasing (Ireland) Limited (Ireland)	Leasing of aircraft (Ireland)	+	+	100	100
[2]	Penguin Leasing (Ireland) Limited (Ireland)	Leasing of aircraft (Ireland)	+	+	100	100
			+	+		

15. Subsidiary companies (continued)

	Name of companies/ (Country of incorporation)	Principal activities/ (Place of business)	Cost		Percentage of equity held by the Group	
			2011 US$'000	2010 US$'000	2011 %	2010 %
	Held by BOC Aviation (USA) Corporation:					
3	Apex Leasing Corporation (United States)	Leasing of aircraft (United States)	11,000	11,000	100	100
3	Nexus Leasing Limited (United States)	Leasing of aircraft (United States)	10	10	100	100
			11,010	11,010		
	Held by Solitaire Capital Limited:					
3	Goldfinch Limited (Bermuda)	Leasing of aircraft (Bermuda)	12	12	100	100

[1] Audited by PricewaterhouseCoopers LLP, Singapore.
[2] Audited by member firms of PricewaterhouseCoopers.
[3] Not required to be audited by law in its country of incorporation, but reviewed by PricewaterhouseCoopers LLP, Singapore for consolidation purposes.
[4] The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Notes 22 and 24).
[5] The shares of these companies are pledged for loan facilities granted to certain companies within the Group.
\+ These amounts are less than US$1,000 each.

16. Trade debtors

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Trade debtors (gross)	2,481	1,719	1,943	615
Allowance for impairment	(1,943)	–	(1,943)	–
Trade debtors (net)	538	1,719	–	615

Trade debtors are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Overdue trade debtors bear interest at the various interest rates stipulated in the lease agreements.

At the balance sheet date, the Group's trade debtors (gross) arising from lease rentals amounting to US$2.5 million (2010: US$1.6 million) were secured by cash security deposits held by the Group or letters of credit issued by acceptable banks in the countries where the lessees are based.

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For the financial year ended 31 December 2011

16. Trade debtors (continued)

Included in trade debtors was an overdue amount of US$1.9 million from a lessee in financial difficulties and has not paid this amount as at the date of this report. A specific allowance of US$1.9 million was made for this amount at year end.

(a) *Trade debtors that are past due but not impaired*

The Group and Company had trade debtors, denominated in United States Dollars, amounting to US$2.5 million (2010: US$1.6 million) and US$1.9 million (2010: US$0.5 million) respectively, that were past due at the balance sheet date but not impaired. An analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade receivables past due:				
Less than 15 days	757	–	219	–
15 to 30 days	642	623	642	254
More than 30 days	1,082	992	1,082	254
	2,481	1,615	1,943	508

(b) *Trade debtors that are impaired*

As at 31 December 2011, the movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	US$'000	**US$'000**	**US$'000**	**US$'000**
At beginning of year	–	2,300	–	2,300
Charged/(Write-back) for the year	1,943	(2,300)	1,943	(2,300)
At end of year	1,943	–	1,943	–

17. Other debtors

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Deposits	492	428	419	424
Sundry debtors	1,409	3,335	299	883
Accrued income	1,899	20	538	3
Amounts due from subsidiary companies	–	–	639	268,669
Allowance for impairment	(37)	–	(37)	–
	3,763	3,783	1,858	269,979

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

Sundry debtors are non-interest bearing and are generally on 30-day credit terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Certain of the balances past due are secured by security deposits collected and recognised on the balance sheet or through letters of credit from banks. The unsecured amounts not collected, if any, have been fully provided for.

Other debtors that are impaired

As at 31 December 2011, the movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
At beginning of year	–	570	–	570
Charged/(Write-back) for the year	37	(570)	37	(570)
At end of year	37	–	37	–

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For the financial year ended 31 December 2011

18. Fixed deposits

		Group		Company	
		2011	2010	2011	2010
	Note	US$'000	US$'000	US$'000	US$'000
Encumbered	22	–	22,042	–	22,042
Unencumbered	30	155,919	180,005	44,617	43,720
		155,919	202,047	44,617	65,762

In 2010, an amount of US$22.0 million had been pledged for loan obligations and contingency provisions under such obligations. This pledge has been discharged in 2011.

Short term deposits are made for varying periods between 1 day and 1 month (2010: 1 day and 1 month) depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term deposits was 0.68% (2010: 0.46%) per annum. As at 31 December 2011, fixed deposits placed with intermediate holding company amounted to US$35.4 million (2010: US$102.3 million) for the Group and US$12.1 million (2010: US$43.5 million) for the Company.

Fixed deposits balances were denominated in United States Dollars except for the following:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	9,610	–	9,610	–

19. Cash and bank balances

		Group		Company	
		2011	2010	2011	2010
	Note	US$'000	US$'000	US$'000	US$'000
Encumbered	22	40,027	40,922	10,792	20,897
Unencumbered	30	70,647	10,260	61,340	5,211
		110,674	51,182	72,132	26,108

An amount of US$40.0 million (2010: US$40.9 million) and US$10.8 million (2010: US$20.9 million) of the Group's and Company's cash and bank balances respectively have been pledged for loan obligations and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US$62.6 million (2010: US$5.4 million) and US$57.8 million (2010: US$3.4 million) respectively, placed in daily sweep accounts which are available upon demand.

Cash at banks of the Group earned interest at floating rates based on daily bank interest rates at an average of 0.07% (2010: 0.06%) per annum.

19. Cash and bank balances (continued)

Cash and bank balances were denominated in United States Dollars except for the following:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Australian Dollar	464	496	117	116
Euro	1,928	514	1,870	446
Singapore Dollar	1,129	962	1,129	962
	3,521	1,972	3,116	1,524

20. Trade creditors

Trade creditors are substantially denominated in United States Dollars, non-interest bearing and are normally settled on 30-day credit terms.

21. Other creditors

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Sundry payables	1,638	4,639	1,092	4,151
Accrued interest expenses	14,162	12,664	6,772	7,678
General and administrative expense and other accruals	84,339	56,271	67,296	52,287
Amounts due to subsidiary companies	–	–	3,338	132,359
	100,139	73,574	78,498	196,475

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

Other creditors are non-interest bearing and are normally settled on 30-day credit terms.

Other creditors denominated in foreign currencies at the balance sheet date were as follows:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Euro	14	55	3	49
Pound Sterling	5	2	5	2
Singapore Dollar	252	519	252	519
	271	576	260	570

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For the financial year ended 31 December 2011

22. Loans and borrowings

	Weighted average effective interest rate (per annum)	Final maturity	Group		Company	
			2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Current:						
S$100 million bonds (Solitaire MTN Programme)	4.37[1]	2011	–	54,500	–	–
S$138 million bonds (BOC Aviation MTN Programme)[3]	2.00[1]	2011 – 2012	73,794	33,317	73,794	33,317
Fair value adjustments			(2,328)	27,576	(2,328)	1,639
			71,466	115,393	71,466	34,956
USD bank loans	1.49[2]	2012 – 2023	527,367	427,650	239,566	99,470
Deferred debt issue costs			(9,207)	(7,478)	(1,442)	(1,079)
			589,626	535,565	309,590	133,347
Non-current:						
S$62.5 million bonds (BOC Aviation MTN Programme)[3]	2.41[1]	2013	48,734	–	48,734	–
Fair value adjustments			(441)	–	(441)	–
			48,293	–	48,293	–
USD bank loans	1.49[2]	2012 – 2023	4,657,565	4,134,272	1,522,238	1,531,418
Fair value adjustments			(521)	–	(521)	–
			4,657,044	4,134,272	1,521,717	1,531,418
Deferred debt issue costs			(63,113)	(56,960)	(5,629)	(6,662)
			4,642,224	4,077,312	1,564,381	1,524,756
Total			5,231,850	4,612,877	1,873,971	1,658,103

1 Rates for Singapore Dollar bonds
2 Rates for USD bank loans
3 See Note 22(b) for details

22. Loans and borrowings (continued)

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

		Group		Company	
		2011	2010	2011	2010
	Note	US$'000	US$'000	US$'000	US$'000
Cost:					
At beginning of year		79,449	41,737	10,193	8,719
Additions		17,546	40,500	1,962	1,474
Written-off to income statement upon sale of aircraft		(1,606)	–	(1,127)	–
Written-off to income statement upon fully amortised		(2,772)	(1,103)	(610)	–
Adjustments		(102)	(1,685)	–	–
At end of year		92,515	79,449	10,418	10,193
Accumulated amortisation:					
At beginning of year		15,011	11,450	2,452	1,456
Provided during the year	7	8,698	5,523	1,898	996
Written-off to income statement upon sale of aircraft		(701)	–	(393)	–
Written-off to income statement upon fully amortised		(2,772)	(700)	(610)	–
Adjustments		(41)	(1,262)	–	–
At end of year		20,195	15,011	3,347	2,452
Net book value:					
At end of year		72,320	64,438	7,071	7,741
Deferred debt issue costs, net		72,320	64,438	7,071	7,741
Less: Current portion of deferred debt issue costs		(9,207)	(7,478)	(1,442)	(1,079)
Non-current portion of deferred debt issue costs		63,113	56,960	5,629	6,662

The Group's and the Company's loans and borrowings of US$4,841.3 million (2010: US$4,050.3 million) and US$1,049.3 million (2010: US$1,545.9 million) respectively, are secured by the related aircraft (Note 12), certain fixed deposits, cash and bank balances and designated bank accounts (Notes 18 and 19) and/or a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies (Note 15) that hold title of aircraft.

In addition, the Company has provided negative pledges over all of the Company's assets and revenues (other than any encumbrance in existence at the time the negative pledge is entered into or created subsequently to secure finance to acquire or re-finance any aircraft).

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For the financial year ended 31 December 2011

22. Loans and borrowings (continued)

(a) Bank loans

Interest on floating rate loans of the Group is set at specified margins above LIBOR (interest rates for year ended 31 December 2011 and 31 December 2010 ranged from 0.48% to 2.67% per annum and 0.58% to 2.74% per annum respectively) and is repayable based on agreed repayment schedules, until the expiry date of the respective loans. The interest rate for floating rate loans is reset at intervals of up to six months. The final maturities of the loans are between 2012 and 2023.

As at 31 December 2011, the Group's bank loans in terms of term loans due to intermediate holding company amounted to US$582.6 million (2010: US$1,114.5 million). There were no outstanding drawings under the first US$1 billion revolving credit facility which matures on 28 December 2017 or under the second US$1 billion revolving credit facility which matures on 2 April 2019 (2010: US$197.0 million was outstanding). Included in the Group's bank loans was an amount of US$475.6 million (2010: US$453.0 million) due to related parties.

As at 31 December 2011, the Company's bank loans due to intermediate holding company amounted to US$433.7 million (2010: US$762.1 million) and due to related parties amounted to US$220.5 million (2010: US$228.3 million).

As at 31 December 2011, the Group had unutilised unsecured committed credit facilities of US$2,040.0 million (2010: US$1,873.0 million) and committed long term facilities pending aircraft substitution of US$16.5 million (2010: US$64.9 million). The Group also had an unsecured uncommitted facility of US$50.0 million which was fully drawn down in 2011 (2010: unutilised amount of US$50.0 million).

(b) Bonds

The Company, through its wholly owned subsidiary company, Solitaire Capital Limited, had on 9 September 2004 set up a US$100 million Multi-Currency Medium Term Note Programme ("Solitaire MTN Programme"). Interest on the bonds is set at certain fixed and variable rates.

Solitaire MTN Programme bonds, at a fixed rate of 4.37% per annum, have been fully redeemed at the end of the bond term of 10 years on 18 July 2011. Upon redemption of these bonds, the Solitaire MTN Programme has ceased.

The Company set up a US$300 million Multi-Currency Medium Term Note Programme on 2 September 2009 ("BOC Aviation MTN Programme"). Since inception of the programme, the Company has issued a total of S$200.5 million of bonds at fixed rates ranged from 2.0% to 2.7% per annum for tenor varying between 1 year and 2 years. The programme was increased to US$600 million on 12 December 2011.

23. Finance lease payable to subsidiary companies

	Note	Company 2011 US$'000	Company 2010 US$'000
Current:			
Finance lease payables		62,496	83,413
Deferred debt issue costs		(2,674)	(2,103)
Finance lease payables, net		59,822	81,310
Non-current:			
Finance lease payables		641,331	558,199
Deferred debt issue costs		(23,305)	(18,857)
Finance lease payables, net		618,026	539,342
Total finance lease payables, net		677,848	620,652

The scheduled repayment of the finance lease payables is as follows:

	Note	2011 US$'000	2010 US$'000
Finance lease payables	34(c)(i)	703,827	641,612
Less: Current portion of finance lease payables		(62,496)	(83,413)
Non-current portion of finance lease payables		641,331	558,199

The finance lease payable to subsidiary companies is secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.50% to 1.97% per annum (2010: 0.56% to 7.56% per annum).

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For the financial year ended 31 December 2011

23. Finance lease payable to subsidiary companies (continued)

The deferred debt issue costs relating to finance lease payable to subsidiary companies are analysed as follows:

	Company	
	2011 US$'000	2010 US$'000
Cost:		
At beginning of year	24,163	5,625
Additions	7,419	19,541
Written-off to income statement	(889)	(1,003)
At end of year	30,693	24,163
Accumulated amortisation:		
At beginning of year	3,203	2,584
Provided during the year	2,400	1,220
Written-off to income statement	(889)	(601)
At end of year	4,714	3,203
Net book value:		
At end of year	25,979	20,960
Deferred debt issue costs, net	25,979	20,960
Less: Current portion of deferred debt issue costs	(2,674)	(2,103)
Non-current portion of deferred debt issue costs	23,305	18,857

24. Finance lease payables

		Group and Company	
	Note	2011 US$'000	2010 US$'000
Current:			
Finance lease payables		6,169	3,638
Deferred debt issue costs		(35)	(34)
Finance lease payables, net		6,134	3,604
Non-current:			
Finance lease payables		65,872	56,041
Deferred debt issue costs		(184)	(217)
Finance lease payables, net		65,688	55,824
Total finance lease payables, net		71,822	59,428
Finance lease payables	34(c)(i)	72,041	59,679
Less: Current portion of finance lease payables		(6,169)	(3,638)
Non-current portion of finance lease payables		65,872	56,041

24. Finance lease payables (continued)

The finance lease payables are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.87% to 2.67% per annum (2010: 0.85% to 1.13% per annum).

The deferred debt issue costs relating to finance lease payables are analysed as follows:

	Note	Group and Company 2011 US$'000	Group and Company 2010 US$'000
Cost:			
At beginning of year		420	420
Additions		220	–
Written off to income statement upon sale of aircraft		(221)	–
Written off to income statement upon fully amortised		(199)	–
At end of year		220	420
Accumulated amortisation:			
At beginning of year		169	135
Provided during the year	7	138	34
Written off to income statement upon sale of aircraft		(107)	–
Written off to income statement upon fully amortised		(199)	–
At end of year		1	169
Net book value:			
At end of year		219	251
Deferred debt issue costs, net		219	251
Less: Current portion of deferred debt issue costs		(35)	(34)
Non-current portion of deferred debt issue costs		184	217

25. Security deposits and deferred lease income

The difference between the nominal value of the security deposits and its fair value is recorded as deferred lease income and is charged to the income statement on a straight-line basis over the lease term. The security deposits are subsequently measured at amortised cost using the effective interest method.

In addition to the cash security deposits recorded on the balance sheet, the security deposits received by the Group and the Company in the form of irrevocable letters of credit and bank guarantees amounted to US$98.9 million and US$36.1 million (2010: US$70.9 million and US$32.6 million) respectively.

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26. Maintenance reserves

		Group		Company	
	Note	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
At beginning of year		205,691	209,579	74,902	80,448
Contribution from lessees		102,941	85,497	31,799	61,373
Utilisation by lessees		(5,803)	(17,963)	(4,123)	(32,766)
Transfer to buyers/lessees		(40,273)	(69,077)	(6,041)	(33,957)
Release to income statement for excess written-off	6	(1,128)	(945)	(708)	(196)
Release to income statement upon sale of aircraft	6	(95)	(1,400)	–	–
At end of year		261,333	205,691	95,829	74,902

Irrevocable letters of credit received by the Group and the Company from lessees to cover their maintenance reserve obligations amount to US$34.0 million (2010: US$32.5 million) and US$15.0 million (2010: US$19.5 million) respectively.

27. Deferred asset value guarantees fees

		Group and Company	
	Note	2011 US$'000	2010 US$'000
Cost:			
At beginning and end of year		3,464	3,464
Accumulated amortisation:			
At beginning of year		(3,184)	(2,848)
Release to income statement	5	(83)	(336)
At end of year		(3,267)	(3,184)
Net book value:			
At end of year		197	280

28. Deferred tax

Deferred tax at the balance sheet dates relates to the following:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Gross deferred tax liabilities	305,560	240,142	50,406	32,325
Gross deferred tax assets	(195,513)	(158,535)	(39,579)	(23,851)
Net deferred tax liability	110,047	81,607	10,827	8,474

The unrecognised deferred tax liabilities are as disclosed in Note 11.

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

	Differences in depreciation US$'000	**Unremitted overseas income US$'000**	**Others US$'000**	**Total US$'000**
Group				
31 December 2011				
Deferred tax liabilities arising from:				
At beginning of year	239,993	52	97	240,142
Charged to income statement	65,037	26	355	65,418
At end of year	305,030	78	452	305,560

	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions US$'000**	**Others US$'000**	**Total US$'000**
Deferred tax assets arising from:				
At beginning of year	(152,674)	(791)	(5,070)	(158,535)
Credited to income statement	(33,376)	(3,004)	(598)	(36,978)
At end of year	(186,050)	(3,795)	(5,668)	(195,513)
Net deferred tax liabilities at end of year				**110,047**

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For the financial year ended 31 December 2011

28. Deferred tax (continued)

	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Group				
31 December 2010				
Deferred tax liabilities arising from:				
At beginning of year	184,607	15	607	185,229
Charged/(Credited) to income statement	55,386	37	(510)	54,913
At end of year	239,993	52	97	240,142

	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Deferred tax assets arising from:				
At beginning of year	(122,029)	(5,567)	(2,164)	(129,760)
(Credited)/Charged to income statement	(30,645)	4,776	(2,906)	(28,775)
At end of year	(152,674)	(791)	(5,070)	(158,535)
Net deferred tax liabilities at end of year				**81,607**

28. Deferred tax (continued)

	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Company				
31 December 2011				
Deferred tax liabilities arising from:				
At beginning of year	32,176	52	97	32,325
Charged to income statement	17,700	26	355	18,081
At end of year	49,876	78	452	50,406

	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Deferred tax assets arising from:				
At beginning of year	(23,881)	120	(90)	(23,851)
(Credited)/Charged to income statement	(12,792)	(3,026)	90	(15,728)
At end of year	(36,673)	(2,906)	–	(39,579)
Net deferred liabilities at end of year				**10,827**

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For the financial year ended 31 December 2011

28. Deferred tax (continued)

	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Company				
31 December 2010				
Deferred tax liabilities arising from:				
At beginning of year	23,497	15	609	24,121
Charged/(Credited) to income statement	8,679	37	(512)	8,204
At end of year	32,176	52	97	32,325

	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Company				
31 December 2010				
Deferred tax assets arising from:				
At beginning of year	(18,710)	(806)	710	(18,806)
(Credited)/Charged to income statement	(5,171)	926	(800)	(5,045)
At end of year	(23,881)	120	(90)	(23,851)
Net deferred liabilities at end of year				**8,474**

The unabsorbed capital allowances and unutilised tax losses which are subject to the provisions of relevant local tax legislations and subject to agreement with the relevant tax authorities can be carried forward and set off against future taxable profit as disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

29. Derivative financial instruments

	Group			
	Contract/ Outstanding notional amount 2011 US$'000	Assets 2011 US$'000	Liabilities 2011 US$'000	Contract/ Outstanding notional amount 2010 US$'000
Current:				
Cross-currency interest rate swap	73,794	–	(2,328)	87,817
Interest rate swap	190,540	–	(9,935)	382,754
Interest rate cap	928,485	5,422	–	878,722
Foreign exchange forward	15,600	–	(310)	
		5,422	(12,573)	
Non-current:				
Cross-currency interest rate swap	104,189	–	(962)	65,066
		–	(962)	
		5,422	(13,535)	

The fair values of cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

		Company					
Assets 2010 US$'000	Liabilities 2010 US$'000	Contract/ Outstanding notional amount 2011 US$'000	Assets 2011 US$'000	Liabilities 2011 US$'000	Contract/ Outstanding notional amount 2010 US$'000	Assets 2010 US$'000	Liabilities 2010 US$'000
27,576	–	73,794	–	(2,328)	33,317	1,639	–
–	(12,591)	190,540	–	(9,935)	382,754	–	(12,591)
13,881	(18)	928,485	5,422	–	878,722	13,881	(18)
–	–	15,600	–	(310)		–	–
41,457	(12,609)		5,422	(12,573)		15,520	(12,609)
–	(102)	104,189	–	(962)	65,066	–	(102)
–	(102)		–	(962)		–	(102)
41,457	(12,711)		5,422	(13,535)		15,520	(12,711)

29. Derivative financial instruments (continued)

Hedge accounting has been applied for the cross-currency interest rate swaps that are assessed to be effective hedges. Details are as follows:

(a) Fair value hedges

The Group had issued Singapore Dollar bonds at fixed rate. Foreign currency risk exposure arises when the Group collects United States Dollar rentals to repay the Singapore Dollar borrowings. As at 31 December 2010, the Group held cross-currency interest rate swaps designated as hedges of these bonds. Both bonds and cross-currency interest rate swaps have matured in July 2011. The terms of these contracts were as follows:

Group
Cross-currency interest rate swaps

31 December 2010

Notional amount						
Sell initial amount US$'000	As at 31.12.2010 US$'000	Buy initial amount S$'000	As at 31.12.2010 S$'000	Paid USD floating rate %	Received SGD fixed rate %	Fair value asset US$'000
54,500	54,500	100,000	100,000	LIBOR + 0.8	4.37	25,937

The Company has issued Series 001 to 005 notes in Singapore Dollar under its Medium Term Note ("MTN") Programme. As at the balance sheet date, the Group held cross-currency interest rate swaps designated as hedges of these MTNs. The terms of these contracts are as follows:

Group and Company
Cross-currency interest rate swaps

31 December 2011

Notional amount				Paid USD floating rate		Received SGD fixed rate		
Sell initial amount US$'000	As at 31.12.2011 US$'000	Buy initial amount S$'000	As at 31.12.2011 S$'000	From %	To %	From %	To %	Fair value liability US$'000
112,917	112,917	143,000	143,000	LIBOR + 1.59	LIBOR + 1.66	2.00	2.40	(2,769)

31 December 2010

Notional amount				Paid USD fixed rate		Received SGD fixed rate		
Sell initial amount US$'000	As at 31.12.2010 US$'000	Buy initial amount S$'000	As at 31.12.2010 S$'000	From %	To %	From %	To %	Fair value asset US$'000
33,317	33,317	45,000	45,000	2.08	2.09	2.00	2.00	1,639

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

29. Derivative financial instruments (continued)

(a) Fair value hedges (continued)

The Company had borrowed Singapore Dollar loans. As at the balance sheet date, the Group held cross-currency interest rate swaps designated as hedges of these loans. The terms of this contract are as follows:

Group and Company
Cross-currency interest rate swaps

31 December 2011

Notional amount						
Sell initial amount US$'000	As at 31.12.2011 US$'000	Buy initial amount S$'000	As at 31.12.2011 S$'000	Paid USD floating rate %	Received SGD floating rate %	Fair value liability US$'000
65,066	65,066	83,870	83,870	LIBOR + 1.28	SOR + 1.05	(521)

31 December 2010

Notional amount						
Sell initial amount US$'000	As at 31.12.2010 US$'000	Buy initial amount S$'000	As at 31.12.2010 S$'000	Paid USD floating rate %	Received SGD floating rate %	Fair value liability US$'000
65,066	65,066	83,870	83,870	LIBOR + 1.28	SOR + 1.05	(102)

The terms of the cross-currency interest rate swap contracts have been negotiated to match the terms of the financial liabilities respectively, and accordingly, the fair value hedges of the MTN and loans were assessed to be highly effective.

The fair value of the cross-currency interest rate swap contracts as at 31 December 2011 amounted to US$3.3 million has been recognised as a financial liability (2010: US$27.5 million recognised in the balance sheet as a financial asset). An amount of US$30.8 million net loss (2010: US$6.8 million net gain) has been recognised in the income statement for the year. Correspondingly, the carrying values of the hedged MTN and loans have been adjusted for a fair value gain of US$3.3 million (2010: fair value loss of US$27.5 million) and US$30.8 million net gain (2010: US$6.8 million net loss) has been recognised in the income statement for the year.

29. Derivative financial instruments (continued)

(b) Cash flow hedges

The Group borrows at floating interest rates pegged to LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates. As at the balance sheet date, the Group had the following interest rate swap contracts in place to hedge the exposure to changes in interest rates whereby the Group paid fixed rate and received floating rate on a notional amount on a quarterly to half yearly basis:

Group
31 December 2011

		Notional amount				
		Initial	**As at**	**Fixed/Strike rate range**		**Fair value**
Product type		**amount**	**31.12.11**	**From**	**To**	**liability**
		US$'000	**US$'000**	**%**	**%**	**US$'000**
Interest rate swap	Fixed rate	109,734	91,435	2.07	2.57	(2,576)

31 December 2010

		Notional amount				
		Initial	**As at**	**Fixed/Strike rate range**		**Fair value**
Product type		**amount**	**31.12.10**	**From**	**To**	**liability**
		US$'000	**US$'000**	**%**	**%**	**US$'000**
Interest rate swap	Fixed rate	109,734	99,350	2.07	2.57	
Interest rate swap with knock-out	Fixed rate	72,516	62,242	5.00	5.04	(4,489)
				(knock-out at 6.50%)		
Interest rate cap	Cap	23,650	17,773	5.20	5.20	

The term 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 ineffective portion has been recognised in the income statement.

The fair value of the above financial derivatives for the Group as at 31 December 2011 amounted to US$2.6 million (2010: US$4.5 million) has been recognised in the balance sheet as a financial liability. A fair value gain of US$1.9 million (2010: gain of US$4.6 million) relating to the above financial derivatives was included in the hedging reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

29. Derivative financial instruments (continued)

(b) Cash flow hedges (continued)

Company
31 December 2011

Product type		Notional amount Initial amount US$'000	As at 31.12.11 US$'000	Fixed/Strike rate range From %	To %	Fair value liability US$'000
Interest rate swap	Fixed rate	33,666	29,892	2.07	2.07	(835)

31 December 2010

Product type		Notional amount Initial amount US$'000	As at 31.12.10 US$'000	Fixed/Strike rate range From %	To %	Fair value liability US$'000
Interest rate swap	Fixed rate	33,666	31,825	2.07	2.07	(1,377)
Interest rate swap with knock-out	Fixed rate	36,281	29,840	5.00 (knock-out at 6.50%)	5.00	

The term 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 ineffective portion has been recognised in the income statement.

The fair value of the above financial derivatives for the Company as at 31 December 2011 amounted to US$0.8 million (2010: US$1.4 million) has been recognized in the balance sheet as a financial liability. A fair value gain of US$0.6 million (2010: gain of US$3.6 million) relating to the above financial derivatives was included in the hedging reserve.

29. Derivative financial instruments (continued)

(c) Fair value through profit and loss

The Group borrows at floating interest rates pegged to LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates. As at the balance sheet date, the Group had the following interest rate caps agreements and interest rate swaps that are recognised at fair value through profit and loss to hedge the exposure against upwards movement in interest rate:

Group
31 December 2011

Product type		Notional amount: Initial amount US$'000	Notional amount: As at 31.12.11 US$'000	Fixed/Forward/ Strike rate range: From %	Fixed/Forward/ Strike rate range: To %	Fair value liability US$'000
Interest rate cap	Cap	1,006,675	928,485	1.70	3.80	
Interest rate swap	Fixed rate	103,310	99,105	3.03	3.17	(2,247)
Foreign exchange forward	Fixed rate	15,600	15,600	1.25	1.29	

31 December 2010

Product type		Notional amount: Initial amount US$'000	Notional amount: As at 31.12.10 US$'000	Fixed/Strike rate range: From %	Fixed/Strike rate range: To %	Fair value asset US$'000
Interest rate cap	Cap	945,153	860,949	1.70	3.80	5,761
Interest rate swap	Fixed rate	244,791	221,163	3.03	5.12	

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For the financial year ended 31 December 2011

29. Derivative financial instruments (continued)

(c) Fair value through profit and loss (continued)

Company
31 December 2011

Product type		Notional amount Initial amount US$'000	As at 31.12.11 US$'000	Fixed/Forward/ Strike rate range From %	To %	Fair value liability US$'000
Interest rate cap	Cap	1,006,675	928,485	1.70	3.80	
Interest rate swap	Fixed rate	179,378	160,648	2.51	3.17	(3,989)
Foreign exchange forward	Fixed rate	15,600	15,600	1.25	1.29	

31 December 2010

Product type		Notional amount Initial amount US$'000	As at 31.12.10 US$'000	Fixed/Strike rate range From %	To %	Fair value asset US$'000
Interest rate cap	Cap	968,803	878,722	1.70	5.20	
Interest rate swap	Fixed rate	320,859	288,687	2.51	5.12	2,650
Interest rate swap with knock-out	Fixed rate	36,235	32,042	5.04 (knock-out at 6.50%)	5.04	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

30. Cash and cash equivalents

Cash and cash equivalents consist of balances in current accounts and short term fixed deposits with banks with maturity periods of less than three months and are readily realisable.

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Note	Group 2011 US$'000	Group 2010 US$'000
Fixed deposits	18	155,919	180,005
Cash and bank balances	19	70,647	10,260
		226,566	190,265

31. Share capital

	Group and Company No. of shares 2011 '000	2011 US$'000	No. of shares 2010 '000	2010 US$'000
Issued and fully paid ordinary shares				
At 1 January	589,909	607,601	389,909	407,601
Shares issued during the year	–	–	200,000	200,000
At 31 December	589,909	607,601	589,909	607,601

During the year, the Company did not issue any new shares. The Company had issued 200 million shares to its immediate holding company for a total consideration of US$200 million in 2010. 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.

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For the financial year ended 31 December 2011

32. Hedging reserve

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

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
At beginning of year	(4,489)	(9,120)	(1,377)	(5,028)
Net change in the reserve	1,913	4,631	542	3,651
At end of year	(2,576)	(4,489)	(835)	(1,377)

33. Related party transactions

In addition to related party transactions disclosed in other notes to the financial statements, the following are significant related party transactions entered into during the financial year at terms agreed between the parties:

	Group	
	2011	2010
	US$'000	US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	(669)	–
Interest expense	16,585	27,024
(b) Other related parties:		
Lease rental income	(36,624)	(35,276)
Interest expense	7,471	6,871

	Group	
	2011	2010
	US$'000	US$'000
Directors' and key executives' remuneration of the Company paid during the year		
(a) Directors (of the Company)		
Salary, fees, bonuses and other costs	3,591	2,917
(b) Key executives (excluding executive directors)		
Salary, bonuses and other costs	5,272	4,474
CPF and other defined contributions	7	6
	5,279	4,480

As at 31 December 2011, an amount of US$4.1 million (2010: US$3.4 million) of deferred bonus is payable to directors and key personnel in year 2012 and 2013 (2010: year 2011 and 2012).

34. Commitments

(a) *Operating lease commitments*

(i) *Operating lease commitments – As lessor*

Aircraft

The Group leases its aircraft under operating lease agreements that are non-cancellable, which expire between 2012 and 2025 (2010: 2011 and 2025).

Future net minimum lease receivables under the operating leases as of 31 December for existing aircraft are as follows:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Within one year	618,043	542,301	264,920	239,050
After one year but not more than five years	2,207,913	1,938,871	967,902	868,837
After five years	1,701,442	1,717,287	840,541	864,795
	4,527,398	4,198,459	2,073,363	1,972,682

Future net minimum lease receivables committed as of 31 December for aircraft yet to be delivered are as follows:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Within one year	50,806	47,303	38,402	29,396
After one year but not more than five years	855,536	720,046	588,844	603,857
After five years	1,513,077	2,016,062	1,167,823	1,860,789
	2,419,419	2,783,411	1,795,069	2,494,042

(ii) *Operating lease commitments – As lessee*

Offices

The Company leases head-office space under a lease agreement which expires on 30 September 2013. It has a lease agreement with a service provider in the United Kingdom to provide meeting facilities, which expires on 19 February 2013.

One subsidiary company leases office space in the United States under a lease agreement that is non-cancellable within the two year lease. The lease expires on 30 June 2013. Another subsidiary company leases office space in Ireland under a lease agreement which expires on 31 December 2013.

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For the financial year ended 31 December 2011

34. Commitments (continued)

(a) Operating lease commitments (continued)

(ii) Operating lease commitments – As lessee (continued)

Offices (continued)

There are no purchase options granted for the offices. There are no restrictions placed upon the Group and Company by entering into the leases.

Future minimum lease payments for the office leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Within one year	1,274	1,164	1,169	1,144
After one year but not more than five years	1,023	2,048	931	2,048
	2,297	3,212	2,100	3,192

(b) Capital expenditure commitments

As at 31 December 2011, the Group has committed to purchase various aircraft delivering between 2012 and 2014. The remaining commitment under the Group's order, net of progress payments made to date, is approximately US$6,954.0 million (2010: US$7,290.0 million) based on manufacturers' list prices including assumed escalation to delivery.

As at 31 December 2011, the Group has committed to US$66.0 million (2010: US$373.0 million) of purchase and leaseback transactions. These transactions are expected to take place in 2012.

As at 31 December 2011, the commitment for the Enterprise Resource Planning system and related costs was US$0.6 million (2010: US$2.0 million).

(c) Finance lease commitments

(i) Finance lease commitments – As lessee

The Company and certain of its subsidiary companies lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Company or its subsidiary companies upon the Company or its subsidiary companies discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Company by entering into these leases.

34. Commitments (continued)

(c) Finance lease commitments (continued)

(i) Finance lease commitments – As lessee (continued)

Finance lease with third parties:

	Note	Group and Company Minimum lease payments 2011 US$'000	Present value of payments 2011 US$'000	Minimum lease payments 2010 US$'000	Present value of payments 2010 US$'000
Within one year		7,834	6,169	5,688	3,638
After one year but not more than five years		27,874	22,502	23,344	16,490
More than five years		44,753	43,370	42,587	39,551
Total minimum lease payments		80,461	72,041	71,619	59,679
Less: Amounts representing finance charges		(8,420)	–	(11,940)	–
Present value of minimum lease payments	24	72,041	72,041	59,679	59,679

Finance lease with its subsidiary companies:

	Note	Company Minimum lease payments 2011 US$'000	Present value of payments 2011 US$'000	Minimum lease payments 2010 US$'000	Present value of payments 2010 US$'000
Within one year		76,215	59,199	102,775	80,260
After one year but not more than five years		318,840	268,145	298,461	232,541
More than five years		404,562	376,483	369,075	328,811
Total minimum lease payments		799,617	703,827	770,311	641,612
Less: Amounts representing finance charges		(95,790)	–	(128,699)	–
Present value of minimum lease payments	23	703,827	703,827	641,612	641,612

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For the financial year ended 31 December 2011

34. Commitments (continued)

(c) Finance lease commitments (continued)

(ii) Finance lease commitments – As lessor

The Group leases aircraft to third parties under finance leases which have maturity dates in 2016. Title to these aircraft will be transferred to the lessee upon the lessee discharging fully its obligations under the relevant lease agreements.

Finance lease with third parties:

	Group			
	Minimum lease receivables 2011 US$'000	**Present value of receivables 2011 US$'000**	**Minimum lease receivables 2010 US$'000**	**Present value of receivables 2010 US$'000**
Within one year	6,980	5,371	7,240	5,197
After one year but not more than five years	25,100	22,375	28,960	24,620
More than five years	–	–	3,380	3,310
Total minimum lease receivables	32,080	27,746	39,580	33,127
Less: Unearned finance income	(4,334)	–	(6,453)	–
Present value of minimum lease receivables	27,746	27,746	33,127	33,127

	2011 US$'000	**2010 US$'000**
The scheduled receivables of the finance lease are as follows:		
Finance lease receivables	27,746	33,127
Less: Current portion of finance lease receivables	(5,371)	(5,197)
Non-current portion of finance lease receivables	22,375	27,930

35. Contingent liabilities

(a) *Legal claim*

In November 2004, Volare Airlines SpA ("Volare"), an Italian airline, filed for bankruptcy in Italy. Prior to Volare's bankruptcy, BOC Aviation (Ireland) Limited had leased five aircraft to Volare. In November 2009, BOC Aviation (Ireland) Limited received a writ from the Official Receiver of Volare for the amount of €11.1 million for the return to the Volare estate of all payments made by it to BOC Aviation (Ireland) Limited in the year prior to Volare's bankruptcy filing. During the year, BOC Aviation (Ireland) Limited and Volare agreed terms for the settlement of the claim. The amount payable to Volare under the settlement of €1.1 million (US$1.4 million) was fully provisioned as at 31 December 2011 and this sum was paid in full and final settlement of the claim in January 2012.

(b) *Asset value guarantees*

The Company issues asset value guarantees which underwrite the value of certain aircraft at specific dates in the future. The Company assesses the risk of a claim under the guarantees using the same method as is used in assessment of impairment of assets in the Company's business generally.

The Company receives fees from the beneficiary on the issue of the guarantees, which are amortised to the income statement on a straight-line basis over the term of the guarantees, and may also have the opportunity to share in the values of the assets to the extent their sale proceeds exceed the guaranteed amounts.

As at year end, BOC Aviation's maximum liability which might arise in the future under the guarantees is US$15.5 million. At the present time it is management's assessment that the liability arising under such guarantees will be US$Nil.

(c) *Corporate guarantee to subsidiary companies*

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligation under certain lease agreements entered into by the subsidiary companies. As at 31 December 2011, the corporate guarantees amounted to approximately US$2,703.4 million (2010: US$2,343.7 million).

36. Contingent assets

The Company manages two accounts on behalf of two third party aircraft owners and is entitled to interest earned for excess funds held by the owners, as a form of gratuity for managing the aircraft. The collectability of the excess income earned is contingent on the aircraft lessee not defaulting on payment prior to the end of the lease term in 2013. Excess interest earned to date as at 31 December 2011 is estimated to be US$3.3 million (2010: US$2.5 million).

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For the financial year ended 31 December 2011

37. Classification of financial instruments and their fair values

All financial assets and liabilities, except as disclosed below, are carried at fair values or their carrying amounts are reasonable approximation of their fair values.

(a) Financial instruments carried at fair values

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

(b) Financial instruments whose fair values cannot be reliably measured

Fair value information has not been disclosed for the Company's non-current amounts due from subsidiary companies as the fair values cannot be determined reliably as to their repayments which will be dependent on cash flows (Note 14). The amounts will be derecognised where the contractual rights to receive cash flows from the subsidiary companies have expired.

(c) Financial instruments whose carrying amounts approximate fair values

The carrying amounts of the different categories of financial instruments are as disclosed on the face of the balance sheet and in Note 16 to Note 25 and Note 29 to the financial statements.

(d) Financial instruments carried at other than fair values

Set out below is a comparison of carrying amounts and fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than fair values.

	Group and Company			
	Carrying amount		Fair values	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
SGD fixed rate deposit	9,610	–	9,600	–
SGD fixed rate loan	(9,610)	–	(9,600)	–

38. 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 Board reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related parties and lease rental income and expenses.

The Group obtains financing through bank borrowings and capital market bond issues. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

The Group borrows mostly at floating interest rates pegged to LIBOR. Interest rate exposure arises when the Group collects fixed rate rentals but pays floating interest rate under the borrowings.

Most of the Group's and the Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 12 months (2010: less than 12 months) from the balance sheet date.

The Group's policy is to hedge at least 50% (2010: 50%) of its mismatched interest rate exposure through appropriate derivative instruments. Further details are provided in Note 29. At the balance sheet date, the Group has hedged approximately 72% (2010: 81%) of the Group's mismatched interest rate exposure.

Sensitivity analysis for interest rate risk

Sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the balance sheet date:

- Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include floating rate loans and deposits.

- Changes in interest rates affect the fair values of derivative financial instruments.

- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

For a more meaningful analysis on the impact of interest rate on the Group, the sensitivity analysis includes the effect of interest rate fluctuation on the lease rental income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

38. Financial risk management objectives and policies (continued)

(a) *Interest rate risk (continued)*

Under these assumptions, an increase in interest rate of 25 basis points or a decrease in interest rates of 15 basis points for all currencies for which the Group has variable interest financial instruments at 31 December, with all other variables held constant, will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

		Group	
	Increase/ Decrease in basis points	Effect on profit net of tax US$'000	Effect on hedging reserve in equity US$'000
2011			
– United States Dollar	+25	708	243
– United States Dollar	-15	(548)	(432)
2010			
– United States Dollar	+25	2,465	666
– United States Dollar	-15	(1,138)	(440)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to mismatch of assets and liabilities and/or due to refinancing risk.

To ensure that the Group is able to meet its financial obligation, the Group's policy is to have its loan repayment over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2011, the Group had unutilised unsecured committed credit facilities of US$2,040.0 million (2010: US$1,873.0 million).

The Company had also committed long term facilities pending aircraft substitution of US$16.5 million (2010: US$64.9 million).

Revenue from lease rentals will be sufficient to meet annual interest and regular loan repayment over the next one year period.

38. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

At the balance sheet date, approximately 11% (2010: 12%) of the Group's gross debt, comprising loans and borrowings and finance lease payables, will mature in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

	1 year or less US$'000	Between 1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Group				
2011				
Financial liabilities				
Trade creditors	32,427	–	–	32,427
Other creditors	100,139	–	–	100,139
Loans and borrowings	601,161	2,532,029	2,174,270	5,307,460
Estimated interest payments	70,159	253,868	81,460	405,487
Finance lease payables	6,169	27,047	38,825	72,041
Security deposits	3,499	103,427	123,085	230,011
Estimated net swap payments	3,142	8,496	–	11,638
Total undiscounted financial liabilities	816,696	2,924,867	2,417,640	6,159,203
2010				
Financial liabilities				
Trade creditors	36,675	–	–	36,675
Other creditors	73,574	–	–	73,574
Loans and borrowings	515,467	1,648,468	2,485,804	4,649,739
Estimated interest payments	56,164	229,980	99,508	385,652
Finance lease payables	3,638	16,490	39,551	59,679
Security deposits	49	19,219	203,532	222,800
Estimated net swap payments	12,157	11,747	476	24,380
Total undiscounted financial liabilities	697,724	1,925,904	2,828,871	5,452,499

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

38. Financial risk management objectives and policies (continued)

(b) *Liquidity risk (continued)*

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less US$'000	Between 1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Company				
2011				
Financial liabilities				
Trade creditors	12,203	–	–	12,203
Other creditors	78,498	–	–	78,498
Loans and borrowings	313,361	918,340	652,632	1,884,333
Estimated interest payments	28,664	104,943	39,563	173,170
Finance lease payable to subsidiary companies	59,199	268,145	376,483	703,827
Finance lease payables	6,169	27,047	38,825	72,041
Security deposits	850	73,559	111,489	185,898
Estimated net swap payments	3,142	8,496	–	11,638
Total undiscounted financial liabilities	502,086	1,400,530	1,218,992	3,121,608
2010				
Financial liabilities				
Trade creditors	10,531	–	–	10,531
Other creditors	196,475	–	–	196,475
Loans and borrowings	132,787	531,163	1,000,255	1,664,205
Estimated interest payments	32,299	136,516	58,556	227,371
Finance lease payable to subsidiary companies	80,260	232,541	328,811	641,612
Finance lease payables	3,638	16,490	39,551	59,679
Security deposits	–	11,696	170,170	181,866
Estimated net swap payments	12,157	11,747	476	24,380
Total undiscounted financial liabilities	468,147	940,153	1,597,819	3,006,119

38. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less US$'000	Between 1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Company				
2011				
Financial guarantees	14,200	874,348	1,814,831	2,703,379
2010				
Financial guarantees	358,442	505,413	1,479,807	2,343,662

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other debtors, derivative financial instruments, fixed deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and maintenance reserves. However, early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with maintenance activity and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long term procurement contracts are being contemplated.

The Group's policy is to undertake deposit and derivatives business with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard and Poor's "A-".

(i) Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and

– nominal amounts of approximately US$2,703.4 million (2010: US$2,343.7 million) relating to corporate guarantees provided by the Company to the banks on bank loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

38. Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual lessee and regional exposure to its trade debtors on an on-going basis. The credit risk concentration profile of the Group's trade debtors at the balance sheet date is as follows:

	2011		2010	
	US$'000	**% of total**	**US$'000**	**% of total**
Group				
By region:				
Europe	281	11	–	–
China	–	–	1,615	94
Asia Pacific	2,200	89	104	6
	2,481	100	1,719	100
Less: Allowance for impairment	(1,943)		–	
	538		1,719	

At the balance sheet date, approximately 78% (2010: 94%) of the Group's trade debtors before allowance for impairment were due from one (2010: one) airline lessee located in India (2010: India).

As at 31 December 2011 and 2010, none of the lessees represent more than 10% of total lease rental income.

(iii) Financial assets that are neither past due nor impaired

Trade and other debtors and finance lease receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 and 17.

38. Financial risk management objectives and policies (continued)

(d) Foreign currency risk

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the respective functional currencies of the Group entities.

Certain borrowings are made in Singapore Dollar which are swapped into United States Dollar. Foreign currency exposure arises when the Group collects United States Dollar rentals to repay the Singapore Dollar borrowings. The Group primarily utilises cross-currency interest rate swap contracts to hedge its Singapore Dollar denominated financial liabilities.

Accordingly, movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

39. Capital management

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

The Group manages its capital structure and makes adjustments to it after taking into account its capital expenditures and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from shareholders, adjust dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 December 2011 and 31 December 2010 respectively.

The Group monitors capital using a gearing ratio, which is gross debt divided by total equity. The Group's policy is to keep the gearing at less than 5 times (which is the limit imposed by the covenants of certain banking facilities). The Group includes within gross debt, loans and borrowings and finance lease payables. Total equity refers to the equity attributable to the equity holder of the Company.

	Group	
	2011	**2010**
	US$'000	**US$'000**
Gross debt	5,379,501	4,709,522
Total equity	1,534,901	1,332,197
Gearing (times)	3.50	3.54

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

40. Comparative information

The following comparative figures of the Group have been reclassified to provide a meaningful comparison with the current year's presentation, after taking into account that the finance lease payable to a company now deemed as a subsidiary is loans and borrowings with external parties at Group level.

	Group			
	2010 (As currently reported) US$'000	**2010 (As previously reported) US$'000**	**2009 (Revised) US$'000**	**2009 (As previously reported) US$'000**
Current liabilities:				
Loans and borrowings	535,565	520,063	484,938	469,881
Finance lease payables	3,604	19,106	3,429	18,486
Non-current liabilities:				
Loans and borrowings	4,077,312	3,925,562	3,855,490	3,688,237
Finance lease payables	55,824	207,574	59,428	226,681
	4,672,305	4,672,305	4,403,285	4,403,285

41. Events occurring after balance sheet date

In March 2012, a subsidiary company, BOC Aviation (Ireland) Limited, set up a new subsidiary, BOC Aviation (France) SARL, in France with a paid up capital of Euro 1,000 for the purpose of leasing of aircraft. A Cayman Islands company, Galahad Leasing Limited, was set up for the purpose of facilitating the financing of aircraft which we will deem to be a subsidiary for accounting purposes.

Subsequent to year end, the Company signed a launch customer agreement with Commercial Aircraft Corporation of China for twenty C919 aircraft. The agreement does not specify aircraft delivery dates or pricing, which will be agreed after the first flight of the C919 aircraft (currently intended to be 2014).

As at 31 December 2011, there was a lessee in financial difficulties which has not paid its overdue lease and maintenance reserve receivables totalling US$3.3 million. The Company has made full provision for these amounts at year end. There are three aircraft on lease to the above lessee by the Company with an aggregate net book value of US$91.1 million. All three leases are due to expire in 2017.

As of the date of this report, one of the three aircraft is due for a six-year maintenance check. The Company has made a provision of about US$1.6 million for additional costs to be incurred to prepare the aircraft for airworthiness before going for its maintenance check. Although the additional costs are recoverable from the lessee, management has provided for the estimated additional costs in the income statement for the year ended 31 December 2011 due to the uncertainty surrounding the lessee's financial position. Management believes that any additional costs required during the maintenance check can be recovered from the maintenance reserves.

One new aircraft which was originally due to be delivered to this lessee in December 2011 was not delivered on account of the lessee's financial difficulties. A lease agreement has been signed with another lessee to take delivery of this aircraft and the aircraft is expected to be delivered in April 2012.

42. New or revised accounting standards and interpretations

Below are the mandatory standards and amendments to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

- Amendments to FRS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012)
- FRS 19 (revised 2011) Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)

The management anticipates that the adoption of the above FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

43. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of BOC Aviation Pte. Ltd. on 30 March 2012.

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