

IMPORTANT NOTICE

THE SECURITIES DESCRIBED HEREIN ARE AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OF THE SECURITIES ACT (AS DEFINED BELOW) OR (2) ADDRESSEES WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page. You are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Company as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your Representation: In order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (“QIBs”) (within the meaning of Rule 144A under the Securities Act) or (2) addressees who are non-U.S. persons as defined under Regulation S purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing this offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such offering circular by electronic transmission.

You are reminded that this offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering circular to any other person.

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 initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or change during the process of electronic transmission and, consequently, none of BOCI Asia Limited, Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan (S.E.A.) Limited and Morgan Stanley Asia (Singapore) Pte. as Dealers, nor any person who controls any of them nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR



BOC AVIATION PTE. LTD.

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

U.S.\$5,000,000,000

Global Medium Term Note Program

Under this U.S.\$5,000,000,000 Global Medium Term Note Program (the **Program**), we may from time to time issue notes (the **Notes**) denominated in any currencies agreed between us 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 Program will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described in the Program 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 "*Summary of the Program*" and any additional Dealer appointed under the Program from time to time by us (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 Program involves certain risks. For a discussion of these risks see "*Risk Factors*."

Approval-in-principle has been received from 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 Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of 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 our merits and the merits of the Program or the Notes. Unlisted Notes may be issued under the Program. The relevant Pricing Supplement (as defined below) in respect of any Series (as defined in the "*Terms and Conditions of the Notes*") will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

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 Program 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 us and the relevant Dealer. We may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered in the United States, or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered and sold only (i) in the United States to qualified institutional buyers (**QIBs**) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*" and "*Transfer Restrictions*."

Notes issued under the Program may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program 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.

We 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

J.P. MORGAN

Dealers

BOC INTERNATIONAL

CITIGROUP

GOLDMAN SACHS

HSBC

J.P. MORGAN

MORGAN STANLEY

Offering Circular dated April 14, 2016

IMPORTANT NOTICES

Unless the context otherwise requires, all references in this Offering Circular to “BOC Aviation,” “we,” “our,” “ours,” “us” or similar terms mean, BOC AVIATION PTE. LTD. and its consolidated subsidiaries and references to the “Issuer” or the “Company” shall be to BOC AVIATION PTE. LTD., and, for the purpose of listing Notes on the Singapore Stock Exchange to be traded on the Alternative Securities Market, references to Offering Circular will be deemed to be references to the listing particulars.

We, having made all reasonable inquiries, confirm that this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

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. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers, the Paying Agents, the Transfer Agents and the Registrars as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by us in connection with the Program.

No person is or has been authorized by us 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 Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program 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 us, any of the Dealers, the Paying Agents, the Transfer Agents and the Registrars that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of our financial condition and affairs, and its own appraisal of our creditworthiness. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by us or on our behalf or by or on behalf of any of the Dealers, the Paying Agents, the Transfer Agents and the Registrars 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 us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Paying Agents, the Transfer Agents and the Registrars expressly do not undertake to review our financial condition or affairs during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**).

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. Neither we nor the Dealers, the Paying Agents, the Transfer Agents and the Registrars represent 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 us or the Dealers which would permit a public offering of any Notes or distribution of this document 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” and “Transfer Restrictions.”

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. NEITHER WE NOR THE DEALERS MAKE ANY REPRESENTATION TO ANY INVESTOR IN THE NOTES REGARDING THE LEGALITY OF ITS INVESTMENT UNDER ANY APPLICABLE LAWS. ANY INVESTOR IN THE NOTES SHOULD BE ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME.

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors (as defined under “*Form of the Notes*”) for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Program. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

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 United States persons, 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 (the **Code**) and the Treasury Regulations promulgated thereunder.

Registered Notes may be offered or sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act or within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act (**Rule 144A**) or any other applicable exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together, the **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale*” and “*Transfer Restrictions*.” Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Notes*.”

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a corporation organized under the laws of Singapore. All of the officers and directors named herein reside outside the United States and a substantial portion of our assets and our officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Singapore upon us or such persons, or to enforce judgments against them obtained in courts outside Singapore predicated upon our civil liabilities or our directors and officers under laws other than Singapore law, including any judgment predicated upon United States federal securities laws. Allen & Gledhill LLP, counsel to the dealers as to Singapore law, has advised that there is doubt as to the enforceability in Singapore in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

CERTAIN DEFINED TERMS AND CONVENTIONS

Capitalized terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed thereto in “*Terms and Conditions of the Notes*” or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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*, *Chinese Yuan*, *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 us together with our subsidiaries.

References to the *Relevant Period* shall mean the three years ended December 31, 2015. References to the *Latest Practicable Date* shall mean February 29, 2016.

References to a billion are to a thousand million.

References to *ROE* shall mean return on equity, which is calculated by dividing profit after tax for the year by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the year plus total equity as at the end of the year, divided by two.

FORWARD LOOKING STATEMENTS

This Offering Circular contains forward-looking statements, including statements concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on our management's current beliefs and projections about future events and financial trends affecting our business. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe," "expect," "may," "will," "could," "should," "shall," "intend," "estimate," "aims," "plan," "predict," "assume," or "anticipate" or similar words or statements in particular, in the sections entitled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular in relation to future events, our prospects, our expected financial condition, our 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 forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. Many important factors, in addition to those discussed in this Offering Circular, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- the availability of capital to us and to our customers and changes in interest rates;
- the ability of our airline customers and potential airline customers to make operating lease rental and other payments to us and to fulfill their other obligations to us;
- our ability to successfully negotiate aircraft purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;
- decreases in the overall demand for aircraft operating leasing services;
- the economic condition of the aircraft operating lease industry;
- changes in management;
- competitive pressures within the aircraft operating lease industry; and
- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes.

Forward-looking statements speak only as of the date they were made and we undertake no obligation to update publicly or to revise any forward-looking statements because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances described in this Offering Circular might not occur and are not guarantees of future performance. The factors described above should not be construed as exhaustive and should be read in conjunction with the other cautionary statements and the risk factors that are included in "Risk Factors" and "Business" in this Offering Circular. Should one or more of these or other risks or uncertainties materialize, 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.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Notes, for so long as any Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we have agreed to furnish upon request of a holder of Notes, or of a beneficial owner of an interest therein, to such holder or beneficial owner, or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act if, at the time of such request, we are neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. Such information will be made available for inspection at the specified offices of the Paying Agents.

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 us 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 independent 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.

We 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 us at our registered office set out at the end of this Offering Circular. We have given an undertaking to the Dealers that as and when it is proposed that Notes be issued under the Program, 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 Program or the issue of Notes, or if there is a change in our condition which is material in the context of the Program or the issue of Notes, a new offering circular will be prepared in each case in a form approved by the Dealers.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING 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 STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION 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 STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

TABLE OF CONTENTS

	Page
Summary	1
Summary of the Program	9
Risk Factors	15
Form of the Notes	50
Applicable Pricing Supplement	56
Terms and Conditions of the Notes	66
Use of Proceeds	104
Capitalization and Indebtedness	105
Selected Financial Information	106
Management’s Discussion and Analysis of Financial Condition and Results of Operations	108
Industry Overview	148
Business	168
Board and Management	203
Certain ERISA Considerations	207
Taxation	208
Book-Entry Clearance Systems	223
Subscription and Sale	228
Transfer Restrictions	235
Legal Matters	239
Independent Auditors	240
General Information	241
Index to Financial Statements	F-1

SUMMARY

This summary highlights significant aspects of our business, but it is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire Offering Circular, including the information presented under the section entitled “Risk Factors” and our audited consolidated financial statements and related notes included elsewhere in this Offering Circular, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward looking statement as a result of certain factors, including those set forth in “Risk Factors” and “Forward Looking Statements.”

OVERVIEW

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

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

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

Our core business model is focused on purchasing new, fuel-efficient, in-demand aircraft at competitive prices directly from aircraft manufacturers, financing those aircraft purchases efficiently, placing our aircraft on long-term operating leases with a globally diversified customer base and selling our aircraft to maintain a young fleet, to mitigate risks in our aircraft portfolio and to generate gains on sale, as well as reinvesting the sale proceeds in new aircraft investments. From our inception in 1993 to December 31, 2015, we have:

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

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

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

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

We enjoy strong and committed support from Bank of China (or **BOC**), a top 10 bank globally by market capitalization as at the Latest Practicable Date and a Fortune Global 50 company. Bank of China has provided us with a US\$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. This facility remained undrawn as at the Latest Practicable Date. Notwithstanding that BOC and its subsidiaries (the **BOC Group**) have provided certain credit facilities and loans to the Group, the Group is able to operate financially independently from the BOC Group.

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

OUR AIRCRAFT FLEET

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

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

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

Notes:

- (1) Includes (i) aircraft to which the Group holds the legal and/or beneficial title and (ii) aircraft held by the Group through finance leases under which the Group has all the risks and rewards of ownership, and has recorded such aircraft on its balance sheet.
- (2) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at December 31, 2015 and as at the Latest Practicable Date, there were 14 and 12 aircraft, respectively.
- (3) As at December 31, 2015, the Company had classified as assets held for sale seven aircraft, comprising six Airbus A320CEO family aircraft and one Boeing 737NG family aircraft, for which it had entered into agreements to sell in accordance with the Company's strategy of actively managing its aircraft portfolio.

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

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

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

As part of our future growth plans we had, as at the Latest Practicable Date, commitments to acquire 231 aircraft, either through our order book with the OEMs or pursuant to purchase and leaseback transactions with airline customers. As at December 31, 2015, our aircraft purchase commitments were to acquire 241 aircraft representing an average of 40 deliveries per year over the next six years – and comprised the following:

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

Note:

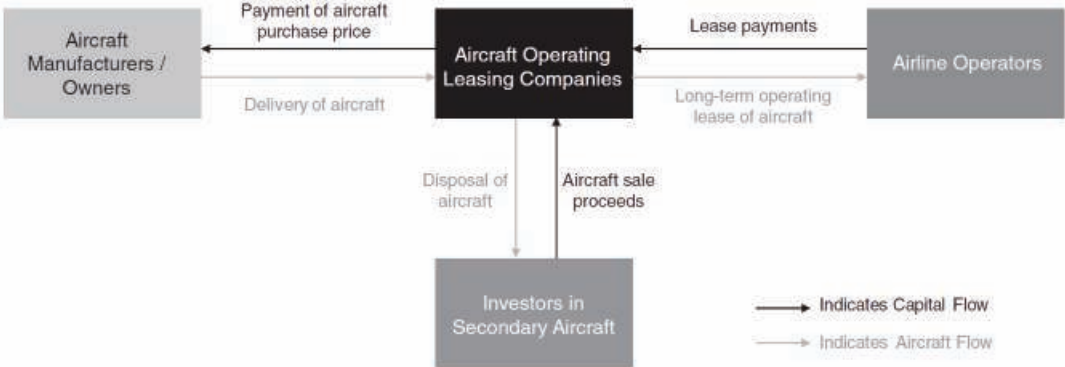
- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at December 31, 2015 and as at the Latest Practicable Date, there were 14 and 12 aircraft, respectively.

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

Capital expenditure	Year ended December 31,					
	2013		2014		2015	
	(in US\$'000, except for percentages)					
Order book aircraft purchases (including pre-delivery payments)	1,530,893	61.2%	2,185,789	69.6%	3,010,627	88.1%
Aircraft purchased pursuant to purchase and leaseback transactions	969,600	38.8%	956,300	30.4%	406,700	11.9%
Total	2,500,493	100.0%	3,142,089	100.0%	3,417,327	100.0%

OUR BUSINESS OPERATIONS

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



The key elements of our business model are:

- **acquiring aircraft:** acquiring, at competitive prices, aircraft that are expected to appeal to a broad range of airline customers and aircraft purchasers and investors, with strong anticipated residual value and transferability characteristics;
- **leasing aircraft to a geographically diverse group of airline customers on favorable lease terms:** maintaining and seeking to continually develop relationships with a geographically diversified group of airline customers for aircraft lease placements, with favorable lease pricing, tenure and other terms and conditions;

- **selling aircraft:** as part of our active portfolio management and risk management program, regularly reviewing our portfolio to ensure aircraft are offered for sale at optimal times and to generate attractive returns on sale that can be reinvested in new aircraft; and
- **driving down funding costs:** continually seeking to obtain financing at the lowest available cost and most favorable terms, with a well-dispersed repayment profile.

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

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

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

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

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

Notes:

(1) Includes one aircraft on ground.

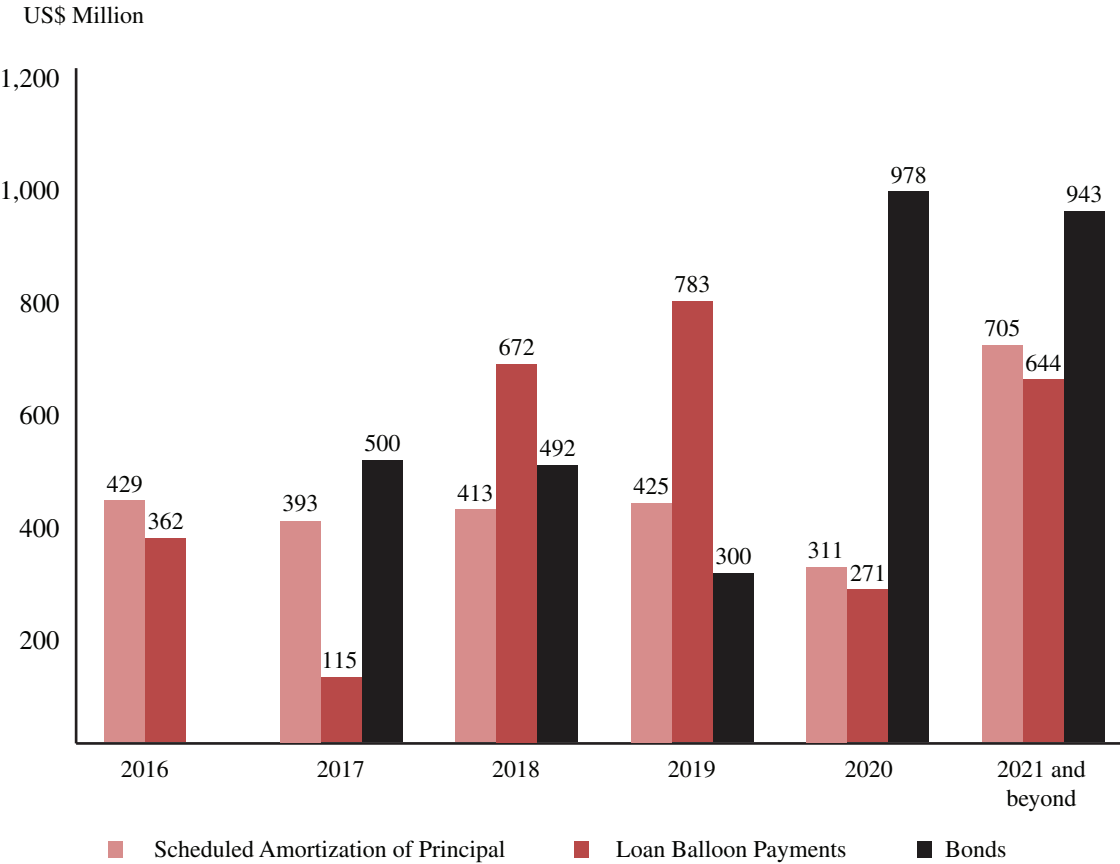
(2) Weighted by net book value of owned aircraft.

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

FINANCING

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

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



Note:

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

As at December 31, 2015, we had committed unsecured revolving credit facilities of US\$2,730.0 million, of which US\$2,510.0 million was undrawn. These facilities include a committed unsecured revolving credit facility of US\$2.0 billion, which matures in April 2022, obtained from the BOC Group on terms commensurate with the terms of other revolving committed unsecured credit facilities provided by third parties or better for the Company. We expect this facility to remain in place following completion of the Potential IPO (as defined below). This facility had not been drawn down during the Relevant Period or as at the Latest Practicable Date and serves as a source of temporary financing only rather than long-term financing.

COMPETITIVE STRENGTHS

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

BUSINESS STRATEGIES

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

See “*Business*” for further details.

RISK FACTORS

Investing in the Notes involves risks. You should carefully consider all the information in this Offering Circular prior to investing in the Notes. In particular, the Company urges you to consider carefully the factor set forth under “*Risk Factors*” beginning on page 15 of this Offering Circular.

INFORMATION ABOUT THE COMPANY

We are a company incorporated in Singapore with limited liability. Our registered office is located at 8 Shenton Way, Singapore 068811 (telephone number: +65 6323 5559). The Company’s website address is: www.bocaviation.com. Information on or accessible through our website does not form part of this Offering Circular and should not be relied on.

In March 2016, we submitted, through our joint sponsors, an application to the Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**) to apply for the listing of, and permission to deal in, the shares of the Company on the Main Board of the Hong Kong Stock Exchange (the **Potential IPO**). The completion of the Potential IPO is subject to, among other things, the approval of the Hong Kong Stock Exchange, the final decision of the board of directors of the Company, market conditions and other considerations. Accordingly, there is no assurance that the Potential IPO will take place or as to when it may take place. The Potential IPO will result in the spin-off and separate listing of the Group from Bank of China. Following the completion of the Potential IPO, Bank of China will retain a substantial majority shareholding in the Company, and the Company will remain as a subsidiary of Bank of China and will continue to carry the BOC brand name.

SUMMARY OF THE PROGRAM

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. We 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:	Global Medium Term Note Program.
Arrangers:	Citigroup Global Markets Singapore Pte. Ltd., The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan (S.E.A.) Limited.
Dealers:	BOCI Asia Limited, Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan (S.E.A.) Limited, and Morgan Stanley Asia (Singapore) Pte.

and any other Dealers appointed in accordance with the Program Agreement (see “*Subscription and Sale*”).

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 “ <i>Subscription and Sale</i> ” and “ <i>Transfer Restrictions</i> ”) including the following restrictions applicable at the date of this Offering Circular.
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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*” and “*Transfer Restrictions*.”

(i) Agent (in the case of all Notes cleared through Euroclear and Clearstream):	The Bank of New York Mellon, London Branch.
(ii) CDP Paying Agent, Transfer Agent and Registrar (in the case of CDP Notes):	The Bank of New York Mellon, Singapore Branch.

(iii) Registrar and Transfer Agent (in the case of Notes cleared through Euroclear and Clearstream):	The Bank of New York Mellon (Luxembourg) S.A.
(iv) U.S. Paying Agent, U.S. Transfer Agent and U.S. Registrar (in the case of DTC Notes):	The Bank of New York Mellon
(v) CMU Lodging and Paying Agent, CMU Transfer Agent and Registrar (in the case of CMU Notes):	The Bank of New York Mellon, Hong Kong Branch.
Program Size:	Up to U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described in the Program Agreement) outstanding at any time. We may increase the amount of the Program in accordance with the terms of the Program Agreement.
Risk Factors:	There are certain factors that may affect our ability to fulfill our obligations under Notes issued under the Program. These are set out under “ <i>Risk Factors</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program. These are set out under “ <i>Risk Factors</i> ” 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 us 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 us 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 us 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 “ <i>Form of the Notes.</i> ” Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between us and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between us and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (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 us and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between us and the relevant Dealer for each Series of Floating Rate Notes.</p>
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 we and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by us 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 us and the relevant Dealer.</p>
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 we 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 installments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at our option and/or the option of the Noteholders upon giving notice to the Noteholders or us, 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 us and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments 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 us 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. Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of U.S.\$100,000 (or its equivalent in any other currency) and higher integral multiples of U.S.\$1,000 (or its equivalent as aforesaid) or the higher denomination or denominations specified in the applicable Pricing Supplement. Registered Notes sold in the United States to institutional accredited investors pursuant to Section 4(a)(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act will be in definitive form (the Definitive IAI Registered Notes) and shall be issued in minimum denominations of U.S.\$250,000 (or its equivalent in any other currency) and higher integral multiples of U.S.\$1,000 (or its equivalent as aforesaid) or the higher denomination or denominations specified in the applicable Pricing Supplement 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 €200,000 (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, we 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 our direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all our other unsecured obligations (other than subordinated obligations, if any), from time to time outstanding.
Rating:	The Program has been rated A– by Fitch Ratings and BBB+ by Standard and Poor’s Ratings Services as at the date of this Offering Circular. Notes issued under the Program 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 Program 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:	<p>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 Program 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 us 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).</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between us 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.</p> <p>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.</p>
Use of Proceeds:	The net proceeds of issuance of Notes under the Program (after deduction of underwriting fees, discounts and commissions, and other expenses incurred by us in connection with the Program or the Notes) will be used by us or the Group for the purpose of funding new capital expenditure, funding for general corporate purposes and/or refinancing existing borrowings or such purposes as may be specified in the applicable Pricing Supplement.

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 “ <i>Subscription and Sale.</i> ”
United States Selling Restrictions:	Regulation S, Category 2. Rule 144A and Section 4(a)(2), as specified in the applicable Pricing Supplement. Bearer Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the D Rules) unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the C Rules) or (ii) Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.
Clearing Systems:	Euroclear, Clearstream, Luxembourg, DTC (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement. See “ <i>Form of the Notes.</i> ”
ERISA Considerations:	The Notes may not be acquired by an “employee benefit plan” (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended, (ERISA)) that is subject to Title I of ERISA, a “plan” subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential investors should read the sections entitled “ <i>Certain ERISA Considerations</i> ” and “ <i>Transfer Restrictions.</i> ”

RISK FACTORS

In purchasing Notes, investors assume the risk that we 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 our 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 we may not be aware of all relevant factors and certain factors which we currently deem not to be material may become material as a result of the occurrence of events outside our control. We have identified in this Offering Circular a number of factors which could materially and adversely affect our 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 Program 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.

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

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

Risks Directly Relating to Our Business and Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- an adverse impact on demand for leased aircraft, market lease rates and aircraft values resulting from an oversupply or undersupply of aircraft due to changes in the production rates of manufacturers;
- failure to deliver or delayed delivery of aircraft we have ordered, resulting in our inability to fulfill our contractual obligations to our airline customers, which could in turn result in lost or delayed revenues, lower revenue growth rates and strained airline customer relationships;
- delays in certifications or deliveries of new aircraft types, to which many new aircraft programs have been subject. Significant delays could result in failure to obtain aircraft to lease and a change in the market perception for the delayed aircraft type;
- delays in import or other authorizations which may be required for our customers to take delivery of our aircraft, which could cause delays to our receipt of revenues;
- poor manufacturer support for the aircraft and/or components from a particular manufacturer which could affect the demand, market lease rates and/or residual values for certain aircraft in our fleet; and/or
- direct losses as a result of their failure to fulfill their contractual obligations to us, for example in connection with aircraft pre-delivery payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

- manufacturer, type and model of aircraft or engines, including the number and geographical profile of operators using that type of aircraft;
- whether the aircraft is subject to a lease, and if so, whether the lease terms are advantageous for the lessor;
- decreases in the creditworthiness of the relevant airline leasing customer;
- aircraft age;
- the production of newer models of such aircraft or aircraft types competing with such aircraft;
- the regulatory authority under which the aircraft is operated and regulatory actions, including mandatory grounding of the aircraft;
- the particular maintenance, damage, technical operating history and inadequate or incomplete documentary records for the aircraft and its engines;
- any renegotiation of an existing lease on less favorable terms;
- any tax, customs, regulatory and/or legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased; and
- compatibility of aircraft configurations or specifications with other aircraft in the airline customer's existing or anticipated prospective fleet.

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

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

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

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

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

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

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

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

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

Risks Related to the Aviation Industry Which Affect the Group

Competition may have an adverse effect on our business.

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

- other aircraft leasing companies,
- aircraft manufacturers, including their vendor financing divisions or subsidiaries,

- financial investors, including banks, hedge funds and other funds, private equity firms and tax lessors, and
- airlines, both as potential purchasers of aircraft and, where relevant, through their own captive aircraft leasing operations as lessors,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lease rental income from airline customers based in the Middle East and Africa accounted for 6.7% of our total lease rental income for the year ended December 31, 2015. Due to the Middle East's substantial aircraft order backlog, continued high rates of growth in travel demand in the Middle East and Africa are required to prevent overcapacity. In addition, the scheduled capacity growth committed by airlines in this region could have an adverse impact on the financial health of some Middle Eastern airlines, including our airline customers, and airlines in other regions. Sharply lower commodity prices, as well as continued unrest and instability in parts of North Africa and the Middle East, including in particular in Syria, wars and terrorist attacks, and regional pandemics such as MERS and Ebola could adversely affect some of the major Middle East and African economies or the demand for air travel in the affected countries and have a material adverse effect on the financial performance of airlines, including our airline customers, in the regions and could adversely impact aircraft demand and lease rates. See "*Business – Our Airline Customers.*"

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

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

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

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

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

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

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

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

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

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

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

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

Jet fuel costs represent a major operating expense to airlines. Jet fuel prices can fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and regulation, natural disasters, conflicts, wars, regulatory changes and foreign exchange rates. As a result, jet fuel prices are not within the control of our airline customers and significant changes in jet fuel prices, which in turn impact gains or losses in any fuel hedging position held by our airline customers, could materially and adversely affect their operating results. Other factors and events can also significantly affect jet fuel availability and prices, including the availability of sufficient global refining capacity, natural disasters, decisions made by leading oil producers regarding their production output, changes in oil exploration and production techniques and changes in global demand for oil from emerging economies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

airline is primarily responsible for these charges, in the event of the insolvency of the airline, a security interest affecting a leased aircraft could require the lessor to settle unpaid charges in order to recover possession of the leased aircraft.

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

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

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

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

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

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

Aircraft are long-life assets requiring long lead times to develop and manufacture, with particular types and models becoming obsolete and suffering reduced demand over time when newer, more advanced aircraft enter into service with airline customers. As aircraft age, their value depreciates and, typically,

they generate lower revenues and cash flows and their value may be more susceptible to risk of impairment. Our existing fleet, as well as the aircraft that we have ordered, have exposure to obsolescence, particularly if unanticipated events occur that shorten the life cycle of such aircraft types. These events include but are not limited to government regulation or changes in our airline customers' preferences, new technology, aircraft redesign and/or upgrading by their manufacturers and aircraft technical, safety or environmental problems. These events may shorten the life cycle for aircraft types in our fleet and, accordingly, may negatively impact lease rates, trigger impairment charges or increase depreciation expense.

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

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

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

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

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

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

Since we acquire a high concentration of particular models of aircraft, in particular the A320 and Boeing 737 families, our business and financial results could be adversely affected if market demand for those models declines or if those models experience design or technical problems. A significant technical problem with a specific type of aircraft could result in the grounding of the aircraft. If we acquire a high concentration of a particular aircraft model and such model encounters technical or other problems, or is no longer suited to the operational needs of our airline customers, the value and lease rates of such aircraft will likely decline and we may be unable to lease or sell such aircraft on favorable terms, if at all. In addition, as aircraft manufacturers continue to introduce technological innovations and new models of

aircraft with improved fuel efficiency, range and payload capabilities, some of the aircraft in our fleet could become less desirable to potential airline customers and/or to potential purchasers of those aircraft. Such technological innovations may also accelerate the rate of obsolescence of certain models comprising our aircraft fleet. See “– *The advent of superior aircraft technology and/or the introduction of new models of aircraft could cause our fleet of aircraft to become outdated and therefore less desirable for airline customers and potential buyers, which may adversely affect our business*” above for further details.

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

Risks Related to Our Financing Arrangements

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

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

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

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

- difficulty in satisfying or being unable to satisfy our aircraft acquisition commitments. This could in turn result in:
 - lost revenue;
 - forfeiting deposits and pre-delivery payments and our being required to pay and expense certain significant costs relating to terminating or renegotiating these commitments, such as actual damages, and legal, accounting and financial advisory expenses, and not realizing any of the benefits of completing the affected transactions;
 - defaulting on lease commitments, which could result in monetary damages and damage to our reputation and relationships with manufacturers and airline customers; and
 - failing to capitalize on growth opportunities that would not be pursued due to our management’s focus on these commitments;

- a loss of our investment grade credit ratings, which could adversely affect the Group's access to liquidity and its competitive position; and/or
- an inability to meet our debt obligations leading to repayment defaults or non-compliance with debt covenants.

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

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

Our substantial indebtedness requires significant debt service payments.

As at December 31, 2015, our total drawn indebtedness was US\$9.0 billion and we also had US\$2.5 billion available for drawing under our committed, unsecured revolving credit facilities, which totaled US\$2.7 billion. Due to the capital-intensive nature of our business, the need to refinance maturing debt and our strategy of expanding our aircraft portfolio, we expect that we will incur significant additional indebtedness in the future and continue to maintain high levels of indebtedness. The terms of our financing agreements also allow us to incur substantial amounts of additional debt, subject to certain limitations. We regularly consider market conditions and our ability to incur indebtedness to either refinance existing indebtedness and/or for working capital purposes.

Our significant level of indebtedness:

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

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

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

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

We had net current liabilities of US\$321.3 million, US\$658.7 million and US\$461.5 million as at December 31, 2013, 2014 and 2015, respectively. As a capital intensive business, our net current liabilities position primarily reflects the current portion of our indebtedness, which we raise to finance our capital expenditure and requires regular payments to service. At the same time, our cash inflow mainly relies on collecting recurring lease rental income from airline customers. We cannot assure you that cash inflow

from our lease rental income will be consistently sufficient to meet our ongoing cash needs. See “*Risk Factors – Airline customer defaults, including payment, maintenance, return condition or registration defaults, could adversely affect our business by reducing our revenues and increasing our costs*” for further details. If we are unable to match the maturities of our debt financing with cash inflow from our aircraft operating leases, we may face shortfalls in liquidity, which would require us to seek adequate financing from other sources, such as raising additional debt. To manage potential cash flow mismatch, we have maintained financing channels with various lenders, including a US\$2.0 billion committed unsecured revolving credit facility with BOC, which remained undrawn as at the Latest Practicable Date. However, we cannot assure you that our lenders will not prematurely terminate our financing channels, or that we will be able to renew our existing credit facilities on commercially acceptable terms or at all. See “*Risk Factors – Our ability to obtain financing on acceptable terms is critical to our ability to operate*” for further details. If we are unable to manage our liquidity position in the future and are unable to obtain sufficient capital sources to offset any liquidity gap, our business, financial condition and results of operations may be materially and adversely affected.

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

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

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

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

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

Interest rate fluctuations may adversely affect our financial performance. Any changes in interest rates will impact both our borrowing costs as well as lease rental income, as a sizeable portion of our debt funding and a sizeable portion of our lease rental income is priced on a floating rate basis. We may be susceptible to interest rate volatility if we are unable to maintain a balance between fixed and floating rate debts and match the floating/fixed lease rental income and lease maturities with financing on a similar basis or secure appropriate hedges for the same. While the exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest rate caps, the magnitude of the final exposure depends on the effectiveness of the hedge. Moreover, the potential for low or negative interest rates in the United

States and on U.S. Dollar-denominated financial instruments could adversely impact our revenues, including lease rental and interest on our cash and bank balances, and could reduce the attractiveness of our aircraft.

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

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

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

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

Our ability to raise financing on acceptable pricing terms is critical to our business model. See “– *Our ability to obtain financing on acceptable terms is critical to our ability to operate*” above. The application of relevant laws, regulations and policies issued in the PRC could have a material adverse effect on our ability to raise additional financing and, as a consequence, the Group may not be able to execute financing during optimal market conditions, in particular to take advantage of fast-moving market dynamics and conditions. The requirement to pre-register debt before issuance means that we will bear additional market risk in relation to our debt financing including medium term note financing activities during the period between submission of an application and pricing of an actual issuance.

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

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

Other External Risks Related to Our Business and Operations

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

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

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

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

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

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

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

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

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

Our exposure to counterparty risk may adversely affect our business.

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

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

Conflicts of interest may arise between us and third-party aircraft owners who engage us to perform lease management services and to manage their leasing, re-leasing and sale arrangements on their behalf. Our service contracts generally require that we treat our owned and managed aircraft equally and that we do not discriminate against serviced aircraft in favor of our owned aircraft. These conflicts could have a material adverse effect on our business and operations as well as the value of the Notes.

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

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

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

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

Following Russia's military intervention in 2014, the United States, the European Union and Australia put in place Ukraine-related sanctions. According to our sanctions legal advisers, the Ukraine-related sanctions concern mainly (i) the blocking of assets of named individuals and entities being identified as "undermining or threatening the territorial integrity, sovereignty and independence of Ukraine" or as

providing “material support” to such persons; (ii) restrictions on the extension of credit to and dealing in the equity of specified financial institutions, defense firms and energy companies; and (iii) restrictions on the disputed territory of Crimea. Moreover, according to our sanctions legal advisers, the United States, the European Union, the United Nations and Australia had not imposed any country-wide sanctions against Russia as of the Latest Practicable Date. According to our sanctions legal advisers, there were no Ukraine-related sanctions imposed by the United Nations as of the Latest Practicable Date.

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

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

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

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

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

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

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

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

RISKS RELATED TO THE NOTES

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:

- 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;
- 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;
- 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;
- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) 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 secured by any pledged collateral or guaranteed by any of our subsidiaries

The Notes will not be secured by any pledged collateral and will consequently be subordinated to any secured debt or other obligations to the extent of any assets pledged as collateral therefor.

None of our subsidiaries will guarantee the Notes, and as a result, creditors of our subsidiaries have a prior claim, ahead of the Noteholders, on the assets of those subsidiaries. In addition, our 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, reorganization or other winding up of any of our subsidiaries, holders of indebtedness and trade creditors of our subsidiaries will generally be entitled to payment of their claims from the assets of our subsidiaries before any assets are made available for distribution to us. Accordingly, there may be insufficient funds to satisfy the claims of the Noteholders and other senior debt. As at December 31, 2015, our subsidiaries had US\$3,451.7 million of indebtedness outstanding to parties other than us or other subsidiaries of ours.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders

The Terms and Conditions 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.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Program. 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 of such features:

Notes subject to optional redemption by us

An optional redemption feature of Notes is likely to limit their market value. During any period when we 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.

We may be expected to redeem Notes when our 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

We 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, we 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:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- 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
- 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 advisors 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

We may issue Notes where the issue price is payable in more than one installment. Any failure by an investor to pay any subsequent installment 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 the London interbank offered rate (**LIBOR**). The market values of those Notes typically are more volatile than the 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 we have the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favorable 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 we convert 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 its control over routine foreign exchange transactions under current accounts. This represents current account activity. On April 7, 2011, the State Administration of Foreign Exchange (**SAFE**) promulgated the Circular on Issues Concerning the Capital Account Items in connection with cross-border RMB (the **SAFE Circular**), which became effective on May 1, 2011. According to the

SAFE Circular, in the event that foreign investors intend to use cross-border RMB (including offshore RMB and onshore RMB held in the capital accounts of non-PRC residents) to make contributions to an onshore enterprise or make payment for the transfer of an equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the Ministry of Commerce (**MOFCOM**) to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in RMB shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime. On October 13, 2011, the PBoC promulgated the Administrative Measures on the RMB Settlement Business Relating to FDI. On June 14, 2012, the People's Bank of China (the **PBoC**) further promulgated the Circular on Clarifying the Operating Rules for RMB Settlement in Relation to FDI.

The PBoC further issued the Circular on the Relevant Issues on RMB Settlement of Investment in Onshore Financial Institutions by Foreign Investors on September 2013, which provides further details for using RMB to invest in a financial institution domiciled in the PRC (together with the Circular on Clarifying the Operating Rules for RMB Settlement in Relation to FDI, the **PBoC FDI Measures**). Under the PBoC FDI Measures, special approval for FDI and shareholder loans from PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with PBoC is still necessary.

On December 3, 2013, MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (the **MOFCOM Circular**), which became effective on January 1, 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to RMB. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the SAFE Circular, PBoC FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

Although starting from October 1, 2016, the RMB will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to gradually liberalize its control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or outside the PRC. Investors may be required to provide certifications 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.

There is only limited availability of RMB outside the PRC, which may affect the liquidity of the RMB Notes and our 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.

Currently, licensed banks in Singapore and Hong Kong may offer limited RMB-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBoC has also established a RMB clearing and settlement mechanism for participating banks in Hong Kong, Macau, Singapore, Taiwan, London, Frankfurt, Seoul, Paris, Luxembourg, Sydney, Toronto, Doha, Kuala Lumpur, Bangkok, Santiago, Budapest, Johannesburg, Buenos Aires and Lusaka. Each of Bank of China (Hong Kong) Limited in Hong Kong, Bank of China, Macau Branch in Macau, Industrial and Commercial Bank of China, Singapore Branch in Singapore, Bank of China, Taipei Branch in Taiwan, China Construction Bank (London) Limited in London, Bank of China, Frankfurt Branch in Frankfurt, Bank of Communications, Seoul Branch in Seoul, Bank of China, Paris Branch in Paris, and Industrial and Commercial Bank of China Limited, Luxembourg Branch in Luxembourg, Bank of China (Australia) in Sydney, Industrial and Commercial Bank of China (Canada) in Toronto, Industrial and Commercial Bank of China Limited, Qatar Branch in Doha, the Bank of China (Malaysia) Berhad in Kuala Lumpur and Industrial, Commercial Bank of China (Thai) Public Company Limited in Bangkok, China Construction Bank (CCB) Chile Branch in Santiago, Bank of China (Hungary) Close Ltd. in Budapest, Bank of China Limited, Johannesburg Branch in Johannesburg, Industrial and Commercial Bank of China (Argentina) S.A. in Buenos Aires and Bank of China (Zambia) Limited in Lusaka (each an **RMB Clearing Bank**) has entered into settlement agreements with the PBoC to act as the RMB clearing bank in Hong Kong, Macau, Singapore, Taiwan, London, Frankfurt, Seoul, Paris, Luxembourg, Sydney, Toronto, Doha, Kuala Lumpur, Bangkok, Santiago, Budapest, Johannesburg, Buenos Aires and Lusaka, respectively.

However, the current size of RMB-denominated financial assets outside the PRC is limited. RMB business participating banks do not have direct RMB liquidity support from the PBoC. They are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the RMB trade position of banks outside Hong Kong, Macau, Singapore, Taiwan, London, Frankfurt, Seoul, Paris, Luxembourg, Sydney, Toronto, Doha, Kuala Lumpur, Bangkok, Santiago, Budapest, Johannesburg, Buenos Aires and Lusaka that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring 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. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source RMB from outside the PRC to square such open positions.

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 we are required to source RMB in the offshore market to service the RMB Notes, there is no assurance that we 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 U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the RMB against other currencies. 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 U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of RMB depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

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

All payments to investors in respect of the RMB Notes will be made solely: (i) when RMB Notes are represented by Global Notes deposited with a sub-custodian for the CMU Service, transfer to a RMB bank account maintained in Hong Kong in accordance with the prevailing CMU Service rules and procedures; (ii) when RMB Notes are represented by Global Notes held with the common depository, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures; (iii) when RMB Notes are represented by Global Notes held with CDP, transfer to a RMB bank account in accordance with the prevailing CDP rules and procedures; or (iv) when RMB Notes are in definitive form, transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing rules and regulations.

We cannot be required to make payment by any other means (including in any other currency or in bank notes, by check or draft or by transfer to a bank account in the PRC).

An investment in RMB Notes is subject to interest rate risks.

The PRC government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Our performance of contractual obligations is dependent on other parties

Our ability to make payments in respect of the Notes may depend upon the due performance by the other parties to the Program 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. While the non-performance of any relevant parties will not relieve us of our obligations to make payments in respect of the Notes, we may not, in such circumstances, be able to fulfill our obligations to the Noteholders.

The conditions of the Notes permit modification of the Notes under certain circumstances. 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) 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 DTC 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.

The Notes are subject to transfer restrictions

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see “*Subscription and Sale*” and “*Transfer Restrictions*.”

U.S. Dividend Equivalent Withholding

Section 871(m) of the Code and regulations promulgated thereunder treats certain “dividend equivalent” payments as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30 per cent. U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a treaty exemption, tax credit or refund from the IRS. A “dividend equivalent” payment includes payments that directly or indirectly reference the payment of a dividend by a U.S. corporation under certain equity linked or other instruments. To the extent that the Reference Rate or other Relevant Factor in determining the amount payable under any Floating Rate Notes or Index Linked Interest Notes are directly or indirectly determined by reference to dividends payable by a U.S. corporation, such payments may be considered dividend equivalent payments. Prospective investors should refer to the section “Taxation – U.S. Federal Income Tax Considerations – Dividend Equivalent Amounts on Index Linked Interest Notes.”

If we or any withholding agent determines that withholding is required under Section 871(m), we will not be required to pay any additional amounts with respect to amounts so withheld nor will any withholding agent. The proper U.S. federal tax treatment of Floating Rate Notes or Index Linked Interest Notes that may give rise to a dividend equivalent payment pursuant to Section 871(m) will generally be more fully described in the applicable Pricing Supplement.

Further issues

We may, from time to time, without notice to or the consent of the holders of the outstanding Notes, create and issue additional debt securities with identical terms and ranking *pari passu* with a series or tranche of previously issued, outstanding Notes in all respects. We may consolidate such additional debt securities with such previously issued, outstanding Notes to form a single series and such additional issuance may not be treated as fungible with the previously issued, outstanding Notes for U.S. federal income tax purposes. If the later issuance is not treated as fungible with the previously issued, outstanding Notes for U.S. federal income tax purposes, it can be considered to be issued with an amount of original issue discount that is greater than the original issue discount, if any, at which the previously issued, outstanding Notes were issued, which may affect the market value of the previously issued Notes unless such Notes can be distinguished from the later issuance.

A change of law may adversely affect the value of the Notes

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 and adversely impact the value of any Notes affected by it.

We may be unable to redeem the Notes

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, we may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, we may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Our failure to repay, repurchase or redeem tendered Notes would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of 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 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 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.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Program may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg, DTC, CMU and CDP (each of Euroclear, Clearstream, Luxembourg, DTC, CMU and CDP, a **Clearing System**). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive the Notes in definitive form. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, we will discharge our payment obligations under the Notes by making payments to or to the order of the relevant Clearing System(s) for distribution to their account holders.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

The book-entry registration system of the Notes may reduce the liquidity of any secondary market for the Global Notes under the Program and may limit the receipt of payments by the beneficial owners of the Global Notes under the Program

Because transfers of interests in the Global Notes can be effected only through book entries at DTC with respect to those Global Notes to be issued in reliance on Rule 144A and only through book entries at Clearstream and Euroclear, CMU and CDP in the case of the Global Notes to be issued in reliance on Regulation S, for the accounts of their respective participants, the liquidity of any secondary market for Global Notes may be reduced to the extent that some investors are unwilling to hold Global Notes in book-entry form in the name of a DTC, Clearstream, Euroclear, CDP or CMU participant. The ability to pledge interests in the Global Notes may be limited due to the lack of a physical certificate. Beneficial owners of Global Notes may, in certain cases, experience delay in the receipt of payments of principal and interest since such payments will be forwarded by the paying agent to DTC, Clearstream, Euroclear, CDP or CMU as applicable, who will then forward payment to their respective participants, who (if not themselves, the beneficial owners) will thereafter forward payments to the beneficial owners of the interests in the Global Notes. In the event of the insolvency of DTC, Clearstream, Euroclear, CDP, CMU or any of their respective participants in whose name interests in the Global Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on Global Notes may be impaired.

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:

An active trading market for the Notes may not develop

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 may adversely affect the value of the Notes

We 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: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) 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 our ability 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 may adversely affect the value of the Notes

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 on the Notes 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. Future events may have a negative impact on the rating of the Program and/or such Notes and prospective investors should be aware that there is no assurance that the ratings given will continue or that the ratings would not be reviewed, revised, suspended or withdrawn as a result of future events, unavailability of information or if, in the judgment of the relevant rating agency, circumstances so warrant. 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 advisors to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors 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 Program, during the period from the date of this Offering Circular to December 31, 2018 are, pursuant to the Income Tax Act, Chapter 134 of Singapore (**ITA**) and the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by the Monetary Authority of Singapore (**MAS**) on June 28, 2013, intended to be “qualifying debt securities” for the purposes of the ITA subject to the fulfillment 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 or MAS circulars be amended or revoked at any time.

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 will be issued to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (**QIBs**) or to “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act (the **Institutional Accredited Investors**) in reliance on an exemption from the registration requirements of the Securities Act. Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or the Depository Trust Company (**DTC**).

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 Bearer Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent Global Note (a **Permanent Bearer Global Note** and, together with any Temporary Global Note, the **Bearer Global 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 depository (the **Common Depository**) for Euroclear, Clearstream, Luxembourg; (ii) The Central Depository (Pte) Limited (**CDP**); or (iii) a sub-custodian for the CMU Service.

While any Bearer Note is represented by a Temporary Bearer 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 Bearer Global Note only 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, 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 Bearer Global Note delivered to a Common Depository 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 Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series; or (b) for definitive Bearer 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 Bearer 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 provided that purchasers in the United States and U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Bearer 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 Bearer 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 Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note deposited with a Common Depository 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 Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note 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 Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer 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 we have 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 Bearer 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 us 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, we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. We 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 Depository 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, we 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.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes which have an original maturity of more than one year unless such Notes are offered under the C Rules 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 Bearer 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 Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, as the case may be.

REGISTERED NOTES

The Registered Notes of each Tranche offered and sold in reliance on 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 **Regulation S Global Note** and together with any Bearer Global Note, each, a **Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global 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 Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions (i) to QIBs or (ii) to “Institutional Accredited Investors and who execute and deliver an IAI Investment Letter (as defined in the *“Terms and Conditions of the Notes”*) in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes** and each a **Registered Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global 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 Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Regulation S Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the DTC or (ii) be deposited with a common depository for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement 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 Regulation S Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Registered Global Notes in definitive form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under *“Subscription and Sale”* and *“Transfer Restrictions.”* Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring such Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under *“Subscription and Sale”* and *“Transfer Restrictions.”* The Registered Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest or any other amount in respect of the Registered Global Notes 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 Registered Global Notes. We, the Agent, any Paying Agent or the Registrar will not 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 Registered Global 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 Registered Global 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) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified us that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) if the Registered Global Note is held in Euroclear and/or Clearstream, Luxembourg and we have 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 (iv) if the Registered Global 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 us 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 Registered Global Note is not deposited with CDP, we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

We 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 Depository for CDP, DTC or Euroclear and Clearstream Luxembourg, CDP and/or DTC and/or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global 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, we may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

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 us and the Agent (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 March 16, 2015 executed by us 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 Regulation S Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Regulation S Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note.

No beneficial owner of an interest in a Regulation S Global Note will be able to transfer such interest, except in accordance with the applicable procedures of CDP, DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, in each case, to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Subscription and Sale*” and “*Transfer Restrictions*.”

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, or CUSIP and CINS number which are different from the common code and ISIN and, where applicable, CMU, or CUSIP and CINS 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 us and our 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 Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by us and our 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 our obligation in respect of that payment under such Note.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

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 us 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 DTC and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against us on the basis of statements of account provided by CDP and/or DTC 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 March 16, 2015 and executed by us or (in the case of Notes cleared through CDP) the CDP Deed of Covenant. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

APPLICABLE PRICING SUPPLEMENT

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

[Date]

BOC AVIATION PTE. LTD.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$5,000,000,000
Global Medium Term Note Program**

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 April 14, 2016 [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 April 14, 2016 [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 April 14, 2016 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 for qualifying debt securities (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 Pte. 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]: []% 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: []
(N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies):
“[U.S.\$100,000] and integral multiples of [U.S.\$1,000] in excess thereof up to and including [U.S.\$199,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.\$100,000] and higher integral multiples of [U.S.\$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.\$199,000]”
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: [[]% Fixed Rate]
[[LIBOR/EURIBOR/SIBOR/SOR] +/- []% 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]
[Installment]
[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. [(i)] Status of the Notes: [Senior]
- [(ii) Receipt of NDRC pre-
issuance registration
certificate.] [●]
14. Listing: [[Singapore Exchange Securities Trading Limited]/(specify
other)/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 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): [] per Calculation Amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form.)
- (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 annum
- (i) Minimum Rate of Interest: []% per annum
- (j) Maximum Rate of Interest: []% 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 provision 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 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 annum
- (i) Maximum Rate of Interest: []% 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 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 only upon an Exchange Event]
- [Registered Notes: Registered Global Note ([] nominal amount [exchangeable for Registered Notes in definitive form])]
- (In the case of an issue with more than one Global Note or a combination of one or more Global Notes and Definitive IAI Notes, specify the nominal amounts of each Global Notes, and, if applicable, the aggregate nominal amount of all Definitive IAI Notes if such information is available)*

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 18(c) and 20(h) 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 Installment Notes:
- (a) Installment Amount(s): [Not Applicable/give details]
- (b) Installment 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) Stabilizing 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 [2]; 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.\$5,000,000,000 Global Medium Term Note Program of BOC Aviation Pte. Ltd.

OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) CUSIPS:

(iv) CINS:

(insert here any other relevant codes such as a CMU instrument number)

(v) Any clearing system(s) other than The Depository Trust Company, Euroclear Bank SA/NV, and Clearstream or, as the case may be, CMU, CDP and the relevant identification number(s): [CMU/Not Applicable/*give name(s) and number(s)*]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): [Not Applicable/*give name(s)*]

(viii) 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 authorized

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 amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time (including on April 14, 2016), the **Agency Agreement**) dated March 16, 2015 and made between the Issuer, The Bank of New York Mellon, London Branch as the agent (in the case of Notes cleared through Euroclear and/or Clearstream, Luxembourg) (the **Agent**, which expression shall include any additional or successor agent), The Bank of New York Mellon as the U.S. paying agent, the U.S. transfer agent and the U.S. registrar (in the case of Notes to be cleared through DTC) (the **U.S. Paying Agent**, the **U.S. Transfer Agent** and the **U.S. Registrar**, which expressions shall include any additional or successor agent or registrar), The Bank of New York Mellon, Hong Kong Branch as the CMU lodging and paying agent, the CMU transfer agent and the registrar (in the case of Notes to be cleared through CMU) (the **CMU Lodging and Paying Agent**, the **CMU Transfer Agent** and the **Registrar**, which expression shall include any additional or successor agent or registrar), The Bank of New York Mellon, Singapore Branch as the Singapore paying agent, the Singapore transfer agent and the registrar (in the case of Notes to be cleared through CDP) (the **Singapore Paying Agent**, the **Singapore Transfer Agent** and the **Registrar**, which expression shall include any additional or successor agent or registrar), and the other paying agents named therein (together with the Agent, the Singapore Paying Agent, the U.S. Paying Agent and the CMU 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 the registrar and ICSD transfer agent (in the case of Notes cleared through Euroclear and/or Clearstream, Luxembourg)

(the **Registrar** and the **ICSD Transfer Agent**, which expression shall include any additional or successor agent or registrar), and the other transfer agents named therein (together with the Singapore Transfer Agent, the CMU Transfer Agent and the U.S. Transfer Agent, the **Transfer Agents**, which expression shall include any additional or successor transfer agents), The Bank of New York Mellon as the exchange agent (the **Exchange Agent**, which expression shall include any additional or successor exchange agents). The **Registrars** means collectively, the Registrar for the ICSD, the Registrar for CDP, the Registrar for CMU and the U.S. Registrar for DTC and the **Registrar** means any of them as the context requires.

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 cleared through Euroclear and/or Clearstream, Luxembourg) to the Agent shall, with respect to:

- (a) a Series of Notes to be held in the computerized system operated by The Central Depository (Pte) Limited (**CDP**), be deemed to be a reference to the Singapore Paying Agent;
- (b) 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
- (c) a Series of Notes to be held in The Depository Trust Company (**DTC**), be deemed to be a reference to the U.S. Paying Agent, the U.S. Transfer Agent and the U.S. Registrar,

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 installments have receipts (**Receipts**) for the payment of the installments of principal (other than the final installment) 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), the CMU Service or any other agreed clearing system (other than CDP), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated March 16, 2015 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear and Clearstream, Luxembourg.

Where the Notes are cleared through 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 March 16, 2015 and made by the Issuer. The original of the CDP Deed of Covenant is held by CDP.

In the case of Notes cleared through Euroclear (as defined below), Clearstream, Luxembourg (as defined below), DTC, the CMU Service or any other agreed clearing system (other than CDP), the holders of the Rule 144A Notes or any beneficial interest in the Restricted Securities or any prospective purchasers of the Rule 144A Notes designated by any holder or beneficial owner of the Rule 144A Notes are entitled to the benefit of the Deed Poll (the **Deed Poll**) dated March 16, 2015 and made by the Issuer. The original Deed Poll is held by the common depository for Euroclear and Clearstream, Luxembourg.

Copies of the Agency Agreement, the Deed of Covenant, the CDP Deed of Covenant and the Deed Poll 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 Installment 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 SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**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.

For so long as the DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

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, DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, as the case may be. References to CDP, DTC, 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, DTC, 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 authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of CDP, DTC, 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, DTC, Euroclear or Clearstream, Luxembourg, the CMU Service shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) or to a successor of CDP, DTC, 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 (g) 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 authorized 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 authorized 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) *Transfers of interests in Regulation S Global Notes*

Prior to expiry of the applicable Distribution Compliance Period (if any), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a Transfer Certificate), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form. After expiry of the applicable Distribution Compliance Period (if any) (A) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (B) such certification requirements will no longer apply to such transfers.

(d) *Transfers of interests in Legended Notes*

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period (if any), the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably

be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(e) *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.

(f) *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.

(g) *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 Installment 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.

(h) *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.

(i) *Definitions*

In this Condition, the following expressions shall have the following meanings:

“**Distribution Compliance Period**” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“**Legended Note**” means a Registered Note (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bears a legend specifying certain restrictions on transfer (a Legend);

“**QIB**” means a qualified institutional buyer within the meaning of Rule 144A;

“**Regulation S**” means Regulation S under the Securities Act;

“**Rule 144A**” means Rule 144A under the Securities Act; and

“**Securities Act**” means the United States Securities Act of 1933, as amended.

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 ratably with the Relevant Indebtedness to the satisfaction of the Noteholders; 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.

4.2 Interpretation

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% 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% of the Net Tangible Assets of the Group, as shown by such audited consolidated accounts or (B) a report by the Group's independent 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% of the Net Tangible Assets of the Group. A report by the Group's independent 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, DTC, Euroclear and Clearstream, Luxembourg, CMU Lodging and Paying Agent 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 check;
- (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 twelve 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 center 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 “ABS SIBOR FIX – 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%) 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%) 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%) 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 as being the rate which appears on the Reuters Screen ABSFIX1 Page under the caption “SGD SOR – RATES AT 11:00 AM LONDON TIME” and under the column headed “SGD SOR” (or such other replacement page thereof 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 ABSFIX1 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) or if the Reuters Screen ABSFIX1 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 Rate of Interest for such Interest Period as being the rate or, if there is more than one rate which is published, the arithmetic mean of those rates for a period equal to the duration of such Interest Period published by a recognized industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Agent may select and as adjusted by the Margin (if any);
- (cc) if on any Interest Determination Date, the Agent is otherwise unable to determine the Rate of Interest under paragraphs (aa) and (bb) above, the Rate of Interest 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%) 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 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 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%) 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); and
- (dd) if paragraph (cc) above applies and the Agent determines that fewer than two Reference Banks are quoting the rate as being their cost of funding or quoting the prime lending rates for Singapore Dollars on such Interest Determination Date, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

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:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” 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 D₁ is greater than 29, in which case D₂ 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:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” 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 D₂ 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:

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” 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 D₁ will be 30; and

“D₂” 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 D₂ 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 willful 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 willful 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 or Renminbi 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 check in such Specified Currency drawn on, a bank in the principal financial center 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 check; 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 (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

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 installments of principal (if any) in respect of Definitive Bearer Notes not held in the CMU Service, other than the final installment, 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 installment 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 installment 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, unmaturing 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 unmaturing 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 unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing 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 unmaturing 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, unmaturing 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 installments of principal prior to the final installment) 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 check 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 nonresident 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 center 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 installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made by a check 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 installments of principal (other than the final installment) 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 installment 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 check 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.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Issuer to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

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 NY 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 willful 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, DTC, 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, DTC, 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 center 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 installments, the Installment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortized 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 the U.S. Paying Agent (if applicable) 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 recognized 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 the U.S. Paying Agent (if applicable) 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 DTC 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, DTC, 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 check, 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, DTC, 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 and the U.S. Paying Agent (if applicable) of such exercise in accordance with the standard procedures of CDP, DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) (which may include notice being given on his instruction by CDP, DTC, 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, DTC, 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, DTC, 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 Installment 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 **Amortized Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})_y$$

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 Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment 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) to the extent such withholding or deduction is imposed pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

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 10 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 U.S.\$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 nationalized 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 or 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) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will be at all times an Exchange Agent; and
- (d) 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.

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 and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC 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 dispatch 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 DTC 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). While 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 DTC 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 DTC and/or the CMU Service, as the case may be, may approve for this purpose.

Notwithstanding the other provision of this Condition, in any case where the identity and the addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such address and will be deemed to have been given two business days after being sent.

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% 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% 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, Deed Poll, 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 Welbeck Street, London, W1G 9YE, United Kingdom 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 Program (after deduction of underwriting fees, discounts and commissions, and other expenses incurred by us in connection with the Program or the Notes) will be used by us or the Group for the purpose of funding new capital expenditure, funding for general corporate purposes and/or refinancing existing borrowings or such purposes as may be specified in the applicable Pricing Supplement.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out our capitalization and indebtedness as derived from our audited consolidated financial statements as at December 31, 2015, prepared in accordance with Singapore Financial Reporting Standards. The table should be read in conjunction with our audited consolidated financial statements as at December 31, 2015 and the notes thereto included elsewhere in this Offering Circular, and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

As at December 31, 2015, we had an issued share capital of \$607.6 million. The number of ordinary shares issued was 589,908,834. We have only one class of ordinary shares and all of our share capital comprises fully paid shares.

	As at December 31, 2015 (in U.S.\$ million)
Indebtedness	
Unsecured medium term notes	3,212.6
Unsecured loan financing	1,010.0
Secured loan financing and finance lease payables	4,733.9
Total indebtedness	8,956.5
Equity attributable to owner of the Company	
Share capital	607.6
Retained earnings	1,832.1
Total equity	2,439.7
Total capitalization and indebtedness	11,396.2

Indebtedness refers to loans and borrowings and finance lease payables before adjustments for debt issue costs, fair value adjustments and discounts/premium to medium term notes.

There have been no material changes in our capitalization, indebtedness or contingent liabilities since December 31, 2015.

SELECTED FINANCIAL INFORMATION

The following tables present our selected financial information, which should be read in conjunction with our consolidated financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that appear elsewhere herein. The selected financial information as at and for the years ended December 31, 2013, 2014 and 2015 are derived from our audited consolidated financial statements contained elsewhere in this Offering Circular.

	Year ended December 31,		
	2013	2014	2015
	(US\$'000)		
Consolidated Statement of Profit or Loss Data			
Revenues and other income			
Lease rental income	804,112	936,916	975,485
Interest and fee income	27,951	11,607	39,844
Net gain on sale of aircraft	76,471	30,291	70,144
Others	10,127	9,619	5,249
	918,661	988,433	1,090,722
Costs and expenses			
Depreciation of plant and equipment	336,346	381,247	381,951
Finance expenses	135,689	150,780	168,771
Amortization of deferred debt issue costs	14,635	14,546	18,129
Amortization of lease transaction closing costs	306	171	345
Staff costs	40,654	51,230	58,689
Marketing and traveling expenses	4,254	5,048	5,037
Other operating expenses	28,310	9,545	12,467
Impairment of aircraft	42,800	23,100	43,900
Bad debts written off	4,736	–	–
	(607,730)	(635,667)	(689,289)
Profit before income tax	310,931	352,766	401,433
Income tax expense	(33,870)	(44,192)	(58,126)
Profit for the year attributable to equity holder of the Company	277,061	308,574	343,307

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements included in this Offering Circular. As used herein, except where the context suggests otherwise, the terms "BOC Aviation," "the Company" and "its," refer to BOC Aviation Pte. Ltd, and 'our', "we," "the Group" and "us" refer to BOC Aviation Pte. Ltd. and its subsidiary companies.

OVERVIEW

We are a leading global aircraft operating leasing company. We are the largest aircraft operating leasing company headquartered in Asia and the fifth largest global aircraft operating leasing company, in each case as measured by the value of owned aircraft as of December 31, 2015 (excluding aircraft ordered but undelivered). Our specialized aviation industry knowledge, our relationships with airline customers, aircraft manufacturers and other key aviation industry participants, together with the long-term experience and talent of our senior management team and other key employees have enabled us to deliver strong operational and financial results through multiple industry cycles. In particular, we have delivered 22 years of unbroken profitability, with approximately US\$2.1 billion in cumulative profits through 2015. Our average ROE over the Relevant Period of 15.1% is among the highest for all listed aircraft operating leasing companies.

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

We benefit from a low average cost of funds, which was 1.9% in 2013 and 2014 and 2.0% in 2015, supported by our strong credit ratings (which, as at the Latest Practicable Date, were A- from both Standard & Poor's and Fitch) and a diversified range of funding sources. As at December 31, 2015, we had more than 60 banks and other financial institutions lending to us. We believe the scale of our business and our investment grade credit ratings make us an attractive counterparty to both aircraft manufacturers and airline customers, which further reinforces our competitiveness. We also enjoy strong and committed support from Bank of China, a top 10 bank globally by market capitalization as at the Latest Practicable Date and a Fortune Global 50 company. Bank of China has provided us with a US\$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. This facility remained undrawn as at the Latest Practicable Date.

BASIS OF PREPARATION

Our financial statements have been prepared in accordance with IFRS. All IFRS provisions effective for the accounting period commencing from January 1, 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of our financial statements throughout the Relevant Period. The financial statements have been prepared on a historical cost convention except as disclosed in the accounting policies and explanatory notes set out in the audited consolidated financial statements in this Offering Circular.

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

RECENT DEVELOPMENT OF OUR BUSINESS SUBSEQUENT TO THE RELEVANT PERIOD

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

- our fleet comprised 231 owned aircraft and 43 managed aircraft, which reflects the purchase of eight owned aircraft and sale of four owned aircraft from December 31, 2015 up to the Latest Practicable Date;
- ten of our scheduled aircraft deliveries for 2016 were delivered, and all these aircraft were on-lease at delivery, other than two, which were acquired by airline customers; and
- our order book comprised 231 aircraft.

We have also continued to draw down and repay our loans in the ordinary course of business.

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

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

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

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

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

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

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

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

Size of our Fleet

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

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

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

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

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

Notes:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at December 31, 2015 and as at the Latest Practicable Date, there were 14 and 12 aircraft, respectively.
- (2) As at December 31, 2015, the Company had classified as assets held for sale seven aircraft, comprising six Airbus A320CEO family aircraft and one Boeing 737NG family aircraft, for which it had entered into agreements to sell in accordance with the Company's strategy of actively managing its aircraft portfolio.

Terms of our Aircraft Purchases

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

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

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

Terms of our Lease Agreements

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

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

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

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

Access to Financing, Financing Costs and Related Market Conditions

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

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

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

As at December 31, 2015, 80.5% of our debt was on a floating rate basis (including fixed rate debt which had been swapped to floating rates) and 19.5% was on a fixed rate basis. We expect to continue to utilize external debt financing subject mainly to floating interest rates to fulfill our capital expenditure needs as well as to refinance debts. See note 39 to the audited consolidated financial statements in this Offering Circular for a sensitivity analysis of the overall impact on our net profit during the Relevant Period of hypothetical movements in interest rates for our floating rate leases and major financial instruments which are interest bearing.

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

We are exposed to interest rate movements when we finance the acquisition of new aircraft by borrowing at floating interest rates pegged to U.S. Dollar LIBOR on the one hand, while collecting fixed rate rentals in U.S. Dollars in certain leases on the other. To hedge this exposure in our business, we have entered into interest rate caps during the Relevant Period in respect of our fixed rate operating leases. We also entered into hedging arrangements during the Relevant Period using cross-currency swaps to manage the currency exposure arising from our debt financing in currencies other than U.S. Dollars. We enter into hedging arrangements with large, international financial institutions with strong credit ratings.

From time to time, we also swap fixed rate debt obligations into floating rate liabilities through the use of fixed-to-floating interest rate swaps. For instance, we issued medium term notes at fixed coupon rates in 2014 and 2015, and used derivative financial instruments in the form of fixed-to-floating interest rate swaps to swap our fixed rate payment obligations under these notes to floating rate liabilities pegged to U.S. Dollar LIBOR.

See “*Business – Hedging Arrangements and Policies*” and “*Financial Information – Qualitative and Quantitative Disclosures on Financial Risk*” for further details.

Sale of Aircraft

As a critical part of our business model, we actively manage our portfolio of owned aircraft. We sell aircraft to generate gains on sale and to manage risk in the portfolio. As at December 31, 2015, we had sold aircraft to more than 70 investors globally since our inception in 1993. Our net gain on sale of aircraft is primarily affected by the sale price we achieve on the one hand and the net book value of the aircraft sold on the other, which is dependent on our acquisition price and our depreciation policy. Sale prices for our aircraft depend on a number of factors, including general market conditions, attractiveness of the aircraft for sale in terms of model, specification and age, remaining lease term and prevailing market demand for the particular type of aircraft. For example, in 2013, 2014 and 2015, we sold 21, 33 and 43 aircraft from our fleet, respectively, recording net gain on sale of aircraft of US\$76.5 million, US\$30.3 million and US\$70.1 million in the same years, respectively. Our revenue from such sales decreased in

2014 compared to 2013 despite a higher number of aircraft sold, primarily due to sales of older generation models in 2014, which resulted in a lower average sale price per aircraft. Such sales were in line with our plan to dispose of older aircraft in our fleet to maintain a young aircraft portfolio. Our net gain on sale of aircraft then increased in 2015, primarily due to the increase in the number of aircraft sold.

Taxation

We operate globally and own aircraft in entities incorporated in Singapore, Ireland, the United States and the Cayman Islands as at December 31, 2015. We also expect the subsidiary in the United Kingdom to own and lease aircraft from 2016 onwards. The prevailing corporate tax rates in Singapore, Ireland, the United States, the Cayman Islands and the United Kingdom are 17%, 12.5%, 35%, 0% and 20%, respectively. The table below sets forth a breakdown of our income tax expense/credit by jurisdiction during the Relevant Period:

	Year ended December 31,		
	2013	2014	2015
	Tax expense/ (credit)	Tax expense/ (credit)	Tax expense/ (credit)
	US\$'000		
Tax jurisdiction			
Singapore	8,969	6,705	20,716
Ireland	7,753	14,212	15,274
United States	16,542	23,646	21,876
Others ⁽¹⁾	606	(371)	260
Total	33,870 ⁽²⁾	44,192 ⁽²⁾	58,126

Notes:

- (1) Represents income tax expense/credit in tax jurisdictions in which the Group did not own aircraft during the Relevant Period, including China, France, the United Kingdom and Labuan, for which the prevailing corporate tax rates are 25%, 33.33%, 20% and 3% (or a flat rate of MYR20,000), respectively.
- (2) Includes write-back of provision in respect of prior years.

As a result of the range in applicable tax rates, including concessionary rates in Singapore as discussed below, taxes accrued in higher or lower tax jurisdictions can significantly affect the amount of tax expenses we recognize. During the Relevant Period, such variance has resulted in an increase in our effective tax rate from 10.9% in 2013 to 12.5% in 2014 and further to 14.5% in 2015. Our effective tax rates in 2013 and 2014 were lower due to the write-back of tax provided in prior years. Without such write-backs, our effective tax rates in 2013 and 2014 would have been 12.9% and 13.7%, respectively.

ALS is an incentive scheme under which an approved aircraft leasing company which derives income from aircraft leasing and other prescribed activities is granted, on a case by case basis, a concessionary tax rate rather than the prevailing corporate tax rate in Singapore which is presently 17%. Based on the circular published by the Economic Development Board of Singapore (**EDB**), such prescribed activities include several of the activities we undertake, such as services relating to the arrangement for the procurement or disposal of aircraft and the management of aircraft leases. Automatic withholding tax exemptions are extended to loans provided to ALS-approved companies from non-Singapore resident lenders to finance the purchase of aircraft or aircraft engine, subject to certain qualifying conditions. Based on the circular published by the EDB, the conditions for such exemption include (i) the loan not being for any other purpose other than for financing the acquisition of aircraft or aircraft engine to be used in leasing business, (ii) the loan being on an "arm's length" basis between the lender and the borrower, (iii) the amount being

at least S\$5 million per aircraft or aircraft engine and (iv) the aircraft or aircraft engine financed by the loan being beneficially owned by the ALS-approved company. The ALS awarded to the Company was most recently renewed in July 2012 for five years up to June 2017, and may be further extended subject to approval from the Ministry of Finance of Singapore. We intend to maintain our compliance with the terms and conditions stipulated under the ALS and to apply for extension of the incentive scheme in due course in order to continue to benefit from its provisions.

Except for minimal amounts, we have not paid cash tax during the Relevant Period primarily due to tax deductions from capital allowances in connection with our ongoing acquisition of new aircraft, resulting in unabsorbed capital allowances and unutilized tax losses which are available to offset our taxable income. We believe this is in line with typical practice in the aircraft operating lease industry in which companies that frequently acquire additional aircraft will have significant capital allowances and/or tax losses, which in turn may be used to offset taxable income. Our capital allowances, together with the concessionary tax treatment under the ALS, has been sufficient to offset substantially all of our taxable income during the Relevant Period and reduce our effective tax rate.

We also recognize deferred tax liability on our statement of financial position mainly attributable to the excess of the depreciation claimed for tax purposes over the depreciation deducted from accounting profits.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our estimates, assumptions and judgments are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances at the time of valuation. A summary of our significant accounting policies is presented in the notes to the audited consolidated financial statements included in this Offering Circular. Critical accounting policies and estimates are defined as those that are both important to the portrayal of our financial position and results and require our subjective judgments, estimates and assumptions. Our more critical accounting policies and significant estimates, assumptions and judgments are described below.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

While we are primarily an aircraft operating leasing company, we do enter into financing arrangements pursuant to which we are considered the lessee.

Where we are the lessor – owned aircraft which are leased by us under operating leases

Leases where we retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Our owned aircraft portfolio is on lease with various airlines. We determined that we retain all significant risks and rewards of ownership of these aircraft which are leased out on operating leases. This determination is done after considering the conditions set out in IFRS 17 ‘Leases’ which, among other things, require that the Group retains the title of the aircraft at the end of the lease term and the lease term does not cover the major part of the economic life of the aircraft.

Where we are the lessee – financed aircraft purchases

Finance leases, which effectively transfer to us substantially all the risks and benefits incidental to ownership of the leased asset, are capitalized at the inception of the lease term at fair value of the leased asset or, if lower, at the present value of the minimum lease payments and are disclosed under note 36 to the audited consolidated financial statements in this Offering Circular. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Aircraft that we acquire on finance leases and for which we retain substantially all the risks and rewards of ownership are recognized as assets on our balance sheet and are then leased on operating leases with our airline customers.

Related developments

A new standard for lease accounting, IFRS 16 ‘Leases’, was issued on January 13, 2016.

It is anticipated that IFRS 16 ‘Leases’ will not have a significant impact upon the way in which lessors account for leases. The main changes reflected in IFRS 16 ‘Leases’ will affect lessees. Under IFRS 16 ‘Leases’ a lessee will be required to recognize a “right-of-use” asset and a lease liability. The “right-of-use” asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest.

Adoption of IFRS 16 ‘Leases’ may require certain lessees to alter the way in which their operating leases are treated in their accounting records, requiring them to recognize the financial impact (both in terms of a “right-of-use” asset, on the asset side, and a lease liability, on the liability side, of their statements of financial position) of operating leases entered into with the Group.

See “*Risk Factors – A new standard for lease accounting which may impact our airline customers was issued on January 13, 2016, effective from financial reporting periods beginning on or after January 1, 2019*” for further details.

Plant and Equipment

Aircraft

Purchased aircraft on operating leases to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of aircraft prior to delivery. Subsequent to recognition, purchased aircraft are stated at cost less accumulated depreciation and accumulated impairment loss. Modifications and all other costs associated with placing the aircraft in service are capitalized. The cost of aircraft is stated net of manufacturers’ credits. Expenditure for additions and improvements is capitalized. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to profit or loss.

As indicated above, we occasionally arrange financing such that we lease the aircraft as the lessee under a finance lease. We account for leased aircraft as finance leases if the lease agreements give us rights approximating ownership when we are the lessee. The assets are capitalized under plant and equipment as if they had been purchased outright at the fair value of the leased asset or, if lower, at the present value

of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset is also charged to profit or loss.

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

Aircraft progress payments

Progress payments refer to pre-delivery payments for aircraft under construction and are recognized under plant and equipment when payments are made.

Depreciation

Aircraft are depreciated on a straight-line basis over 25 years less the aircraft's age with a 15% residual value at the end of the 25th year for the first 12 years. The remaining value at the end of the 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years. Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed and adjusted, as appropriate, at each year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment. The effects of any revision are recognized in profit or loss when the changes arise.

Disposal

When an aircraft is sold, its book value is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the period the asset is derecognized.

Impairment of Aircraft

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

With respect to aircraft, determining whether to recognize an impairment loss requires estimation of the aircraft's fair value less its costs to sell and the value in use of the aircraft. To estimate the fair value, management uses independent aircraft appraisers' valuations which are derived based on certain assumptions. Key assumptions include: (i) a willing, able, prudent and knowledgeable buyer and seller; (ii) no unusual pressure on either buyer or seller that necessitates either a discount or premium to the most likely trading price; (iii) negotiation in an open and unrestricted market; (iv) adequate time for effective exposure to prospective buyers; (v) stable market, global regulatory and legislative environments, precluding the possibility of the aircraft's premature withdrawal from operational use; (vi) aircraft is in a standard maintenance condition for its vintage; (vii) aircraft is in average physical condition; (viii) unless otherwise stated, aircraft is equipped to an average specification; and (ix) an inflation rate of 2% per annum. Estimating the value in use requires us to make an estimate of the expected future cash flows from the lease and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Non-current Assets Held for Sale

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

Assets are classified as held for sale when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and its sale must be highly probable. Management judgment is required to assess whether the assets meet the conditions to be classified as assets held for sale.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

Lease rental income

We and certain of our subsidiary companies, as lessors, lease aircraft under operating leases. Lease income is recognized over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognized 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 the respective lessees.

Maintenance Reserves

Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessee to make monthly or end of lease maintenance reserves contributions to us which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserves balances are accounted for as liabilities. Upon termination of the lease, any unutilized maintenance reserves balance will be released to profit or loss or continue to be retained as reserves for drawdown by the follow-on lessee. Upon sale of the aircraft, any unutilized maintenance reserves balance not transferred to buyer will be released to profit or loss. Any shortfall identified in the balances held in respect of historic operation of the aircraft that may be required to be made available for draw down by follow-on lessee are provided as a charge to profit or loss.

Management makes a judgment based on payment records that as at each date in the statement of financial position, the lessees are able to fulfill their obligations as stipulated in the lease agreements. For any shortfall identified, a provision for aircraft maintenance will be charged to profit or loss.

Borrowing Costs

Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds. Borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use are in progress, and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use. We borrow to finance certain pre-delivery payments for

aircraft under construction. The interest incurred on such borrowings is capitalized and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitments or advances of pre-delivery payments on which we earn income. Capitalization of interest ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

Financial Instruments

Financial assets

Initial recognition and measurement

Financial assets are recognized when, and only when, we become a party to the contractual provisions of the financial instrument. We determine the classification of our financial assets at initial recognition.

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

All purchases and sales of financial assets are recognized or derecognized on the trade date, i.e., the date that we commit to purchase or sell the asset.

Subsequent measurement

Financial assets at fair value through profit or loss: Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss.” Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains or losses on financial assets classified as fair value through profit or loss are recognized in profit or loss.

Loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, and through the amortization process.

Derecognition

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, we become a party to the contractual provisions of the financial instrument. We determine the classification of our financial liabilities at initial recognition.

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

Subsequent measurement

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by us that are not designated as hedging instruments in hedge relationships. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognized in profit or loss.

Other financial liabilities: After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

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

Offsetting of financial instruments

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

Derivative Financial Instruments and Hedging Activities

We use derivative financial instruments, such as cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts, to hedge our risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair values on the date on which derivative contracts are entered into and are re-measured at fair values. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

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

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

We apply hedge accounting for certain hedging relationships which qualify for hedge accounting. For the purpose of hedge accounting, hedges are classified as:

- (i) Fair value hedges when hedging the exposure to changes in the fair values of a recognized asset or liability that is attributable to a particular risk and could affect profit or loss; and
- (ii) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

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

Deferred Income Tax

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

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

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries to the extent that we are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. We are subject to Singapore tax on all of our foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgment is required to determine that the undistributed profits of the subsidiaries will not be distributed and remitted into Singapore in the foreseeable future. We provide for taxes on the undistributed earnings of foreign subsidiaries except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiaries and overseas unremitted income was US\$542.1 million, US\$640.4 million and US\$817.4 million as at December 31, 2013, 2014 and 2015, respectively, for which deferred tax liabilities have not been recognized.

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

- (i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized 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 utilized.

Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Company was granted a renewal of the concessionary tax rate with effect from July 1, 2012 under the ALS. See “*Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition.*” To qualify for five years of concessionary tax rate, the Company is required to achieve certain conditions within the five-year period. Management is reasonably confident that the conditions can be met and is unaware of any reason for the extension of the concessionary rate after the expiry would not be considered.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue and Other Income

Our revenues and other income primarily consists of (i) lease rental income, (ii) interest and fee income and (iii) net gain on disposal of aircraft.

Lease rental income

Our primary source of revenues and other income is lease rental income received from aircraft operating leases with airlines, representing 87.5%, 94.8% and 89.4% of our total revenue and other income in 2013, 2014 and 2015, respectively. We lease aircraft to airlines in multiple geographic regions, including Asia Pacific (excluding Chinese Mainland, Hong Kong, Macau and Taiwan), Chinese Mainland, Hong Kong, Macau and Taiwan, the Americas, Europe, and the Middle East and Africa.

We maintain geographic diversification with respect to our lease rental income, while seeking to lease aircraft on an opportunistic basis in any jurisdiction in which we believe we are able to obtain beneficial terms, subject to our risk management policies and assessments. During the Relevant Period, the Asia Pacific region (excluding Chinese Mainland, Hong Kong, Macau and Taiwan) was the largest region for our revenue from lease rentals, representing 28.4%, 31.2% and 33.2% of our total lease rental income in 2013, 2014 and 2015, respectively. Our lease rental income from the Asia Pacific (including Chinese Mainland, Hong Kong, Macau and Taiwan), which together amounted to 42.6%, 43.6% and 49.9% of our total lease rental income in the same years, respectively, reflects demand in these regions for aircraft leasing.

Our aircraft lease agreements typically provide for monthly payments in advance at a fixed rent or floating rent pegged to U.S. Dollar LIBOR which adjusts periodically during the term of the lease. Based on our order book, deliveries and the consequential commencement of lease rental income are spaced out over the course of the year without significant seasonal variation.

Interest and fee income

Our interest and fee income was US\$28.0 million, US\$11.6 million and US\$39.8 million in 2013, 2014 and 2015, respectively. As a complementary product offering in connection with our aircraft purchase and leaseback transactions, we sometimes collect fees from our airline customers for making pre-delivery payments to the aircraft OEMs for future aircraft delivery commitments. These types of arrangement are typically sourced through a combination of our aircraft leasing and sales and our aircraft purchasing teams, each of which is in regular dialogue with our airline customers and the OEMs. We are able to leverage our relationships with both our airline customers and the OEMs as well as the prevailing dynamics in particular situations. This, together with our strong financial position, enables us to execute these arrangements quickly and efficiently on competitive terms. Consistent with the approach we take to analyzing and evaluating all transactions which we enter into, any pre-delivery payment arrangement is analyzed and evaluated against the Group’s expected financial returns and other benchmarking requirements.

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

Our income further includes interest generated from fixed deposits and cash balances with banks. In 2013, we also generated income from finance leases where we were the lessor which we subsequently terminated, thus generating no income in 2014 and 2015.

We also derive income from providing a variety of management and marketing services to aircraft owners across a variety of services, including invoicing and collections, monitoring insurance renewals, monitoring letter of credit renewals, utilization reporting and tracking, technical inspections, transition planning and management, lease placement, sales and marketing (including remarketing) and other related services.

Our fee income can vary significantly from year to year due to the timing of aircraft deliveries or the volume of such transactions in a particular year, and may impact our overall funding costs. See note 5 to the audited consolidated financial statements in this Offering Circular for further details.

Net gain on sale of aircraft

Net gain on sale of aircraft is derived from sale proceeds and maintenance reserves retained by us, less net book value of the relevant aircraft and sales expenses. We typically sell aircraft to other lessors, airlines or private fund entities. In 2013, 2014 and 2015, we sold 21, 33 and 43 aircraft, respectively. The table below sets forth a breakdown of our net gain on sale of aircraft:

	Year ended December 31,		
	2013	2014	2015
	US\$'000		
Proceeds from sale of aircraft	913,303	1,315,861	1,822,618
Maintenance reserves released	45,745	35,891	65,026
Less: net book value of aircraft	(880,642)	(1,319,484)	(1,798,652)
Less: sales expenses	(1,935)	(1,977)	(18,848)
Net gain on sale of aircraft	76,471	30,291	70,144

Costs and Expenses

Costs and expenses mainly comprise (i) depreciation, (ii) finance expenses, (iii) staff costs, (iv) impairment charges and (v) other operating expenses.

Depreciation of plant and equipment

Depreciation of aircraft constituted the largest component of our costs and expenses during the Relevant Period. In 2013, 2014 and 2015, depreciation of plant and equipment amounted to US\$336.3 million, US\$381.2 million and US\$382.0 million, representing 55.3%, 60.0% and 55.4% of our total costs and expenses (excluding income tax expense) during the same periods, respectively. The table below sets forth, for the periods indicated, a breakdown of our depreciation charges:

	Year ended December 31,		
	2013	2014	2015
	US\$'000		
Aircraft	335,012	378,997	379,863
Other plant and equipment	1,334	2,250	2,088
Total depreciation	336,346	381,247	381,951

We depreciate our aircraft on a straight-line basis over 25 years less the aircraft's age with 15% residual value at the end of the 25th year for the first 12 years. The remaining value at the end of the 12th year is depreciated on a straight-line basis with no residual value over the remaining 13 years. Depreciation of other plant and equipment, which include office equipment and furniture and renovations, is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. During the Relevant Period, our increases in aircraft depreciation costs were in line with the corresponding increases in the net book value of our aircraft portfolio and offset by our aircraft sales.

Finance expenses

Finance expenses relate primarily to interest expense, fair value changes on derivative financial instruments and other charges on our loans and borrowings and finance lease payables, which are not capitalized as part of plant and equipment. The table below sets forth, for the periods indicated, a breakdown of our finance expenses:

	Year ended December 31,		
	2013	2014	2015
	US\$'000		
Interest expense and other charges on			
Loans and borrowings	136,730	152,159	169,063
Finance leases	781	995	1,156
Less: net fair value gain on derivative financial instruments	(1,822)	(2,374)	(1,448)
Total finance expenses	135,689	150,780	168,771

Staff costs

Staff costs comprise mainly salaries, bonuses and employer's defined contribution benefits. The table below sets forth, for the periods indicated, a breakdown of our staff costs:

	Year ended December 31,		
	2013	2014	2015
	US\$'000		
Salaries, bonuses and other staff costs	39,483	49,387	56,892
Employer's defined contribution benefits	1,171	1,843	1,797
Total staff costs	40,654	51,230	58,689

Our staff costs increased over the Relevant Period primarily due to higher bonuses for meeting performance targets, increased headcount to support the expansion of our business activities and annual salary increases.

Impairment of aircraft

Impairment charges reflect the excess of net book values of the aircraft over their recoverable amounts. See "*Financial Information – Critical Accounting Policies and Estimates*" and note 3.2 to the audited consolidated financial statements in this Offering Circular for further details.

Other operating expenses

Other operating expenses primarily consist of technical services expenses (including repossession costs), professional fees and general office expenses.

Income tax expense

Income tax expense mainly relates to provision for deferred tax liabilities. The deferred tax liabilities are mainly attributable to the excess of depreciation claimed for tax purposes over the depreciation deducted from accounting profits. As the Group has operating entities across multiple jurisdictions, we are subject to varying tax rates on our business. See “*Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition*” for further details. Other than minimal amounts paid, we have not paid cash tax during the Relevant Period due to tax depreciation being sufficient to offset taxable income.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues and other income

Our total revenues and other income increased by 10.3% from US\$988.4 million in 2014 to US\$1,090.7 million in 2015, primarily due to increases in lease rental income, net gain on sale of aircraft and interest and fee income.

Lease rental income

Our lease rental income increased by 4.1% from US\$936.9 million in 2014 to US\$975.5 million in 2015, primarily due to growing fleet of aircraft in the first ten months of 2015, partially offset by decrease in rental income as a result of the sale of 24 aircraft in the second half of 2015.

Interest and fee income

Our interest and fee income significantly increased from US\$11.6 million in 2014 to US\$39.8 million in 2015, primarily due to a significant increase in fees for aircraft progress payments reflecting increased demand from counterparties for pre-delivery payment arrangements thereto.

Net gain on sale of aircraft

Our net gain on sale of aircraft significantly increased from US\$30.3 million in 2014 to US\$70.1 million in 2015, primarily due to an increase in aircraft sold from 33 to 43 in the same years, respectively. The increase in aircraft sold was mainly due to the sale to a single buyer in the second half of 2015. The amount of net gain on sale of aircraft in 2014 was partially offset by losses on sale of several older generation models. As a result, we had a higher net gain per aircraft sold in 2015 compared to 2014.

Costs and expenses

Our total costs and expenses increased by 8.4% from US\$635.7 million in 2014 to US\$689.3 million in 2015, primarily due to increases in finance expenses and impairment of aircraft.

Depreciation of plant and equipment

Depreciation of plant and equipment increased slightly by 0.2% from US\$381.2 million in 2014 to US\$382.0 million in 2015, in line with the growth of aircraft net book value reflecting purchases during 2015 offset by sales within the year.

Finance expenses

Finance expenses increased by 11.9% from US\$150.8 million in 2014 to US\$168.8 million in 2015, primarily due to an increase in financing for our fleet of aircraft. Our average cost of funds was 1.9% in 2014 and 2.0% in 2015.

Staff costs

Staff costs increased by 14.6% from US\$51.2 million in 2014 to US\$58.7 million in 2015, primarily due to higher provisions for bonuses in achieving strong operational results against pre-determined key performance targets in 2015, increased headcount to support the expansion of our business activities and annual salary increases.

Other operating expenses

Other operating expenses increased by 30.6% from US\$9.5 million in 2014 to US\$12.5 million in 2015, primarily due to amount of provision of repossession costs written back in 2014 which we did not recur in 2015.

Impairment of aircraft

Impairment of aircraft increased by 90.0% from US\$23.1 million in 2014 to US\$43.9 million in 2015, primarily due to impairment of two older aircraft, reflecting reduced market demand for the older aircraft.

Marketing and traveling expenses

Marketing and traveling expenses remained at US\$5.0 million in each of 2014 and 2015.

Amortization of deferred debt issue costs

Amortization of deferred debt issue costs increased by 24.6% from US\$14.5 million in 2014 to US\$18.1 million in 2015, primarily due to writing off unamortized debt issue cost of loan facilities which were prepaid due to sale of aircraft in 2015.

Profit before income tax and pre-tax profit margin

As a result of the foregoing, profit before income tax increased by 13.8% from US\$352.8 million in 2014 to US\$401.4 million in 2015. Our pre-tax profit margin increased from 35.7% to 36.8% in the same years, respectively.

Income tax expense

Income tax expense increased by 31.5% from US\$44.2 million in 2014 to US\$58.1 million in 2015. Our effective tax rate increased from 12.5% to 14.5% in the same periods, respectively, primarily due to no tax written back in 2015 as opposed to a write back of US\$4.1 million in 2014.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 11.3% from US\$308.6 million in 2014 to US\$343.3 million in 2015. Our net profit margin remained stable at 31.2% and 31.5% in the same periods, respectively.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues and other income

Our total revenues and other income increased by 7.6% from US\$918.7 million in 2013 to US\$988.4 million in 2014, primarily due to an increase in lease rental income, partially offset by decreases in net gain on sale of aircraft and in interest and fee income.

Lease rental income

Our lease rental income increased by 16.5% from US\$804.1 million in 2013 to US\$936.9 million in 2014, primarily due to a net increase of 24 aircraft in our fleet under operating leases from 206 as at December 31, 2013 to 230 as at December 31, 2014.

Interest and fee income

Our interest and fee income decreased by 58.5% from US\$28.0 million in 2013 to US\$11.6 million in 2014, primarily due to a lower volume of fee-earning pre-delivery advance payments to manufacturers. Our lease management fee income decreased over the same period due to one-off fees received in 2013 in relation to two aircraft managed by us for an airline customer.

Net gain on sale of aircraft

Our net gain on sale of aircraft decreased by 60.4%, from US\$76.5 million in 2013 to US\$30.3 million in 2014. Although 33 aircraft were sold in 2014 compared to 21 aircraft in 2013, the net gain on sale was reduced by losses on sale of several older generation models. As a result, we had lower net gain per aircraft sold in 2014 compared to 2013.

Costs and expenses

Our total costs and expenses increased by 4.6% from US\$607.7 million in 2013 to US\$635.7 million in 2014, primarily due to an increase in depreciation of plant and equipment and finance expenses, partially offset by a decrease in impairment of aircraft and other operating costs and expenses.

Depreciation of plant and equipment

Depreciation of plant and equipment increased by 13.3% from US\$336.3 million in 2013 to US\$381.2 million in 2014, which was in line with an increase in aircraft net book value in 2014 due to purchases, partially offset by sales within the year.

Finance expenses

Finance expenses increased by 11.1% from US\$135.7 million in 2013 to US\$150.8 million in 2014, mainly due to an increase in financing for our larger fleet of aircraft. Our average cost of funds remained at 1.9% in both 2013 and 2014.

Staff costs

Staff costs increased by 26.0% from US\$40.7 million in 2013 to US\$51.2 million in 2014. Staff costs were higher in 2014 due to higher provisions for bonuses in achieving strong operational results against pre-determined key performance targets in 2014, increased headcount to support the expansion of our business activities and annual salary increases.

Other operating expenses

Other operating expenses decreased by 66.3% from US\$28.3 million in 2013 to US\$9.5 million in 2014, primarily due to a substantial decrease in technical services expenses as a result of a reversal of provision for repossession costs in 2013 after such costs were finalized in 2014.

Impairment of aircraft

Impairment of aircraft decreased by 46.0% from US\$42.8 million in 2013 to US\$23.1 million in 2014. Provision for impairment loss in 2014 was made mainly for three aircraft which were older than 12 years. Impairment of aircraft was higher in 2013 due to provisions for several other older aircraft which have since been sold.

Marketing and traveling expenses

Marketing and traveling expenses increased by 18.7% from US\$4.3 million in 2013 to US\$5.0 million in 2014, primarily due to increased business activities.

Amortization of deferred debt issue costs

Amortization of deferred debt issue costs remained stable at US\$14.6 million and US\$14.5 million in 2013 and 2014, respectively.

Profit before income tax and pre-tax profit margin

As a result of the foregoing, profit before income tax increased by 13.5% from US\$310.9 million in 2013 to US\$352.8 million in 2014. Our pre-tax profit margin increased from 33.8% to 35.7% in the same years, respectively.

Income tax expense

Income tax expense increased by 30.5% from US\$33.9 million in 2013 to US\$44.2 million in 2014. Our effective tax rate increased from 10.9% to 12.5% in the same years, respectively, primarily due to lower tax write-backs.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 11.4% from US\$277.1 million in 2013 to US\$308.6 million in 2014. Our net profit margin slightly increased from 30.2% to 31.2% in the same years, respectively.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Plant and Equipment

We had plant and equipment of US\$9,594.3 million, US\$11,015.3 million and US\$11,717.4 million as at December 31, 2013, 2014 and 2015, respectively. During the Relevant Period, aircraft constituted the largest component of our plant and equipment, amounting to US\$9,124.0 million, US\$9,923.4 million and US\$9,475.7 million as at December 31, 2013, 2014 and 2015, respectively, representing 95.1%, 90.1% and 80.9% of our total plant and equipment as at the same dates, respectively. The net book value of our pre-2007 aircraft amounted to US\$878.3 million, US\$543.2 million and US\$209.7 million as at December 31, 2013, 2014 and 2015, respectively. Over the same period, aircraft progress payments constituted a higher portion of our plant and equipment, representing 4.9%, 9.9% and 19.1% of our total plant and equipment as at December 31, 2013, 2014 and 2015, respectively, primarily due to increased advances of

pre-delivery payments to manufacturers and reclassification of non-current aircraft assets of US\$222.2 million from plant and equipment to assets held for sale. These trends reflect market opportunities available to us over the Relevant Period, and may fluctuate going forward. Other than these, the movements in plant and equipment over the Relevant Period have been primarily attributable to purchases of additional aircraft for our fleet and increases in pre-delivery payments for new orders, partially offset by aircraft sales. Other components of our plant and equipment include office renovations and furniture, fittings and office equipment.

Trade Receivables

Trade receivables primarily represent receivables from rent and fees receivable in connection with aircraft leases. The table below sets forth our trade receivables as at the dates indicated:

	As at December 31,		
	2013	2014	2015
	US\$'000		
Total trade receivables	834	4,783	400
Less: allowance for impairment	(779)	–	–
Trade receivables, net	55	4,783	400

During the Relevant Period, we have maintained a low balance of trade receivables and low average trade receivables turnover days because (i) we typically collect rentals in advance, (ii) proceeds from aircraft sales are due upon or prior to delivery of aircraft and (iii) we typically collect fees in advance, with limited cases of allowing credit periods. Our higher trade receivables as at December 31, 2014 represented receivables due from customers for whom settlement had not cleared as at the cut-off date, which were subsequently settled. The majority of our trade receivables as at December 31, 2013, 2014 and 2015 were within the age bracket of one to 30 days.

As at January 31, 2016, all of our outstanding trade receivables as at December 31, 2015 had been settled.

Other Receivables

Our other receivables primarily consist of deposits, accrued income, which represents accrued interest on pre-delivery payments to manufacturers, and sundry receivables, recoverable goods and services tax and manufacturers' credits receivables. The table below sets forth, as at the dates indicated, a breakdown of our other receivables:

	As at December 31,		
	2013	2014	2015
	US\$'000		
Deposits	794	780	716
Sundry receivables	83	1,260	14,423
Accrued income	12,092	9,637	7,674
Less: allowance for impairment	(20)	–	–
Other receivables, net	12,949	11,677	22,813

Our sundry receivables increased as at December 31, 2014 compared to December 31, 2013, primarily due to the granting of normal course manufacturers' credits for the purchase of certain aircraft components, which can be utilized for goods or services in the future. Our sundry receivables further increased as at December 31, 2015, primarily due to amounts receivable from a counterparty. This amount was subsequently settled in January 2016.

Our accrued income decreased as at December 31, 2014 compared to as at December 31, 2013, due to a decrease in accrued income earned from pre-delivery payments as a result of underlying aircraft having been delivered and receipt of such income from pre-delivery payments in 2014. Our accrued income further decreased as at December 31, 2015, primarily due to receipt of income from pre-delivery payments.

Fixed Deposits

Our fixed deposits represent short term deposits which we place depending on our cash requirements. In 2013, 2014 and 2015, our short term deposits earned interest at the weighted average effective rate of 0.7%, 0.7% and 0.4% per annum, respectively. Our fixed deposits significantly decreased from US\$455.4 million as at December 31, 2013 to US\$212.2 million as at December 31, 2014, primarily due to our cash needs to fulfill our aircraft purchase commitments and pre-delivery payments. Our fixed deposits then increased to US\$237.4 million as at December 31, 2015, primarily due to setting aside cash to finance purchases and pre-delivery payments in 2016.

Cash and Bank Balances

We had cash and bank balances of US\$82.7 million, US\$155.2 million and US\$269.4 million as at December 31, 2013, 2014 and 2015, respectively, of which US\$36.9 million, US\$135.3 million and US\$135.4 million was encumbered as at the same dates, respectively. Such encumbrances represent cash pledged to lenders in cases where we have sold the underlying aircraft pledged for a secured loan facility, but have kept the loan facility available pending the delivery of replacement aircraft to serve as substitute collateral. While our secured loans are typically repayable upon the sale of the pledged aircraft, we sometimes exercise an option to keep the loan in place by pledging cash as collateral until the replacement aircraft is available to serve as substitute collateral, at which time the cash collateral is released back to us. We had an increase in encumbered cash as at December 31, 2014 compared to December 31, 2013 due to an increase in our utilization of the cash collateralization option pending aircraft substitution, as described above.

Assets Held for Sale

Assets held for sale represent aircraft which meet the criteria to be classified as such. See "*Financial Information – Critical Accounting Policies and Estimates – Non-current assets held for sale*" for further details. We had assets held for sale of US\$222.2 million as at December 31, 2015, representing seven aircraft with associated liabilities of US\$26.9 million attributable to loans and borrowings and US\$9.4 million attributable to maintenance reserves payable. The lease rental income of these seven aircraft was 2.3% of total lease rental income for the year ended December 31, 2015. The Company expects to record a net gain, collectively, on the sales of these seven aircraft. There were no aircraft classified as assets held for sale as at December 31, 2013 and 2014.

Derivative Financial Instruments

Our assets and liabilities with respect to derivative financial instruments represent unrealized gains and losses, respectively, that were recognized in the hedging reserve in equity or profit or loss, on the cross-currency interest rate swap, interest rate swap and interest rate cap contracts that we entered into in 2013, 2014 and 2015. We had a significant increase in the portion of our derivative financial instruments classified as non-current liabilities from US\$5.4 million as at December 31, 2013 to US\$73.2 million as at December 31, 2014 and further to US\$146.2 million as at December 31, 2015, primarily due to more issuances of fixed rate non-U.S. Dollar-denominated medium term notes, in connection with which we

entered into cross-currency interest rate swaps to obtain U.S. Dollar-denominated floating rates, in line with our hedging policy. See “*Business – Hedging Arrangements and Policies*,” “*Financial Information – Indebtedness*” and “*Financial Information – Qualitative and Quantitative Disclosures on Financial Risk*” for further details.

Trade and Other Payables

Our other payables primarily consist of accrued interest expenses mainly in relation to our indebtedness and other accruals and liabilities. The table below sets forth, as at the dates indicated, a breakdown of our trade and other payables:

	As at December 31,		
	2013	2014	2015
	US\$'000		
Trade payables	3,814	1,228	4,572
Sundry payables	1,676	2,629	2,187
Accrued interest expenses	26,948	29,486	35,246
Maintenance reserves payable	17,144	2,491	22,306
Accrued technical expenses	15,979	528	560
Other accruals and liabilities	46,387	31,630	41,233
Total trade and other payables	111,948	67,992	106,104

Our trade and other payables decreased as at December 31, 2014 compared to December 31, 2013, primarily due to decreases in (i) maintenance reserves payable as a result of a decrease in claims from lessees which were outstanding as at such date, (ii) accrued technical expenses as a result of lower provisions for repossession costs and (iii) other accruals and liabilities as a result of lower provisions for bonuses after payment of bonuses during the year. Our trade and other payables then increased as at December 31, 2015, primarily due to an increase in maintenance reserves payable as a result of an increase in claims from lessees which were outstanding as at such date. As at January 31, 2016, 98.1% of our outstanding trade payables as at December 31, 2015 had been settled.

Security Deposits

Security deposits represent cash deposits we receive from lessees to secure the lessees’ obligations under the lease agreements. In addition, for certain leases, irrevocable letters of credit issued by banks in the countries where the lessees are based are received in lieu of cash security deposits. As at December 31, 2013, 2014 and 2015, security deposits received by us in the form of irrevocable letters of credit amounted to US\$110.5 million, US\$98.7 million and US\$118.0 million, respectively.

Net Current Liabilities

The table below sets forth, for the dates indicated, a breakdown of our current assets and current liabilities:

	As at December 31,		
	2013	2014	2015
	US\$'000		
Current assets			
Trade receivables	55	4,783	400
Prepayments	1,094	1,652	1,542
Other receivables	12,949	11,677	22,813
Derivative financial instruments	722	213	–
Fixed deposits	455,435	212,204	237,415
Cash and cash balances	82,727	155,200	269,417
Assets held for sale	–	–	222,222
Total current assets	552,982	385,729	753,809
Current liabilities			
Derivative financial instruments	5,557	5,030	393
Trade and other payables	111,948	67,992	106,104
Deferred income	34,803	36,789	62,240
Income tax payables	614	94	874
Loans and borrowings	685,686	889,318	963,291
Finance lease payables	6,585	8,776	9,148
Security deposits	29,034	36,438	36,970
Liabilities associated with assets held for sale	–	–	36,299
Deferred asset value guarantee fees	30	–	–
Total current liabilities	874,257	1,044,437	1,215,319
Net current liabilities	(321,275)	(658,708)	(461,510)

Loans and borrowings constituted the largest component of our current liabilities as at December 31, 2013, 2014 and 2015, respectively, while fixed deposits constituted the largest component of our current assets as at December 31, 2013 and 2014, respectively, and cash and cash balances was the largest component of our current assets as at December 31, 2015.

We had net current liabilities of US\$321.3 million, US\$658.7 million and US\$461.5 million as at December 31, 2013, 2014 and 2015, respectively, primarily due to the current portion of loans and borrowings, which were in line with the size of our aircraft fleet. As at January 31, 2016, being the latest practicable date for the purposes of this statement, our net current liabilities were US\$501.1 million. See “*Financial Information – Liquidity and Capital Resources*” for further details.

We expect to finance our operations and our debt service requirements with cash flows generated from our operations and, primarily, additional debt financing.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity have historically comprised bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and loans and borrowings. Our business is capital intensive, requiring significant investments in order to expand the aircraft fleet during periods of growth and to ensure we maintain a young fleet portfolio. The cash flows from our operations, particularly our revenues from operating leases for aircraft, have historically provided a significant portion of the liquidity for these investments. We have historically also received equity contributions from our shareholder.

Going forward, we expect to continue to seek liquidity from the following sources of financing, subject to pricing and conditions that we consider satisfactory:

- revolving lines of credit, term loans, medium term note issuances and borrowings supported by export credit agencies for new aircraft acquisitions;
- aircraft sales; and
- free cash flow generated by our operations.

We had net current liabilities of US\$321.3 million, US\$658.7 million and US\$461.5 million as at December 31, 2013, 2014 and 2015, respectively, primarily due to significant levels of current liabilities related to our financing arrangements to fund our capital expenditure, as is common among capital-intensive companies. Due to the nature of our business, we have long-term contracted revenue and cash flows resulting from our operating leases, which we typically collect in advance on a monthly basis in accordance with the respective lease agreements, resulting in minimal trade receivables on our balance sheet. We also efficiently redeploy cash flow from lease rentals towards aircraft purchases and debt repayment obligations, resulting in a relatively low balance of cash on hand. Moreover, as we are primarily an operating lessor, the substantial majority of our assets are non-current assets (i.e. aircraft) held to generate recurring income rather than current assets held for sale. As a result of the foregoing, we believe that our net current liabilities position does not accurately reflect our liquidity position. The strong contracted lease revenues under our operating leases, together with our proven track record of collections, demonstrates reliable and predictable positive cash flow from operations. We are confident that we will have sufficient financial resources including committed rental cash flows, aircraft sales proceeds and unutilized committed banking facilities for us to meet our anticipated cash needs, including working capital requirements, capital expenditure, repayment of our indebtedness when it falls due and various contractual obligations, for at least the next 12 months.

During the Relevant Period and as at the Latest Practicable Date, we were and have been in compliance with all material covenants in our financings, and we did not have any material default in payment of trade and other payables, loans and borrowings or other financing obligations.

Working Capital Sufficiency

Our liquidity and capital resource needs over the next 12 months include payments due under our aircraft purchase obligations, required principal and interest payments under our debt facilities, expected capital expenditure and customer maintenance payment reimbursements. Thereafter, we expect to finance our operations and our debt service requirements with cash flows generated from our operations and, if required, additional debt or equity financing. Our ability to obtain additional funding required for increased capital expenditure in the future beyond our anticipated cash needs for the next 12 months following the date of this Offering Circular, however, is subject to a variety of uncertainties, including our future results of our operations, financial condition and cash flows and economic, political and other conditions in the markets where we and our lenders and customers operate.

Cash Flows

The table below sets forth our cash flows for the periods indicated:

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

Net cash provided by operating activities

In 2015, our net cash provided by operating activities was US\$1,112.4 million. We had operating profit before changes in working capital of US\$908.0 million, primarily consisting of profit before income tax of US\$401.4 million and adjustments for (i) depreciation of plant and equipment of US\$382.0 million and (ii) finance expenses of US\$168.8 million, partially offset by net gain on sale of aircraft of US\$70.1 million. Changes in working capital and other changes resulted in cash inflow of US\$204.4 million, primarily consisting of (i) an increase in maintenance reserves of US\$114.0 million due to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, (ii) interest and fee income received of US\$38.9 million and (iii) an increase in payables of US\$37.9 million mainly relating to maintenance reserves payable and accrued interest payable.

In 2014, our net cash provided by operating activities was US\$961.7 million. We had operating profit before changes in working capital of US\$883.2 million, primarily consisting of profit before income tax of US\$352.8 million and adjustments for (i) depreciation of plant and equipment of US\$381.2 million and (ii) finance expenses of US\$150.8 million. Changes in working capital and other changes resulted in cash inflow of US\$78.5 million, primarily consisting of an increase in maintenance reserves of US\$84.4 million relating to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, partially offset by a decrease in payables of US\$25.0 million relating to a lower accrued repossession cost in 2014.

In 2013, our net cash provided by operating activities was US\$838.7 million. We had operating profit before changes in working capital of US\$747.7 million, primarily consisting of profit before income tax of US\$310.9 million and adjustments for (i) depreciation of plant and equipment of US\$336.3 million and (ii) finance expenses of US\$135.7 million, partially offset by net gain on sale of aircraft of US\$76.5 million. Changes in working capital and other changes resulted in cash inflow of US\$91.0 million, primarily consisting of an increase in maintenance reserves of US\$79.6 million relating to more contributions from lessees as a result of an increase in aircraft leased with cash maintenance reserves, partially offset by net security deposits paid of US\$47.2 million mainly relating to transfers of security deposits to buyers of certain aircraft.

Net cash used in investing activities

In 2015, our net cash used in investing activities was US\$1,317.6 million, which was due to purchases of plant and equipment of US\$3,409.9 million, mainly relating to the purchase of 40 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of US\$2,092.3 million, mainly relating to the sale of 43 aircraft.

In 2014, our net cash used in investing activities was US\$1,826.9 million, which was due to purchases of plant and equipment of US\$3,142.8 million, mainly relating to the purchase of 57 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of US\$1,315.9 million, mainly relating to the sale of 33 aircraft.

In 2013, our net cash used in investing activities was US\$1,589.3 million, which was due to purchases of plant and equipment of US\$2,502.6 million, mainly relating to the purchase of 48 aircraft and pre-delivery payments related to future aircraft deliveries, partially offset by proceeds from sale of plant and equipment of US\$913.3 million, mainly relating to the sale of 21 aircraft.

Net cash provided by financing activities

In 2015, our net cash provided by financing activities was US\$344.4 million, primarily due to proceeds from loans and borrowings of US\$2,824.0 million, partially offset by (i) repayment of loans and borrowings of US\$2,287.8 million and (ii) finance expenses paid of US\$171.4 million.

In 2014, our net cash provided by financing activities was US\$596.2 million, primarily due to proceeds from loans and borrowings of US\$2,153.1 million, partially offset by (i) repayment of loans and borrowings of US\$1,155.2 million, (ii) finance expenses paid of US\$151.3 million and (iii) dividends paid of US\$139.0 million.

In 2013, our net cash provided by financing activities was US\$638.3 million, primarily due to proceeds from loans and borrowings of US\$2,359.4 million, partially offset by (i) repayment of loans and borrowings of US\$1,465.1 million, (ii) finance expenses paid of US\$135.2 million and (iii) dividends paid of US\$113.0 million.

INDEBTEDNESS

Indebtedness is defined as loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values and discounts/premium to medium term notes.

During the Relevant Period, our operations and capital expenditure have relied in part on a diverse source of debt financing, including (i) loan financing, consisting of term loans, committed, unsecured revolving credit facilities and finance lease payables, (ii) debt capital markets, consisting of medium term notes and (iii) U.S. Exim and European export credit agency supported financing.

The table below sets forth our overall indebtedness as at the dates indicated:

	As at December 31,			As at
	2013	2014	2015	January 31, 2016
	(unaudited)			
	US\$'000			
Current debt				
Medium term notes	63,967	59,971	–	–
Less: fair value adjustments	(415)	(2,976)	–	–
Loans	635,149	844,994	1,001,499	822,098
Less: deferred debt issue costs for loans	(13,015)	(12,671)	(11,352)	(11,276)
Finance lease payables	6,615	8,845	9,217	9,217
Less: deferred debt issue costs for finance lease payables	(30)	(69)	(69)	(69)
Total current debt	692,271	898,094	999,295	819,970
Non-current debt				
Medium term notes	1,356,838	2,265,427	3,212,612	3,212,612
Less: medium term notes discount (net of premium) adjustments	(856)	(3,268)	(5,823)	(5,677)
Less: fair value adjustments	(5,390)	(71,692)	(144,206)	(177,090)
Loans	5,306,867	5,163,865	4,665,246	4,631,989
Less: deferred debt issue costs for loans	(88,047)	(82,031)	(79,298)	(78,083)
Finance lease payables	52,910	77,119	67,903	67,903
Less: deferred debt issue costs for finance lease payables	(98)	(317)	(248)	(242)
Total non-current debt	6,622,224	7,349,103	7,716,186	7,651,413
Total debt⁽¹⁾	7,314,495	8,247,197	8,715,481	8,471,383
Total indebtedness	7,422,346	8,420,221	8,956,477	8,743,819

Note:

- (1) Total debt represents total indebtedness after adjustments for debt issue costs, fair values and discounts/premium to medium term notes.

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

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

The table below sets forth our total indebtedness by secured and unsecured status as at December 31, 2015:

As at December 31, 2015				
	Collateral	Outstanding borrowings (US\$'000)	Number of aircraft	Final stated maturity
Secured indebtedness:				
Loan financing (including finance lease payables)	Interests in aircraft, aircraft leases, beneficial interests in aircraft owning/leasing entities and related interests	3,305,115	100	Between 2016 and 2026
Export credit agency supported financing	Interests in aircraft, cash collateral, aircraft leases, beneficial interests in aircraft owning/leasing entities and related interests	1,428,750	45	Between 2020 and 2025
Total secured indebtedness		4,733,865		
Unsecured indebtedness:				
Loan financing	None	1,010,000		Between 2016 and 2020
Medium term notes	None	3,212,612		Between 2017 and 2025
Total unsecured indebtedness		4,222,612		
Total indebtedness		8,956,477		

Secured indebtedness as a percentage of our total assets has decreased from 58.5% as at December 31, 2013 to 51.1% as at December 31, 2014 and further to 38.0% as at December 31, 2015.

The table below sets forth a breakdown of our total indebtedness by original currency (in US\$ equivalent) and range of interest rates per annum as at December 31, 2015:

	As at December 31, 2015	
	Amount	Interest rate per annum
	US\$'000	%
Loan financing⁽¹⁾:		
U.S. Dollars	5,743,865	0.560% to 2.581%
Medium term notes:		
U.S. Dollars	2,100,000	2.875% to 4.375%
Chinese Yuan	630,236	4.2% to 5.5%
Australian Dollars	373,493	5.375%
Singapore Dollars	108,883	3.93%
	<hr/>	
	3,212,612	
	<hr/>	
Total indebtedness	8,956,477	

Note:

(1) Includes finance lease payables and export credit agency supported financing.

Loan Financing

We have established strong relationships with many banks and other financial institutions in Asia, Europe, the Middle East and North America. As at December 31, 2015, we had more than 60 banks and other financial institutions lending to us. The table below sets forth the maturity of our interest-bearing loans and borrowings (including notes but excluding finance lease payables) as at the dates indicated:

	As at December 31,		
	2013	2014	2015
	US\$'000		
Loans and borrowings repayable:			
Within one year	699,116	904,965	1,001,499
One to five years	3,026,627	4,795,850	5,606,321
More than five years	3,637,078	2,633,442	2,271,537
	<hr/>		
Total loans and borrowings	7,362,821	8,334,257	8,879,357

Our sources of secured debt include secured commercial term loans and export credit agency supported term loans. Our sources of unsecured debt include unsecured term loans, committed, unsecured revolving credit facilities and medium term notes. All of our term loans are on a floating rate basis with interest payable quarterly or semi-annually and are subject to customary events of default and covenants, including a minimum tangible net worth covenant and a debt to equity covenant, that are tested semi-annually.

Secured debt

Our secured debt represents commercial term loans and export credit agency support term loans, each of which are typically secured with mortgages over aircraft or over the shares of an entity owning aircraft. These term loans typically amortize on a quarterly or semi-annual basis based on a fixed repayment schedule with a balloon payment at maturity. For most of our secured loans, if we sell the underlying aircraft financed by the loan, we have the ability to retain the facility subject to us providing a replacement aircraft as collateral or cash deposits until such replacement aircraft is available to be pledged. Our export credit agency supported term loans represent loans guaranteed by U.S. Exim and European export credit agencies. We have accessed and may seek to continue to access such guarantees for new deliveries of Airbus and Boeing aircraft, respectively.

Unsecured debt

Our unsecured debt represents term loans and committed, unsecured revolving credit facilities. In addition to our outstanding unsecured term loans as at December 31, 2015, we also had signed documentation in place for two unsecured term loans totaling US\$525.0 million as at the same date, which we intend to draw down prior to the end of March 2016.

As at December 31, 2015, we had committed, unsecured revolving credit facility commitments of US\$2,730.0 million, of which US\$2,510.0 million was undrawn. These facilities include a committed, unsecured revolving credit facility of US\$2.0 billion, which matures in April 2022, obtained from BOC on terms commensurate with the terms of other committed, unsecured revolving credit facilities provided by third parties or better for the Company. We expect this facility to remain in place following completion of the Potential IPO. This facility has not been drawn down during the Relevant Period and serves as a source of temporary financing only rather than long-term financing. We have accessed other committed, unsecured revolving credit facilities from BOC in the past in order to fund attractive aircraft acquisition opportunities, and they represent a key tool in allowing us to execute our growth strategy and provide a source of committed backstop liquidity. Of the other US\$730.0 million available from independent third party lenders, US\$350.0 million matures in 2016, US\$230.0 million in 2017 and US\$150.0 million in 2018. Our loan facilities typically contain financial covenants requiring (i) a consolidated net worth of not less than US\$275 million and (ii) a maximum debt to equity ratio of 6-to-1. We have been and intend to continue to be in compliance with these financial covenants.

Senior Unsecured Medium Term Notes

In September 2012, we established a US\$2.0 billion EMTN Programme which we increased to US\$5.0 billion in April 2014. In March 2015, we converted our EMTN Programme into a US\$5.0 billion GMTN Program and had, as at December 31, 2015, approximately US\$3.2 billion outstanding under the GMTN Program through 13 series of unsecured notes. Investors of such notes include financial asset managers, insurance companies and private banks.

See “*Terms and Conditions of the Notes*” in this Offering Circular for further details.

These unsecured notes have been issued in U.S. Dollars, Australian Dollars, Singapore Dollars and offshore RMB, and are unsecured. Where notes have been denominated in currencies other than U.S. Dollars, they have been swapped with bank counterparties into U.S. Dollar liabilities.

Finance Lease Payables

Some of the aircraft that we own have been acquired by way of finance leases, under which title to such aircraft will be transferred to us after we have fully discharged our obligations under the respective lease agreements. The finance lease payables are secured by a charge over the leased aircraft. Interest on such leases ranged from 0.8% to 2.7%, 0.7% to 2.4% and 0.8% to 2.6% per annum in 2013, 2014 and 2015, respectively. The table below sets forth, as at the dates indicated, an aging analysis of our minimum lease payments and present value of payments under such leases:

	As at December 31,					
	2013		2014		2015	
	Minimum Lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US\$'000					
Not later than one year	7,830	6,615	11,041	8,845	11,069	9,217
Later than one year but not later than five years	55,858	52,910	60,195	54,633	51,872	47,794
Later than five years	–	–	24,033	22,486	20,947	20,109
Subtotal	63,688	59,525	95,269	85,964	83,888	77,120
Less: finance charges	(4,163)	–	(9,305)	–	(6,768)	–
Total finance lease commitments	59,525	59,525	85,964	85,964	77,120	77,120

Indebtedness as at January 31, 2016

As at January 31, 2016:

- we had loans (not including notes) of US\$5,454.1 million, which includes US\$4,594.1 million, secured as described above and US\$860.0 million unsecured debt;
- we had 13 series of notes representing US\$3,212.6 million in aggregate;
- we had finance lease payables of US\$77.1 million, secured as described above; and
- we had unutilized committed, unsecured revolving credit facilities of approximately US\$2,660.0 million, which were committed and without uncommon restrictions on draw-down.

As at January 31, 2016, other than those disclosed in “*Financial Information – Indebtedness*” and “*Financial Information – Contingent Liabilities*,” we had no other debt securities, borrowings, debts, mortgages, contingent liabilities or guarantees. Since December 31, 2015, there has been no material adverse change to our indebtedness.

Other than the financial and operating covenants we agreed to under our loans, export credit agency borrowings, medium term notes and credit facilities as described above in “*Financial Information – Indebtedness*,” our debt financing arrangements do not carry any material restrictive covenants.

RELATED PARTY TRANSACTIONS

During the Relevant Period, we had certain transactions with related parties. Material related party transactions included the following:

- in 2013, 2014 and 2015, the Group generated lease rental income of US\$13.2 million, US\$20.9 million and US\$23.6 million, respectively, from airlines under common control;
- as at December 31, 2013, 2014 and 2015, the Group had bank loans due to BOC of US\$527.8 million, US\$495.4 million and US\$442.5 million, respectively, as well as bank loans due to other related parties of the BOC Group of US\$628.7 million, US\$476.5 million and US\$574.1 million, respectively;
- in 2013, 2013 and 2014, the Group incurred interest expenses of US\$9.3 million, US\$9.1 million and US\$8.7 million, respectively, attributable to BOC, as well as US\$11.5 million, US\$10.8 million and US\$7.1 million, respectively, attributable to other related parties of BOC Group;
- as at December 31, 2013, 2014 and 2015, the Group had fixed deposits placed with BOC of US\$163.6 million, US\$101.5 million and US\$23.2 million, respectively, and fixed deposits placed with other related parties of BOC Group of US\$89.2 million as at December 31, 2015; and
- as at December 31, 2013, 2014 and 2015, the Group had undrawn, committed unsecured revolving credit facilities totaling US\$2.0 billion in place with BOC.

The above transactions were entered into on an arms-length basis and the applicable interest rates were set at prevailing market rates.

CAPITAL EXPENDITURE

During the Relevant Period, our capital expenditure primarily consisted of aircraft purchases and aircraft pre-delivery payments. The table below sets forth our capital expenditure for the periods indicated:

	As at December 31,		
	2013	2014	2015
	US\$'000		
Aircraft	2,116,673	1,984,074	1,464,504
Aircraft pre-delivery payments	383,820	1,158,015	1,952,823
Other plant and equipment	2,095	2,093	1,085
Total capital expenditure	2,502,588	3,144,182	3,418,412

We have financed our capital expenditure primarily through loans and borrowings and cash generated from operations.

COMMITMENTS

Our commitments relating to aircraft include assumptions based on estimated escalation costs and specifications for aircraft. These costs may differ significantly due to subsequent changes.

Capital Expenditure Commitments

We have commitments to purchase various aircraft to be delivered between 2016 and 2021. As at December 31, 2013, 2014 and 2015, our aircraft capital expenditure commitments, including assumed escalation to delivery were US\$4,919.2 million, US\$9,850.0 million and US\$9,580.8 million, respectively.

As at December 31, 2015, we had 241 aircraft committed for purchase. The table below sets forth, as at December 31, 2015, our estimated commitment amounts for such purchases payable for the years indicated:

	As at December 31, 2015						Total
	2016	2017	2018	2019	2020	2021	
	US\$'000						
Aircraft capital expenditure commitments	1,905,509	1,966,387	1,709,867	1,947,193	1,546,736	505,072	9,580,764 ⁽¹⁾

Note:

- (1) Including US\$397.6 million (representing 4.1% of our total aircraft capital expenditure commitments) attributable to aircraft pre-delivery payment arrangements pursuant to which the lessee has an option to purchase and take delivery of the aircraft, in which case we would not bear such expenditure.

Indebtedness Commitments

The terms of our indebtedness (including finance lease payables), require us to make future principal and interest payments on variable and fixed rate debt. The table below sets forth, as at December 31, 2015, an aging analysis of these future obligations, based on estimated payments:

	As at December 31, 2015			Total
	Less than one year	One to five years	More than five years	
	US\$'000			
Loans	831,523	2,618,777	864,815	4,315,115
Debt capital markets	–	2,269,845	942,767	3,212,612
U.S. Exim and European export credit agency loans	179,193	765,493	484,064	1,428,750
Total indebtedness commitments	1,010,716	5,654,115	2,291,646	8,956,477

Office Leases

We lease office spaces under non-cancellable lease agreements. The table below sets forth, as at the dates indicated, future minimum lease payments for the office leases with initial or remaining terms of one year or more:

	As at December 31,		
	2013	2014	2015
	US\$'000		
Within one year	2,091	2,029	1,621
After one year but not more than five years	3,648	1,502	187
Total office lease commitments	5,739	3,531	1,808

CONTINGENT LIABILITIES

Other than corporate guarantees for certain loans extended to the Company's subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies, the Company had no material contingent liabilities during the Relevant Period. See note 37 to the audited consolidated financial statements in this Offering Circular for further details.

KEY FINANCIAL RATIOS

The table below sets forth, as at the dates and for the periods indicated, certain of our key financial ratios:

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

Notes:

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

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

Lease Rate Factor

Our lease rate factor remained stable at 9.7%, 9.8% and 9.9% as at December 31, 2013, 2014 and 2015, respectively.

Average Cost of Funds

Our average cost of funds remained stable at 1.9%, 1.9% and 2.0% in 2013, 2014 and 2015, respectively.

Net Lease Yield

Our net lease yield remained stable at 8.1%, 8.3% and 8.2% in 2013, 2014 and 2015, respectively.

Pre-tax Profit Margin

Our pre-tax profit margin increased from 33.8% in 2013 to 35.7% in 2014 and further to 36.8% in 2015, primarily due to the increase in our total revenues and other income outpacing the increase in cost and expenses.

Return on Assets

Our return on assets remained stable at 2.9% in each year of the Relevant Period.

Return on Equity

Our return on equity remained stable at 15.0%, 15.3% and 15.1% in 2013, 2014 and 2015, respectively. Immediately following the completion of the Potential IPO, our ROE in the near term may decline relative to historical levels due to the enlarged capital base attributable to the proceeds we raise from the Potential IPO, in particular if we are unable to promptly deploy such proceeds for our business operations to generate returns.

Debt-to-Equity Ratio

Our debt-to-equity ratio remained stable at 3.9x and 4.0x as at December 31, 2013 and December 31, 2014, respectively. Our debt-to-equity ratio then decreased to 3.7x as at December 31, 2015, primarily due to the repayment of loans associated with the sale of aircraft in 2015.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ON FINANCIAL RISK

Our financial instruments give rise to risks including from interest rate, liquidity, credit and foreign exchange risk. Market risk represents the risk of changes in value of a financial instrument caused by fluctuations in interest rates and foreign exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the financial risks described below. We implement policies to manage each of these risks.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from loans and borrowings, finance lease payables, finance lease receivables, and lease rental income and expenses.

We obtain financing through loans and capital market bond issues. Our objective is to obtain the most favorable interest rates available on acceptable terms and conditions.

A significant portion of our loans and borrowings and finance lease payables are contracted at floating interest rates pegged to U.S. Dollar LIBOR. Interest rate exposure arises when we collect fixed rate rentals but pay floating interest rate under the borrowings.

A significant portion of our financial assets and liabilities are based on floating interest rates pegged to U.S. Dollar LIBOR and are contractually repriced at intervals of less than 12 months from the statement of financial position date.

Our policy is to hedge at least 50% of mismatched interest rate exposure through appropriate interest rate financial derivative instruments and obtaining loans or issuing bonds on a fixed rate basis. As at December 31, 2015, we hedged approximately 60% of our mismatched interest rate exposure.

Sensitivity analysis for interest rate risk

See “*Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition*” and note 39 to the audited consolidated financial statements in this Offering Circular for further details.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

To ensure that we are able to meet our financial obligations, we spread our loan repayments over substantial periods of up to 12 years, and we maintain available committed, unsecured credit facilities from banks.

As at December 31, 2015, we had unutilized committed, unsecured revolving credit facilities of US\$2,510.0 million. See “*Financial Information – Indebtedness*” and note 39 to the audited consolidated financial statements to this Offering Circular for further details.

Revenue from lease rentals is expected to be sufficient to meet annual interest and regular loan repayments over the next one year period.

As at December 31, 2015, 11.3% of our total indebtedness, comprising loans and borrowings and finance lease payables, will mature in less than one year.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

We are exposed to credit risk in the carrying amounts of trade and other receivables, derivative financial instruments, fixed deposits and cash and bank balances. Typically, our leasing arrangements require customers to pay rentals in advance and to provide security deposits and maintenance reserves. However, an early termination of a lease due to a credit event may expose us to consequential economic loss due to lower rentals being available from replacement lessees and also to possible costs associated with repair and maintenance and transitioning of the aircraft to a new customer.

Our objective is to seek continual revenue growth while minimizing credit losses. We undertake credit appraisals on all potential customers before entering into new leases and review the credit status of customers annually. We also review the credit standing of significant vendors.

We undertake deposit and derivatives business with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard & Poor’s “A-.”

See “*Risk Factors – Risks related to the aviation industry generally.*”

Foreign Currency Risk

We have transactional currency exposures mainly arising from our borrowings that are denominated in a currency other than our functional currency, which is U.S. Dollars.

All borrowings which are denominated in Australian Dollar, Chinese Yuan and Singapore Dollar are swapped into U.S. Dollar denominated liabilities. Foreign currency exposure arises because we collect all revenues and other income in U.S. Dollars while certain borrowings are denominated in non-U.S. Dollars. To hedge this foreign currency exposure, the Group utilizes cross-currency interest rate swap contracts to convert its Australian Dollar, Chinese Yuan and Singapore Dollar denominated borrowings into U.S. Dollar denominated financial liabilities.

Derivative Financial Instruments

We use derivative financial instruments (cross-currency interest rate swaps, interest rate swaps and interest rate caps) solely to manage exposures to fluctuations in interest rates and foreign exchange rates in accordance with our risk management policies. We do not hold or issue derivative financial instruments for proprietary trading purposes.

All derivative financial instruments are recognized at fair value in the statement of financial position. The fair values of cross-currency interest rate swaps, interest rate swaps and interest rate caps shown in the statement of financial position are determined by marked-to-market values provided by counterparties.

The table below sets forth, as at the dates indicated, certain details of our derivative financial instruments used for interest rate and foreign currency hedging purposes:
As at December 31,

	2013		2014		2015	
	Outstanding notional amounts		Outstanding notional amounts		Outstanding notional amounts	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current						
Cross-currency interest rate swaps	63,967	(415)	59,971	(2,976)	-	-
Interest-rate swaps	145,276	(5,142)	93,276	(2,054)	21,121	(393)
Interest rate caps	722	-	470,205	-	294,102	-
	722	(5,557)	213	(5,030)	-	(393)
Non-current						
Cross-currency interest rate swaps	306,838	(5,390)	915,427	(73,168)	1,112,612	(145,287)
Interest rate swaps	-	-	300,000	-	500,000	(929)
	-	(5,390)	1,476	(73,168)	2,011	(146,216)
Total	722	(10,947)	1,689	(78,198)	2,011	(146,609)

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

Fair value hedges

We use interest rate swaps to hedge against changes in fair value of our medium term notes, which are issued at fixed coupon rates, as a result of changes in interest rates.

We issued US\$300 million notes and US\$500 million notes under our EMTN Programme and GMTN Program, respectively, at fixed coupon rates. As at December 31, 2014 and 2015, we had interest rate swap contracts with a total notional amount of US\$300 million and US\$500 million to hedge the interest rate exposure whereby we receive a fixed rate and pay a floating rate pegged to U.S. Dollar LIBOR on the notional amount on a semi-annual basis. The terms of the interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the fair value hedges are assessed to be highly effective.

The fair value of derivative financial assets was US\$1.5 million and US\$2.0 million as at December 31, 2014 and 2015, respectively. There were no fair value hedges which applied hedge accounting as at December 31, 2013.

Cash flow hedges

We borrow at floating interest rates pegged to U.S. Dollar LIBOR. Interest rate risk exposure arises when we collect fixed rate rentals to pay interest accruing under the related borrowings at floating rates.

There were no cash flow hedges for which we applied hedge accounting as at December 31, 2014 and 2015.

As at December 31, 2013, we had an interest rate swap contract with a notional amount of US\$24.2 million to hedge the interest rate exposure whereby we pay a fixed rate and receive a floating rate pegged to U.S. Dollar LIBOR on the notional amount on a semi-annual basis. The terms of the interest rate swap contracts had been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The ineffective portion, if any, had been recognized in the statement of profit or loss. The fair value of the derivative financial liability was US\$0.2 million, which was recognized as a financial liability on the balance sheet.

DIVIDENDS AND DIVIDEND POLICY

In 2013, 2014 and 2015, we paid dividends of US\$113.0 million, US\$139.0 million and nil, respectively, to our sole shareholder. Following the Potential IPO, we intend to pay dividends of up to 30% of our net profit after tax. However, the Board has absolute discretion as to whether to declare any dividend for any year, and if it decides to declare a dividend, how much to declare. The amount of any dividends to be declared or paid will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations.

INDUSTRY OVERVIEW

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

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

SOURCES OF INFORMATION

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

1. INTRODUCTION TO THE AIRCRAFT OPERATING LEASE INDUSTRY

1.1 Background to Aircraft Operating Lease

1.1.1 What does an Aircraft Operating Lessor do?

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

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

1.1.2 Why do airlines take aircraft on operating lease?

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

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

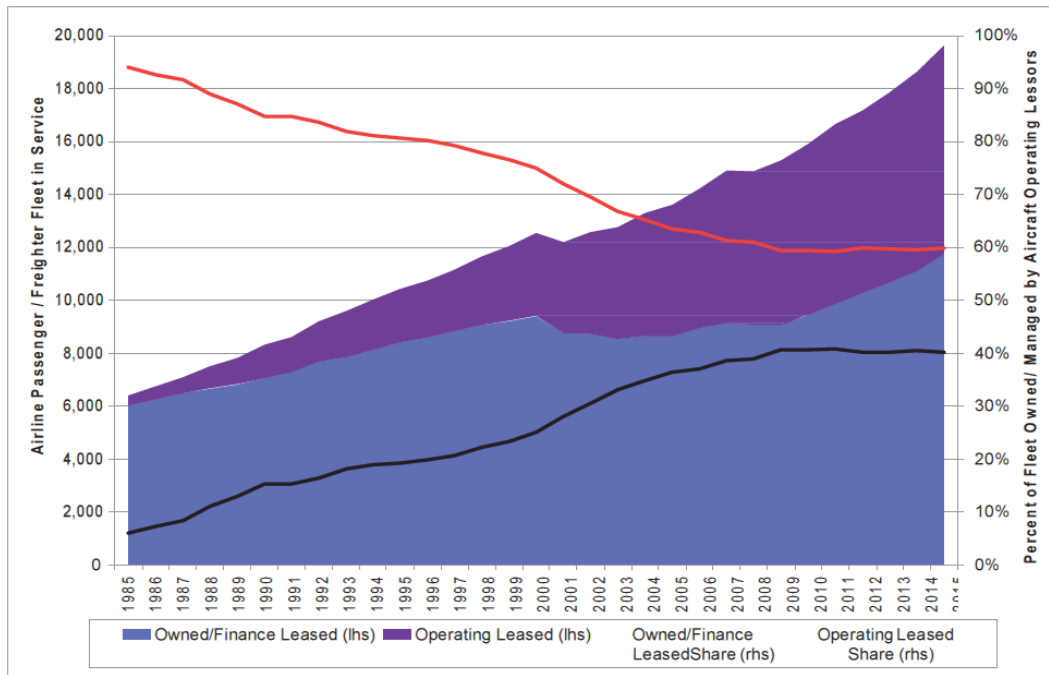
Airlines with at least 20 aircraft in their fleet, typically more mature companies, have some 39% of their total fleet on operating lease, while smaller airlines, which includes start-up operators, with less than 20 aircraft have some 48% on lease. Overall, aircraft operating lessors have placed 81%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

1.2 Historical Growth of Aircraft Operating Leasing

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

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

Chart 1 – The Growth of Aircraft Operating Leasing



Source: Flightglobal Fleets Analyzer

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

Aircraft operating lessors acquire aircraft through two primary channels:

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

1.2.2 Aircraft financing

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

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

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

1.3 Aircraft Sales & Trading

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

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

1.4 Differentiation Between Successful and Unsuccessful Aircraft Operating Lessors

1.4.1 How do aircraft operating lessors compete?

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

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

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

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

1.5 The Core Market for an Aircraft Operating Lessor

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

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

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

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

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

Source: Flightglobal Fleets Analyzer & Forecast, IATA

1.6 Outlook for the Aircraft Operating Lease Industry

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

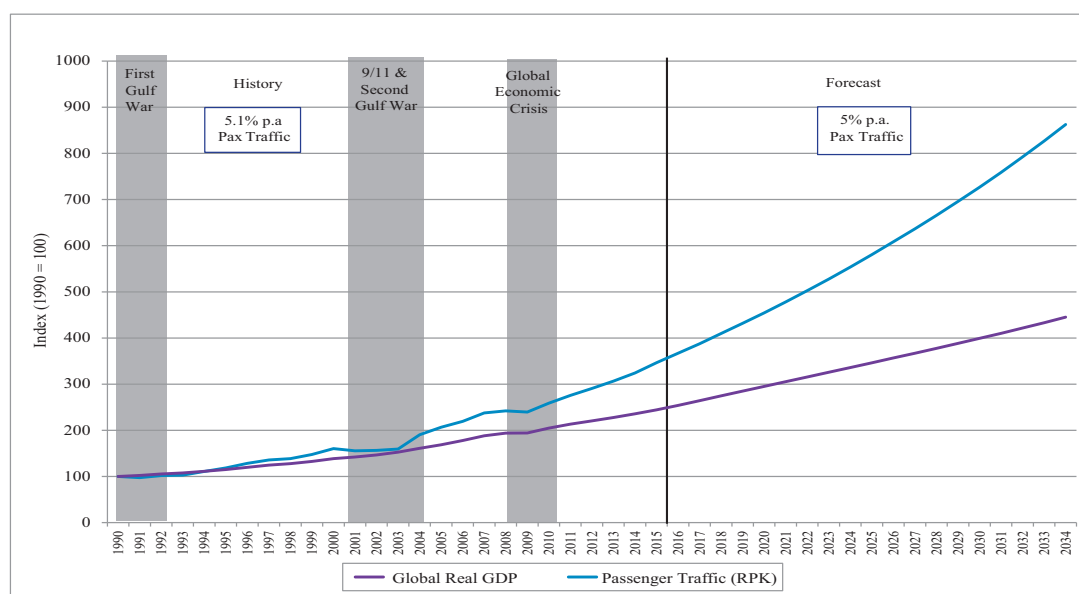
today's operating leased fleet to facilitate this growth. There is potential for the penetration of operating leasing to resume the prior growth trend in market share, but this would require aircraft manufacturers to allow operating lessors to control a larger share of the backlog. Meanwhile, the supply of PLB deals is controlled by airline operators whose decisions are driven by internal or local issues, comparative funding costs, etc, as mentioned in section 1.2.1(ii).

2. OPERATING LESSOR REVENUE DRIVERS

2.1 Global Air Traffic Demand Drives Airline Demand for Aircraft

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

Chart 2 – Indexed Air Transport and Global GDP Growth



Source: Ascend Flightglobal Fleet Forecast

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

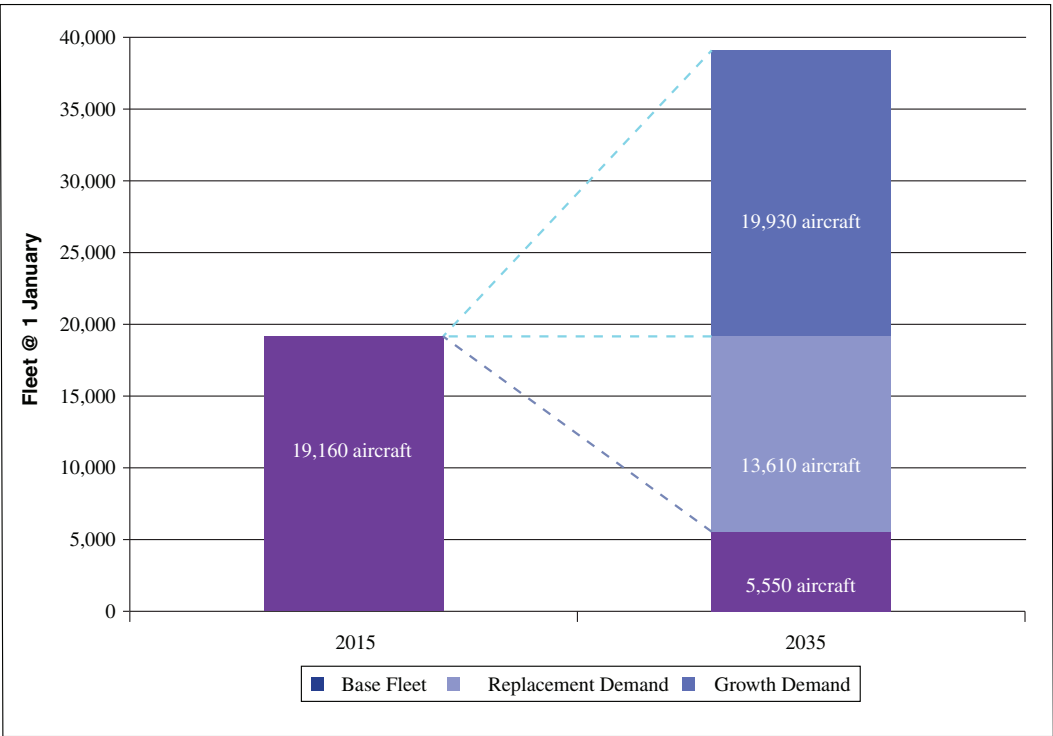
2.2 New Aircraft Delivery Forecast 2015 – 2035

The current Ascend forecast – the 2015 Flightglobal Fleet Forecast – estimates that the global fleet of 100+ seater passenger jets and their freighter versions will increase from some 19,160 aircraft at the start of 2015 to over 39,000 by 2035. This is an annual increase of 2.8%

– less than the rate of forecast traffic growth – with the balance (difference between 5.0% and 2.8%) made up from improved asset and labor productivity, increased seat densities, deployment of larger aircraft and other operational efficiencies.

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

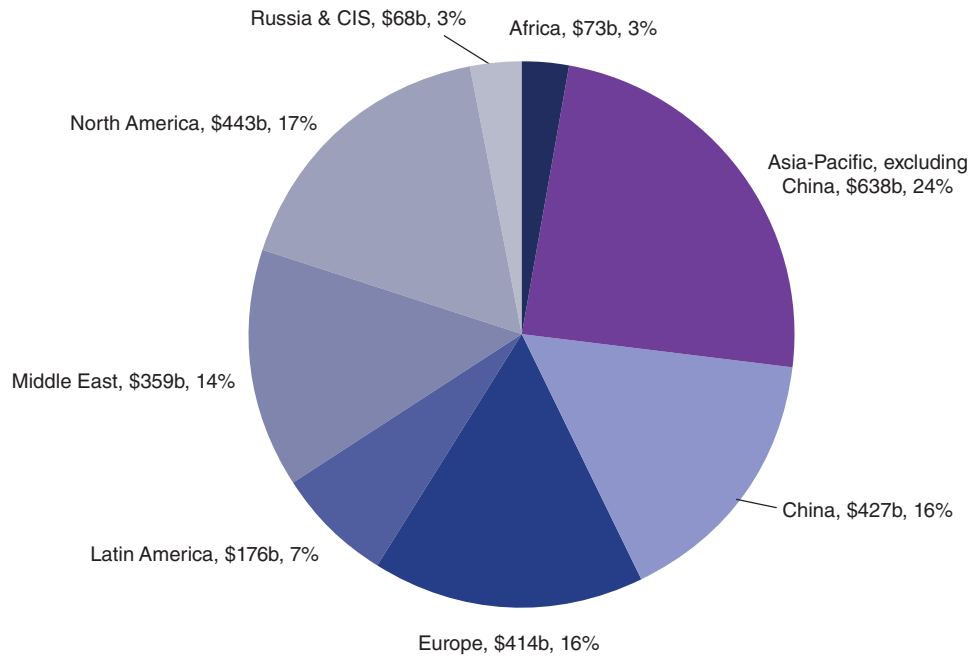
Chart 3 – Forecast Fleet Evolution



Source: Ascend Flightglobal Fleet Forecast 2015

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

Chart 4 – Forecast Delivery Value by Airline Region

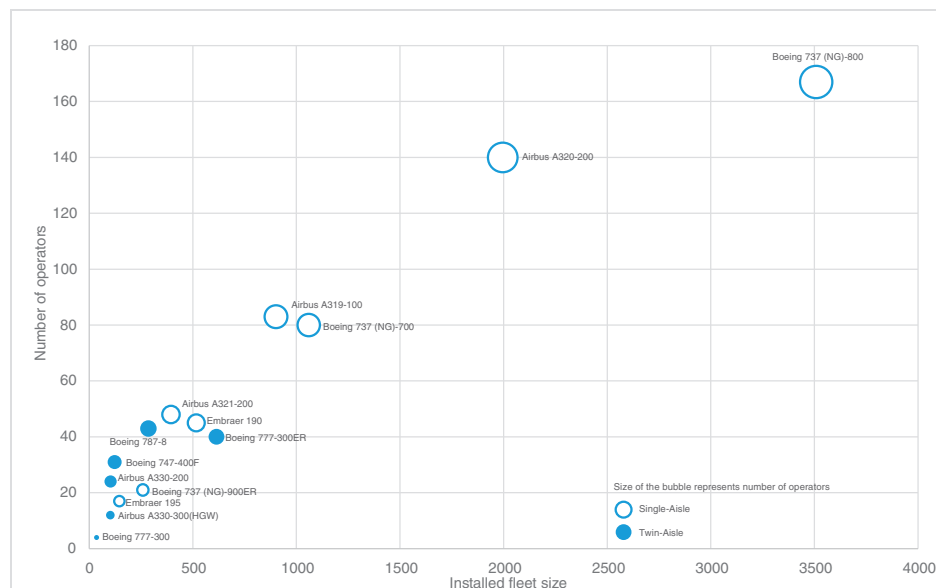


Source: Ascend Flightglobal Fleet Forecast 2015

2.2.1 Drivers of replacement demand

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

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



Source: Flightglobal Fleet Analyzer

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

2.2.2 Aircraft manufacturer supply

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

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

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

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

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

Source: Flightglobal Fleet Analyzer

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

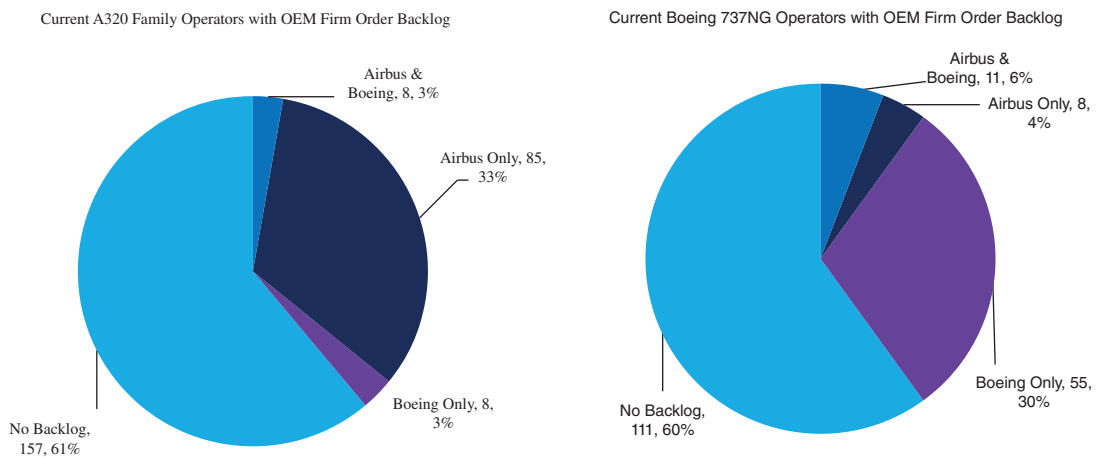
Also, there are over 1,950 existing orders from lessors with no disclosure on the designated airline lessee to date.

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

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

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

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



Source: Flightglobal Fleet Analyzer

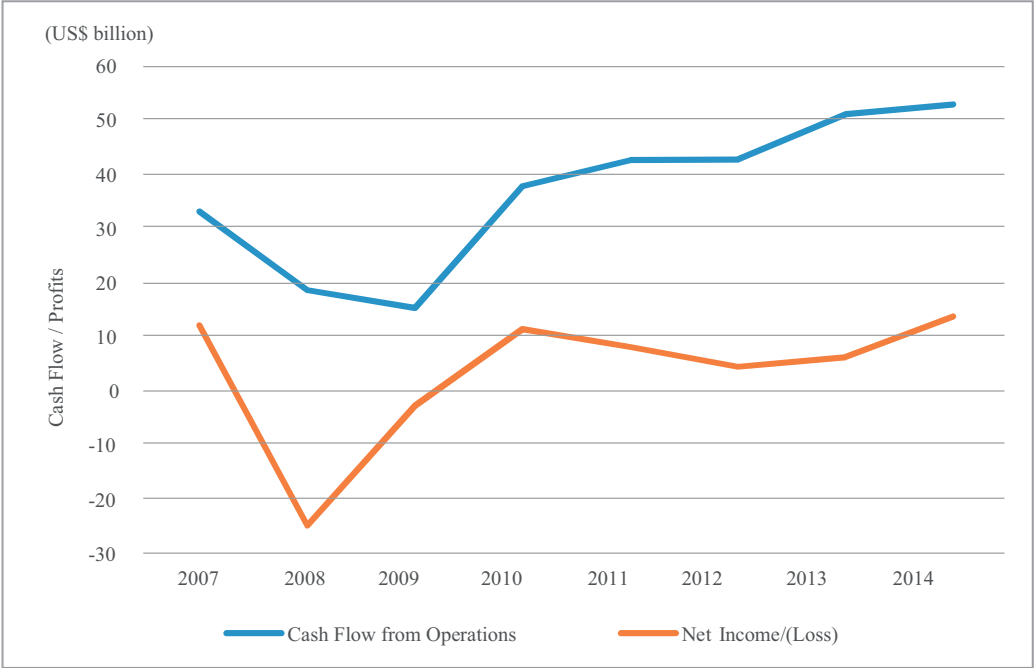
2.2.2.1 Alternative sources of aircraft supply

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

2.3 Factors Driving Airline Industry Cash Flows

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

Chart 7 – Global Airline Profits and Operating Cash Flows

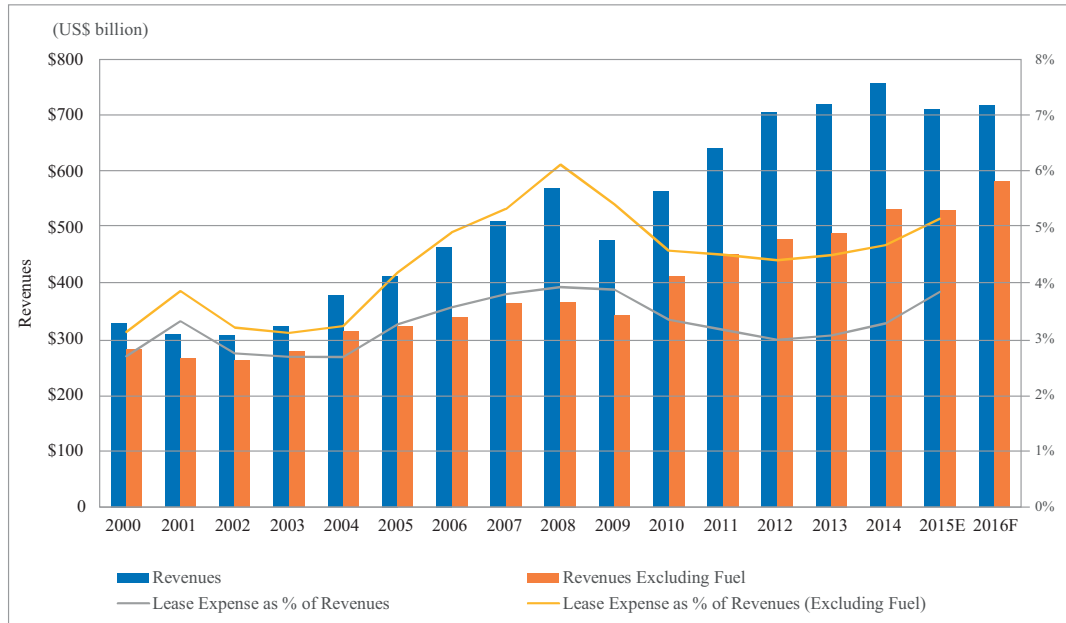


Source: The Airline Analyst, excludes exceptional (non-cash) items

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

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

Chart 8 – Global Airline Revenues, Net of Fuel Expenses



Source: IATA, Ascend analysis

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

2.4 Future Outlook for Airline Industry Profitability and Cash Flow Generation

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

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

2.5 The Investor Base in Aircraft

2.5.1 Size of the total investor base in aircraft

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

Table 3 – Number of Owners in 2005 vs. 2015

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

Note: Data are as at December 31, 2005 and 2015

Source: Flightglobal Fleets Analyzer

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

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

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

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

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

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

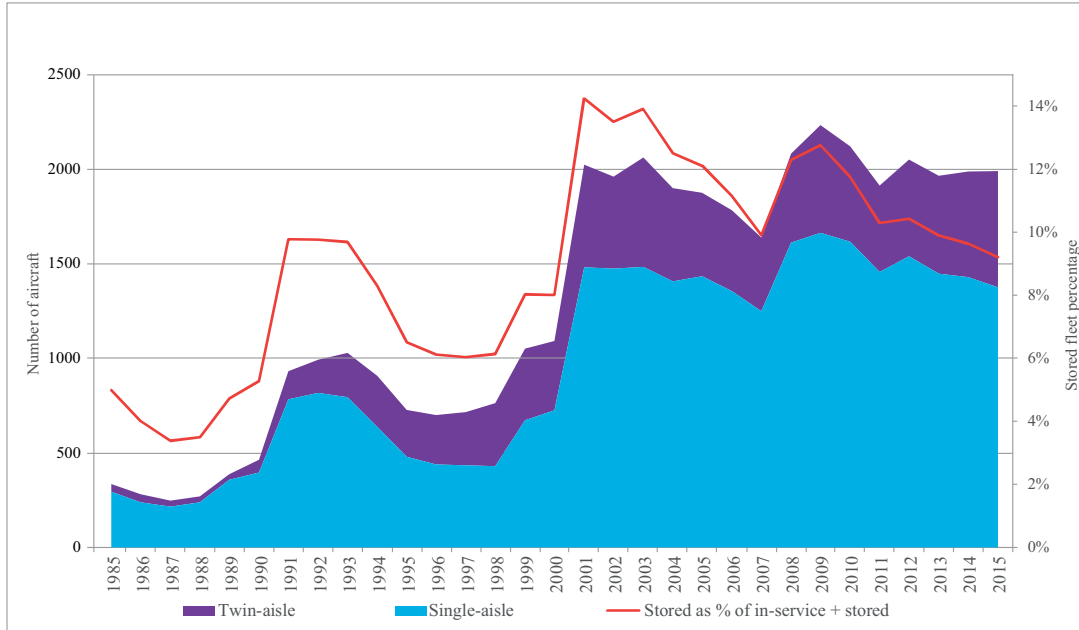
3. THE AIRCRAFT VALUE CYCLE

3.1 The Impact of Demand Downturns

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

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

Chart 9 – Stored Aircraft 1985 to 2015



Source: Flightglobal Fleets Analyzer

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

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

3.2 Aircraft Values and Where We Are in the Cycle

3.2.1 Aircraft Values

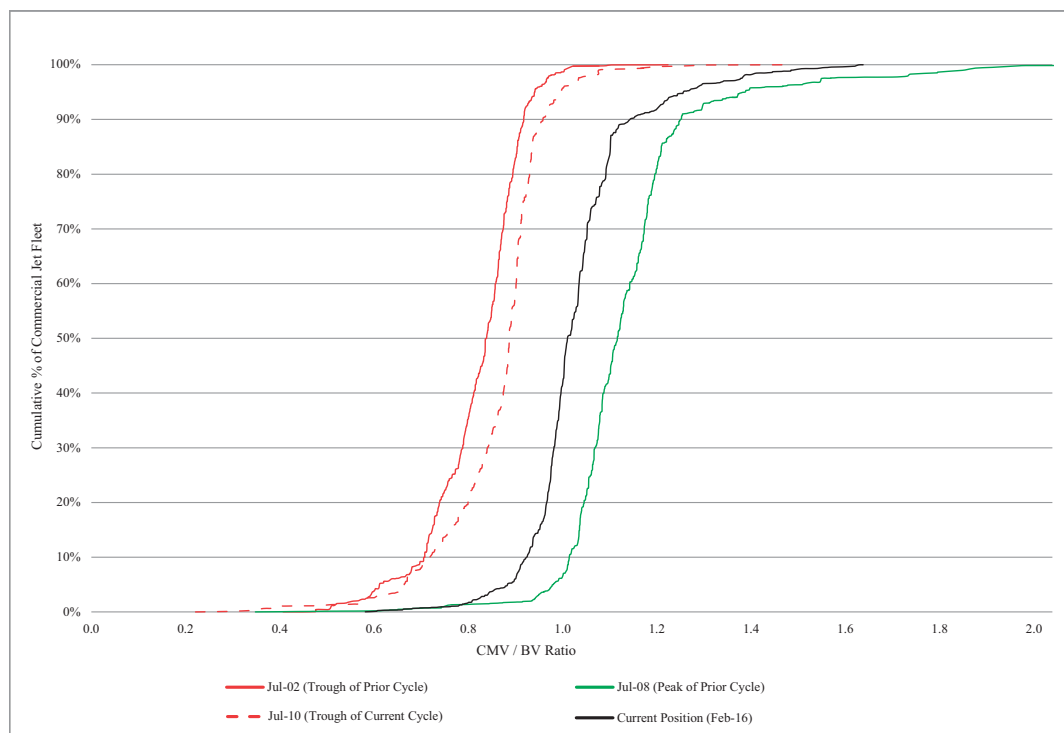
Aircraft are long-life assets with finite useful economic life. The value of an aircraft depreciates over its useful economic life. Aircraft values are fundamentally impacted by supply and demand, both at a macroeconomic and also at the specific asset level. Periods of excess supply can lead to lower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

3.2.2 Where are aircraft values in the current cycle?

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

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

Chart 10 – Aircraft Value Cycle



Source: Ascend Values from Flightglobal

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

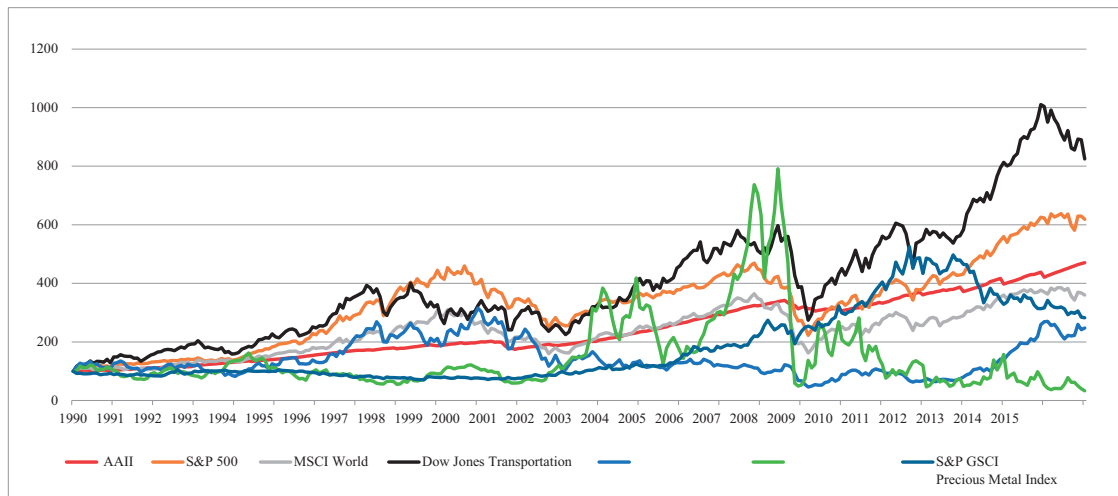
3.3 Historical Returns Analysis Comparing Aircraft Operating Leasing vs. Other Asset Classes

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

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

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

Chart 11 – Ascend Aircraft Investment Index (AII)



Source: Ascend research

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

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

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

4. COMPETITION IN THE AIRCRAFT OPERATING LEASE INDUSTRY

4.1 Top 10 Aircraft Operating Lessors

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

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

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

Note: Fleet data include both owned and managed aircraft

Source: Flightglobal Fleets Analyzer

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

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

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

Note: Fleet data include owned and managed aircraft

Source: Flightglobal Fleets Analyzer

4.2 Operating Metrics Benchmarking of Top Aircraft Lessors

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

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

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

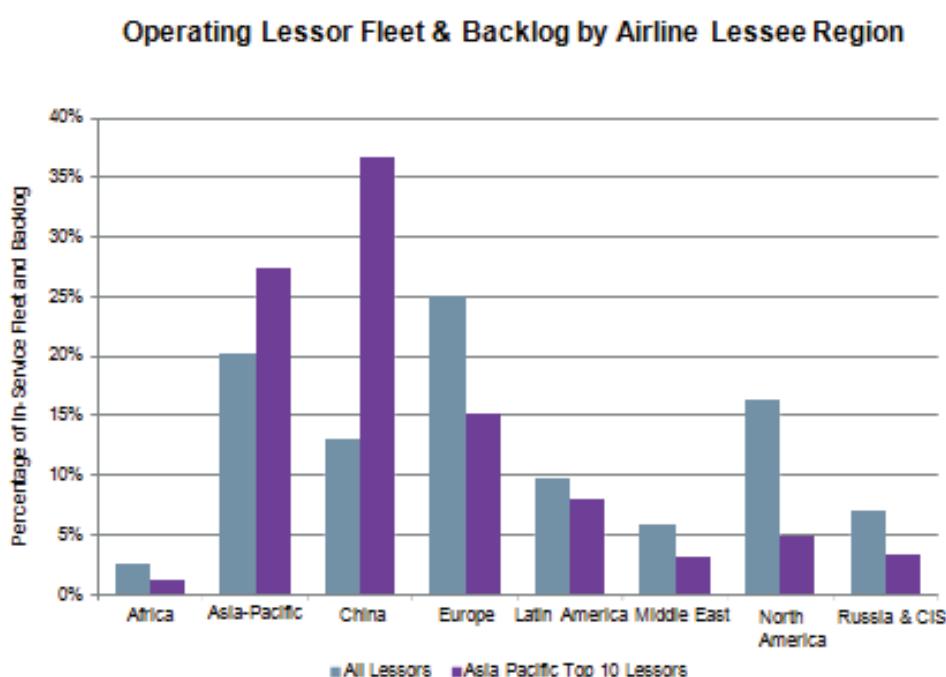
Table 6 – Average Remaining Lease term of the Selected Aircraft Operating Lessors as at December 31, 2014

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

* Yr to Nov 30, 2014.

Source: Company reports, Flightglobal Fleets Analyzer

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



Source: Flightglobal Fleets Analyzer – as at Dec 31, 2015

4.3 Cost of Financing for Lessors

4.3.1 Importance of credit ratings to driving volume debt issuance

From the beginning of 2015 to date, aircraft operating lessors have issued a total of just over US\$13bn worth of corporate bonds globally. Corporate ratings (from Moody’s, Standard & Poor’s and Fitch as applicable) of aircraft operating lessors have been stable at “near investor grade” levels over time with BOC Aviation being investment grade since gaining a rating in 2012. Ratings of most aircraft operating lessors have either remained at their respective inaugural levels or have notched up over time. AerCap’s downgrade from BBB-to BB+ following the acquisition of ILFC in 2013 was the only exception.

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

Table 7 – Current Credit Ratings for Selected Aircraft Operating Lessors

	<u>BOC Aviation</u>	<u>AerCap</u>	<u>Aircastle</u>	<u>Air Lease</u>	<u>AWAS</u>	<u>Avolon</u>	<u>ACG</u>
Moody's	NA	Ba2	Ba2	NA	Ba3	NA	NA
Standard & Poor's	A-	BB+	BB+	BBB-	BB+	NA	BBB-
Fitch	A-	BB+	NA	NA	NA	NA	BBB-

Source: Bloomberg

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

	<u>BOC Aviation</u>	<u>AerCap</u>	<u>Aircastle</u>	<u>Air Lease</u>	<u>AWAS</u>	<u>Avolon</u>	<u>ACG</u>
Moody's	NA	Ba2	Ba2	NA	Ba3	NA	NA
Standard & Poor's	A-	BB+	BB+	BBB-	BB+	NA	BBB-
Fitch	A-	BB+	NA	NA	NA	NA	BBB-

Source: Bloomberg

4.3.2 Importance of diversified funding sources to match long term assets

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

BUSINESS

OVERVIEW

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

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

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

Our core business model is focused on purchasing new, fuel-efficient, in-demand aircraft at competitive prices directly from aircraft manufacturers, financing those aircraft purchases efficiently, placing our aircraft on long-term operating leases with a globally diversified customer base and selling our aircraft to maintain a young fleet, to mitigate risks in our aircraft portfolio and to generate gains on sale, as well as reinvesting the sale proceeds in new aircraft investments. From our inception in 1993 to December 31, 2015, we have:

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

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

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

We enjoy strong and committed support from Bank of China, a top 10 bank globally by market capitalization as at the Latest Practicable Date and a Fortune Global 50 company. Bank of China has provided us with a US\$2.0 billion committed unsecured revolving credit facility, which matures in April 2022. This facility remained undrawn as at the Latest Practicable Date.

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

In March 2016, we submitted, through our joint sponsors, an application to the Hong Kong Stock Exchange to apply for the Potential IPO. The completion of the Potential IPO is subject to, among other things, the approval of the Hong Kong Stock Exchange, the final decision of the board of directors of the Company, market conditions and other considerations. Accordingly, there is no assurance that the Potential IPO will take place or as to when it may take place. The Potential IPO will result in the spin-off and separate listing of the Group from Bank of China. Following the completion of the Potential IPO, Bank of China will retain a substantial majority shareholding in the Company, and the Company will remain as a subsidiary of Bank of China and will continue to carry the BOC brand name.

COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

Selling aircraft is one of our core competencies. Since our inception in 1993, we have sold more than 210 owned and managed aircraft to a wide range of buyers including other leasing companies, airlines and financial investors. We have developed an extensive network of established aircraft investors and airline customers to whom we can sell aircraft, and our ability to implement successful sales programs throughout industry cycles is one of our competitive strengths. Our innovative sale of a large portfolio of aircraft to a special purpose purchaser funded through the capital markets in 2015 was named IFR Asia's Structured Finance Deal of the Year for 2015. Our aircraft sales enable us to mitigate risks in our aircraft portfolio and generate gains on sale, as well as allowing us to reinvest sale proceeds in new aircraft investments.

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

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

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

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

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

We take a disciplined and active approach to aircraft portfolio management. Our portfolio management and in-house capabilities have been developed over our 22-year operating history. We focus on purchasing new, fuel-efficient, in-demand aircraft and plan our fleet replacement and growth in a disciplined way and based upon our assessment of, and expectations for, the aviation industry and the overall demand for

aircraft from customers. Aircraft sales also play a key role in our portfolio management activities, in particular in seeking to maintain a young average aircraft age across our fleet, reduce aircraft and counterparty concentration risk and/or exit from non-core or less popular aircraft types, among other things.

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

Strong credit ratings and proven access to competitively priced debt funding

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

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

Since 2000, our debt capital markets issues have allowed us to access multiple bond markets, including the Regulation S market, the Singapore bond market, Chinese Renminbi and Australian dollar bond markets and the U.S. Rule 144A international market. We have raised over US\$3.9 billion in debt capital markets financing since 2000. We also benefit from strong financing relationships with U.S. Exim and the European export credit agencies dating back to 2000. In addition, we also have strong backstop liquidity, with an aggregate of US\$2.7 billion in committed unsecured revolving credit facilities as at December 31, 2015, US\$2.0 billion of which is provided by Bank of China under a facility expiring in 2022. As at December 31, 2015, US\$2.5 billion of our committed unsecured revolving credit facilities remained undrawn.

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

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

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

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

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

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

BUSINESS STRATEGIES

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

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

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

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

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

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

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

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

We have developed strong customer relationships during our 22-year operating history. We also have a presence in a number of key global aircraft operating leasing markets and in addition to maintaining close relationships with our existing customers, are able to develop new airline customers and source potential transactions across the globe. We expect to continue to grow and diversify our client base by focusing our leasing activities on airlines in high-growth areas at the world. Where appropriate, we will also seek to better serve our customers by opening new offices, such as our office in Tianjin which opened recently. Additionally, we will continue to seek new opportunities that allow us to expand our relationship with aircraft investors and other aviation industry participants.

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

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

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

OUR AIRCRAFT FLEET

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

Current Fleet

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

Aircraft type	Owned Aircraft	Managed Aircraft	Aircraft on Order⁽¹⁾	Total Number of Aircraft
<i>Narrowbody Aircraft</i>				
Airbus A320CEO family	108	14	58	180
Airbus A320NEO family	0	0	64	64
Boeing 737NG family	78	12	54	144
Boeing 737 MAX 8	0	0	61	61
Embraer E190 family	11	2	0	13
<i>Narrowbody sub-total</i>	197	28	237	462

Aircraft type	Owned Aircraft	Managed Aircraft	Aircraft on Order ⁽¹⁾	Total Number of Aircraft
<i>Widebody Aircraft</i>				
Airbus A330-300	11	8	2	21
Boeing 777-300 ER	13	2	2	17
Boeing 777-300	1	1	0	2
Boeing 787	2	0	0	2
<i>Widebody sub-total</i>	27	11	4	42
Freighters	3	4	0	7
Total	227 ⁽²⁾	43	241	511

Notes:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at December 31, 2015 and as at the Latest Practicable Date, there were 14 and 12 aircraft, respectively.
- (2) As at December 31, 2015, the Company had classified as assets held for sale seven aircraft, comprising six Airbus A320CEO family aircraft and one Boeing 737NG family aircraft, for which it had entered into agreements to sell in accordance with the Company's strategy of actively managing its aircraft portfolio.

As at December 31, 2015 our fleet comprised 227 owned aircraft and 43 managed aircraft, which is the largest owned fleet among aircraft operating leasing companies headquartered in Asia and the fifth largest owned fleet among global aircraft operating leasing companies. As at the Latest Practicable Date, our fleet comprised 231 owned aircraft and 43 managed aircraft, which reflects the purchase of eight owned aircraft and sale of four owned aircraft since December 31, 2015. Our order book comprised 231 aircraft as at the Latest Practicable Date.

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

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

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

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

Note:

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

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

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

Note:

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

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

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

Aircraft Purchase Commitments

Overview

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

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

Note:

- (1) Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft of which, as at December 31, 2015 and as at the Latest Practicable Date, there were 14 and 12 aircraft, respectively.

As at the Latest Practicable Date, we had commitments to acquire 231 aircraft as a result of deliveries since December 31, 2015.

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

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

Lease Commitments for Future Aircraft Purchase Commitments

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

As at December 31, 2015, of the 241 aircraft we had committed to purchase, 74 were committed for lease. As at the Latest Practicable Date, ten of our scheduled aircraft deliveries for 2016 were delivered, and all these aircraft were on-lease at delivery, other than two, which were acquired by airline customers. As at the Latest Practicable Date, of the 231 aircraft we had committed to purchase, 85 were committed for lease. All of the remaining scheduled deliveries in 2016 are committed for lease. During the Relevant Period we have never failed to secure lease commitments from our airline customers for new aircraft deliveries.

Financing Arrangements

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

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

Key Terms of Aircraft Purchase Agreements with Manufacturers

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

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

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

OUR AIRLINE CUSTOMERS

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

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

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

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

Notes:

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

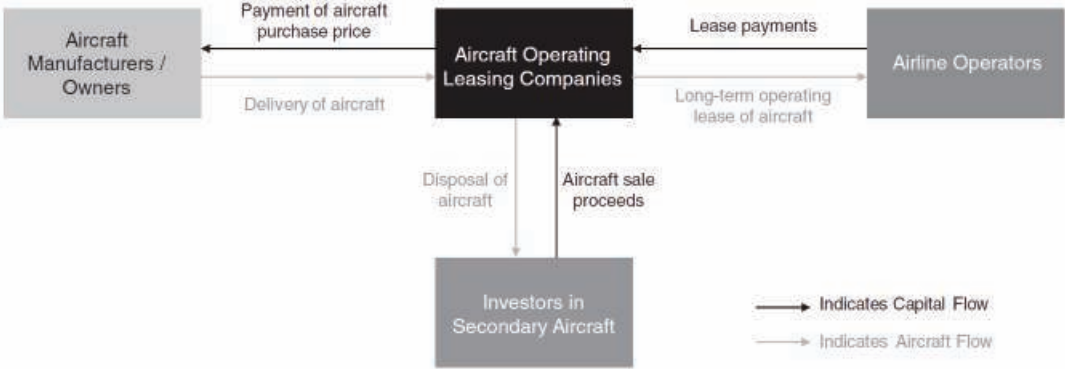
For 2013, 2014 and 2015, the revenue from the five largest customers of the Group accounted for approximately 34.7%, 33.3% and 30.1% of the total lease rental income of the Group, respectively. For 2013, 2014 and 2015, the revenue attributable to the Group's largest single customer group accounted for approximately 8.8%, 7.5% and 7.2% of the total lease rental income of the Group, respectively. During the Relevant Period, none of the Group's major customers were also the Group's major suppliers and vice versa.

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

OUR BUSINESS OPERATIONS

Overview

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



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

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

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

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

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

Aircraft Purchasing

Overview

We focus our investment strategy on aircraft that are popular with airline customers and that appeal to aircraft investors. As a result, our portfolio is built mainly around the popular Airbus A320 family and Boeing 737NG family aircraft. Our aircraft purchasing strategy is determined and reviewed regularly by our management and our Board, as are the aircraft purchase transactions entered into by the Group. We principally enter into two types of aircraft purchase transactions:

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

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

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

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

- the capabilities of the relevant aircraft model and any competing products;
- future demand for the relevant aircraft model, both from airline operators as future customers and airline operators and investors as future purchasers;
- market demand and supply dynamics for the relevant aircraft model;
- OEM order backlogs;
- engine selection, operational capabilities and features by reference to expected market demand; and
- the likelihood of technological obsolescence.

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

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

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

Capital expenditure	Year ended December 31,					
	2013		2014		2015	
	(in US\$’000, except for percentages)					
Order book aircraft purchases (including pre-delivery payments)	1,530,893	61.2%	2,185,789	69.6%	3,010,627	88.1%
Aircraft purchased pursuant to purchase and leaseback transactions	969,600	38.8%	956,300	30.4%	406,700	11.9%
Total	2,500,493	100.0%	3,142,089	100.0%	3,417,327	100.0%

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

Key Supplier Relationships

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

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

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

For 2013, 2014 and 2015, the purchases from the five largest suppliers of the Group accounted for approximately 94.7%, 97.2% and 98.4%, respectively, of the total purchases of the Group (excluding purchase and leaseback transactions) for 2013, 2014 and 2015. During the Relevant Period, none of the Group's such major suppliers were also the Group's such major customers and vice versa.

We have built an extensive global network with various types of third-party service providers. These service providers offer us access to services which are either not practical for an aircraft operating leasing company to maintain or which supplement the resources of our own technical team. We generally engage with three types of service provider, namely Maintenance, Repair and Overhaul (or **MRO**) providers, who provide, on an as needed basis, aircraft or engine maintenance and related services, parts and material suppliers and specialist service suppliers who provide services such as engineering design and ferry flight operation. The Group's third-party service providers, including MRO providers, do not typically account for a significant percentage of our costs, which are primarily depreciation expenses of aircraft, debt-related expenses and staff costs. Costs associated with MRO providers can be material from time to time, for example if specific services, such as heavy maintenance or overhaul services are required for off-lease or repossessed aircraft. See "*Business – Our Business Operations.*"

COMAC Launch Customer Agreement

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

Aircraft Leasing

Overview

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

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

Airline Customers

The Group's skilled and experienced leasing team is primarily responsible for the Group's aircraft leasing marketing activities and ensuring that new and existing airline customer relationships are developed and maintained. This team is in regular dialogue with, and undertakes regular targeted marketing activities for, the Group's existing and target airline customers. This team regularly reviews and analyzes a wide range of airlines with a view to understanding their aircraft leasing needs and is regularly in discussions with both existing customers and new potential customers. The team works closely with other teams within the Group and senior management to ensure that all relevant information relating to potential leasing opportunities is captured, filtered and actioned as appropriate. The leasing team works closely with the Group's risk managers to ensure that it targets those potential customers that meet the Group's credit

criteria. As part of any particular review, the Group may decline to enter into an operating lease with a potential airline customer, which may be due to an actual or perceived weak credit standing or a poor business model, among other factors.

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

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

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

Our concentration guidelines analyze our exposure by reference to:

- single airline and airline group exposures, as ranked by relevant credit scores (and which vary by reference to a range of factors including, for example, financial structure and performance, business model implementation and market growth); and
- regional and/or country exposures (having regard to a range of factors including for example, in the case of countries, their sovereign risk rating).

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

Execution of Lease Transactions

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

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

Year	Leases executed ⁽¹⁾
2013	50
2014	79
2015	46

Note:

(1) Each lease relates to one aircraft.

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

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

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

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

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

Ongoing Airline Customer Monitoring and Management

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

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

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

- lease transition including maintenance and modification management;
- regulatory requirements;
- operational requirements;
- maintenance costs and related maintenance cash flow analytics;
- engine management;
- technical data and records management;
- maintenance claim management; and
- on-lease asset management.

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

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

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

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

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

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

Our Lease Portfolio

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

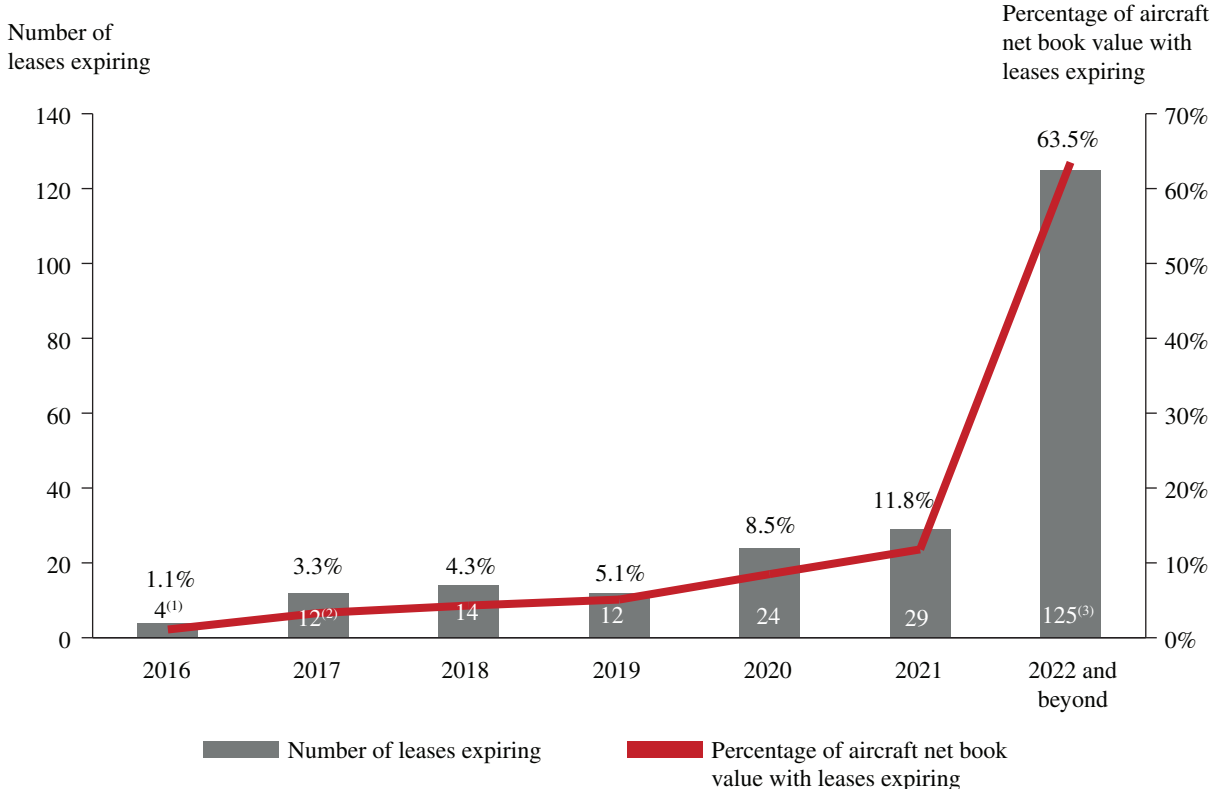
In addition, our lease expirations are well-dispersed, with relatively few near-term expiries. The following table sets out the breakdown between fixed and floating rate rental terms, as well as the weighted average remaining lease term of our aircraft for each year during the Relevant Period.

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

Notes:

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

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



Notes:

- (1) All four aircraft had commitments for sale as at the Latest Practicable Date.
- (2) Two aircraft were sold and one lease had a commitment for sale as at the Latest Practicable Date.
- (3) Four aircraft had commitments for sale as at the Latest Practicable Date.

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

Aircraft Sales

Overview

Selling aircraft is one of our core competencies. We have sold more than 210 owned and managed aircraft since inception in 1993. A successful sales program begins with disciplined aircraft procurement, purchasing the right aircraft in the right configuration at an attractive price and placing the aircraft on well-structured leases with good customers, all with a potential future sale in mind. We believe our ability to implement successful sales programs is one of the competitive strengths of the Group, which supports

our strategy to generate revenue from gains on sales and to maintain a young fleet. During each year of the Relevant Period, our net gain on sales from aircraft were US\$76.5 million, US\$30.3 million, and US\$70.1 million, respectively.

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

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

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

Buyers of our Aircraft

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

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

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

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

- anticipating and being prepared to execute aircraft sales quickly during periods of potential shortages of supply.

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

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

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

Third Party Lease Management Services

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

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

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

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

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

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

Other Revenue-Generating Activities

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

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

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

FINANCING

Overview

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

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

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

Diverse Sources of Funding

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

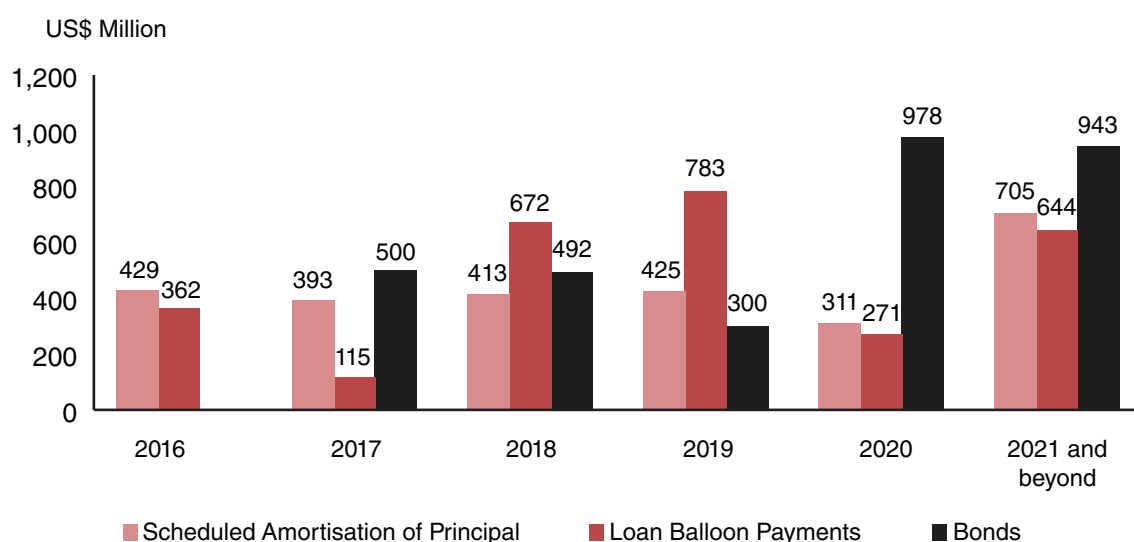
- **Loan Financing.**
 - **Term Loans.** We have been raising debt in the loan market since the mid-1990s and have established strong relationships since then with many banks and other financial institutions in Asia Pacific, Europe, the Middle East and North America. Competitive commercial financing costs are achieved through regular “financing request for proposal” processes, which provide for regular benchmarking of financing costs. We raise loans on either an unsecured or secured basis with full recourse to the Company and currently have more than 60 banks and financial institutions lending to us.
 - **Committed, Unsecured Revolving Credit Facilities.** As at the Latest Practicable Date, we had a total of US\$2.7 billion in committed, unsecured revolving credit facilities in place. We have accessed these facilities in the past in order to fund attractive aircraft acquisition opportunities and they represent a key tool in allowing us to execute our growth strategy and provide a source of committed backstop liquidity. In particular, we had as at the Latest Practicable Date a US\$2.0 billion undrawn, committed unsecured revolving credit facility in place with our controlling shareholder, Bank of China, which matures in April 2022. This facility will remain in place following completion of the Potential IPO. In addition, we also have US\$730 million in committed unsecured revolving credit facilities, with other financial institutions, of which US\$510 million were undrawn as at December 31, 2015.
- **Debt Capital Markets.** We have a long history of debt capital market issuance in the Singapore and international markets dating back to 2000. In September 2012, we established a US\$2.0 billion Euro Medium Term Note Programme (**EMTN Programme**) which was increased to US\$5.0 billion in April 2014. In March 2015, we converted the EMTN Programme to a US\$5.0 billion Global Medium Term Note Program (**GMTN Program**) and had, as at December 31, 2015, approximately US\$3.2 billion outstanding under the converted GMTN Program through 13 series of unsecured notes. Investors in our notes include financial asset managers, insurance companies and private banks. We will be required, following completion of the Potential IPO, to comply with various ongoing disclosure obligations to our noteholders as required by the disclosure obligations to which the notes are subject.
- **U.S. Exim and European Export Credit Agency Supported Financing.** We have accessed and may seek to continue to access funding guaranteed by the European export credit agencies for Airbus aircraft and U.S. Exim for Boeing aircraft in connection with new aircraft deliveries. We have close relationships with these national export credit agencies, and would typically utilize this debt financing if it represents the most cost-effective source of funding for a particular aircraft delivery. Financings from U.S. Exim and European export credit agency are typically structured as finance leases for which we retain substantially all the risks and rewards of ownership. Accordingly, we treat aircraft financed in this manner as owned aircraft and the finance lease obligations as secured loans.

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

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

Debt Repayment Profile

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



Note:

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

Floating Versus Fixed Interest Rate Funding Mix

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

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

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

KEY LEASE TERMS

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

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

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

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

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

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

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

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

RISK MANAGEMENT

Overview

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

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

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

- **Liability Risk.** We have a policy framework for managing risks related to the Group's liabilities, including interest rate risk management and hedging, debt term structure management, liquidity risk management, currency hedging, and management of exposure to financial counterparties.

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

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

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

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

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

Based on the above and in light of the nature of our businesses, our sanctions legal advisers are of the view that Ukraine-related sanctions risk imposed by the United States, the European Union, the United Nations or Australia on the Company and Noteholders is low because as a lessor of aircraft to large and well-vetted airlines, there is only a low possibility that we might engage in business with companies that the United States or some other sanctions-implementing authorities would find to be acting as false-fronts for

sanctioned entities or individuals. Furthermore, on the basis that the Company is not (i) owned or controlled by a designated person or entity under the Ukraine-related sanctions; or (ii) making an asset available, directly or indirectly to, or for the benefit of, a designated person or entity under the Ukraine-related sanctions, our Australian sanctions legal advisers are of the view that Australian sanctions laws as far as Ukraine-related sanctions are concerned do not subject the Company and Noteholders to Australian sanctions risks as far as Ukraine-related sanctions are concerned. However, we cannot assure you that the extension of current sanctions or any further sanctions imposed by the European Union, the United States, the United Nations or Australia or other international interests on us, our customers or other persons will not materially adversely affect our operations or result in restrictions, penalties or fines.

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

Internal controls related to sanctions policies

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

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

Hedging Arrangements and Policies

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

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

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

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

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

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

Internal Governance

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

- **Risk Management Committee:** provides an ongoing and forward-looking review of risk factors impacting both sides of our balance sheet, asset/credit risk and liability risk matters that may impact the Group. The committee also reviews changes in the external operating environment and the portfolio impact of implementing revenue plans. The committee is chaired by the Managing Director & Chief Executive Officer.
- **Management Committee:** has decision-making authority, delegated from the Board of Directors, to approve transactions that meet certain criteria, including leases and lease extensions, purchase and leasebacks, sales transactions, loan and bond financings, hedging, aircraft specification changes and

other general administrative matters. The committee is chaired by the Managing Director & Chief Executive Officer. The six most senior members of the senior management team and the Chief Risk Officer are members of the committee.

- **Operations Committee:** brings together the main business functions involved in executing the Group's aircraft lease, acquisition and sales transactions and is involved in day-to-day management of the owned and managed portfolio, including the heads of the legal and transaction management, risk, technical, portfolio management, procurement, airline leasing and sales and aircraft sales departments. The committee is chaired by the Chief Operating Officer.
- **Finance Committee:** monitors and coordinates issues between the heads of the finance, tax, risk, aircraft sales and treasury departments including funding requirements, risk issues that may affect collections, aircraft sales and budgeting. The committee is chaired by the Deputy Managing Director & Chief Financial Officer.
- **Investment Committee:** evaluates prospective aircraft lease placement, acquisition and sales activities, and approval of the Investment Committee is required before proposals falling outside certain parameters are implemented. The committee is chaired by the Managing Director & Chief Executive Officer.
- **Revenue Committee:** provides guidance and planning for new lease placement, acquisition and sales activities, and provides direction to the customer-facing airline leasing and sales and aircraft sales team for prospective new transactions. The committee is chaired by the Managing Director & Chief Executive Officer.
- **Funding Committee:** discusses funding requirements for the Group and debt markets. The committee is chaired by the Managing Director & Chief Executive Officer.
- **Internal Control Committee:** monitors compliance with internal processes and procedures and provides direction for any needed improvements thereto. The committee is responsible for oversight of the Group's fraud risk management, anti-bribery and sanctions policies and also evaluates new regulatory or other compliance issues affecting the Group's business. The committee is chaired by the Chief Operating Officer.

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

INSURANCE

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

the relevant lease, we would typically have the right to exercise a number of remedies, including ordering the airline customer to ground the aircraft, procuring the relevant insurance coverage at the cost of the defaulting customer, or terminating the lease.

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

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

REGULATION, LICENSES AND PERMITS

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

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

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

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

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

Given the nature of the activities undertaken by our Group entities in each of China and Malaysia, we are subject to certain rules and regulations governing and regulating the scope of their activities.

COMPETITION

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

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

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

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

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

EMPLOYEES

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

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

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

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

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

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

HEALTH AND WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Health and Work Safety

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

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

Social and Environmental Matters

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

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

FACILITIES

We do not own any real estate. We lease our principal executive office at 8 Shenton Way, #18-01, Singapore, 068811 (comprising 30,814 square feet) and as well as our overseas office facilities in Dublin, London, Seattle and Tianjin (which, in aggregate, comprise 3,767 square feet). Terms of these lease agreements in general range from 18 to 36 months.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, three registered trademarks were licensed to the Group from BOC and the Group had one domain name which are material to its business.

LEGAL AND REGULATORY MATTERS

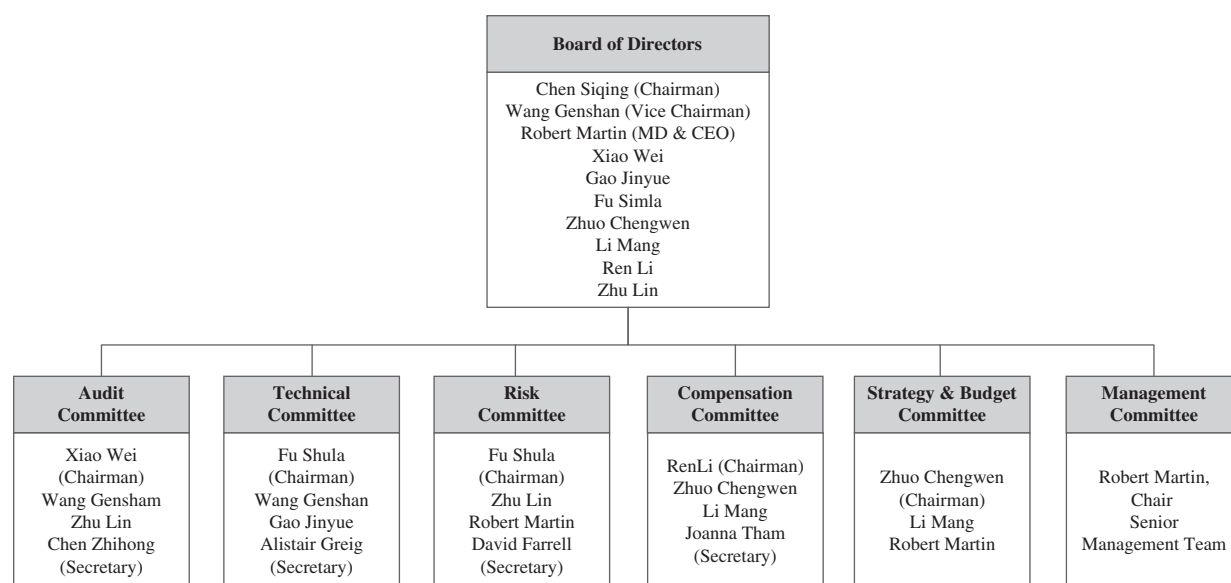
During the Relevant Period and up to the Latest Practicable Date, the Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of laws or regulations applicable to the Group that would have a material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

During the Relevant Period and up to the Latest Practicable Date, the Group had obtained all material licenses and permits necessary for the operation of its business in the jurisdictions in which it operates and such licenses and permits are still valid and in force. The Group has not experienced any refusal of the renewal application of any material licenses and permits necessary for the operation of its business.

BOARD AND MANAGEMENT

Board of Directors

The Board is responsible for the overall corporate governance of BOC Aviation including establishing our strategic direction and the goals for management and monitoring the achievement of these goals. The Board comprises ten members, nine of whom are nominees of the shareholder and the remaining member being the Chief Executive Officer of BOC Aviation. The Board has five standing Board Committees, namely the Audit Committee, the Compensation Committee, the Technical Committee, the Risk Committee, and the Strategy and Budget Committee.



The members of the Board are:

- **Mr Chen Siqing, Chairman**

Mr Chen Siqing was appointed our Chairman in December 2011 and President of Bank of China in February 2014. In April 2014, Mr Chen was appointed Vice Chairman of the Board and Executive Director of Bank of China. Mr Chen joined Bank of China in 1990 and served as Executive Vice President from June 2008 to February 2014. Mr Chen held various positions in the Bank of China from June 2000 to May 2008, including Assistant General Manager, Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office and General Manager of the Guangdong Branch. Mr Chen previously worked in the Hunan Branch of the Bank of China before he was seconded to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Since December 2011, Mr Chen has also been serving as a Non-executive Director of BOCHK (Holdings). Mr Chen graduated from Hubei Institute 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 and 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 and Chief Executive Officer**

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

- **Dr Xiao Wei, Director**

Dr Xiao Wei was appointed to the Board in March 2010. In November 2014, he was appointed as Chief Audit Officer of Bank of China, a senior management position of the Bank. Before that, Dr Xiao was General Manager of the Financial Management Department in Bank of China's Head Office, a position he had 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.

- **Mr Gao Jinyue, Director**

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

- **Mr Fu Shula, Director**

Mr Fu Shula was appointed to the Board in February 2011. He is the Vice-Chief Economist of Aviation Industry Corporation of China. Mr Fu has more than 30 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 Master's degree in Aero Engine Design from Northwestern Polytechnical University in Xi'an, China.

- **Mr Zhuo Chengwen, Director**

Mr. Zhuo Chengwen was appointed to the Board in December 2015. Mr. Zhuo has over 20 years of experience in the banking industry and has extensive knowledge and skills in financial management. Mr. Zhuo joined the Accounting Department of Bank of China in 1995. Between 2001 and 2008, he was transferred to the Bank of China New York Branch and was appointed Deputy General Manager of New York Branch in 2006. He returned to the Financial Management Department of BOC in April 2008 and worked as Deputy General Manager. He served as the Chief Financial Officer of Bank of China Hong Kong (Holdings) Limited from June 2009 to August 2014. He has been the General Manager of Financial Management Department of Bank of China since August 2014. Mr. Zhuo graduated from the Peking University in the PRC with a Bachelor's Degree in Economics in July 1992 and a Master's Degree in Economics in July 1995 and was awarded a MBA Degree by the City University of New York in the U.S. in February 2005. Mr. Zhuo has been a member of the Chinese Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants since April 1995, August 2005 and November 2009 respectively.

- **Mr Li Mang, Director**

Mr. Li Mang was appointed to the Board in December 2015. He is the Deputy General Manager of the Corporate Banking Department of Bank of China. Mr. Li joined Bank of China in July 1990. He worked in various divisions in the Banking Department and was promoted to Assistant General Manager of the Banking Department in July 2004. Between July 2005 and August 2008, he worked as Assistant General Manager and subsequently as Customer Relations Director of the International Settlement Department. In August 2008, he began working as Customer Relations Director for the Corporate Banking Unit (Corporate Business) until March 2014. He has held the position of Deputy General Manager of Corporate Banking Department since March 2014. Mr. Li graduated from Central University of Finance and Economics in the PRC in June 1990 with a Bachelor's degree in Economics. He received a Master's degree in Economics from the Chinese Academy of Social Sciences in the PRC in July 2002.

- **Ms Ren Li, Director**

Ms Ren Li was appointed to the Board in December 2015. She is presently the Deputy General Manager of Human Resources Department of Bank of China. Ms Ren joined Bank of China in 1992 and started her career working in the then Banking Department. Between 1998 and 1999, she worked in the then Credit Business Department and later Corporate Business Department from 1999 to 2002. Starting June 2002, Ms Ren worked for Bank of China Singapore Branch and was promoted to Assistant General Manager in October 2004. In July 2006, she returned to Head Office to act as Assistant General Manager of Overseas Operation Management Department and then Deputy General Manager. Since March 2014, she has held the position of Deputy General Manager of Human Resources Department. Ms Ren graduated from Renmin University of China in 1992 with a Bachelor's degree in investment economics. Later in 1998, she received a Master's degree in International Finance again from Renmin University of China.

- **Ms Zhu Lin, Director**

Ms Zhu Lin was appointed to the Board in January 2014. She is presently the Deputy General Manager of Risk Management Department of Bank of China, a position she has held since December 2010. Ms Zhu joined Bank of China in 1997 and had worked in the Credit Business Department and then Corporate Banking Department where she held various positions. From November 2007 to December 2010, Ms Zhu was the Deputy General Manager (Policies and Procedures) of Risk Management Department.

Ms Zhu graduated from Peking University in 1994 and received a Master of Business Administration degree from Guanghai School of Management, Peking University in 1997. Ms Zhu is also a Certified Public Accountant.

Management

The members of our senior management team are:

Name	Age	Position
Robert Martin	51	Managing Director & Chief Executive Officer
Wang Genshan	59	Deputy Managing Director
Phang Thim Fatt	59	Deputy Managing Director and Chief Financial Officer
Steven Townend	46	Chief Commercial Officer (Europe, Americas & Africa)
Gao Jinyue	58	Chief Commercial Officer (Asia Pacific & Middle East)
David Walton	55	Chief Operating Officer

- **Robert Martin, Managing Director and Chief Executive Officer**

Mr Martin joined us in January 1998 as Deputy Managing Director and was promoted six months later to the role of Managing Director. He assumed the title of Chief Executive Officer in 2004. Mr Martin is one of the longest serving chief executive officers of the same company in the aircraft operating leasing industry, and he has 28 years of experience in the aircraft and leasing business. Mr Martin began his career in aircraft financing in London with Bank of America in 1987. He subsequently held senior positions in both London and Singapore with The Long-Term Credit Bank of Japan, Ltd. before moving to HSBC Investment Bank in Hong Kong where he held the position of Aircraft Finance Director. Mr Martin holds a Master of Arts degree in Economics from Cambridge University.

- **Wang Genshan, Deputy Managing Director**

Mr Wang Genshan was appointed as Director and Vice-Chairman in December 2006. In January 2008 he became Deputy Managing Director with executive responsibilities for Internal Audit and Shareholder Reporting and Internal Compliance, and since January 2014 he oversees the Procurement, Technical and Board Secretariat departments. Currently, Mr Wang oversees the Procurement and Board Secretariat departments. Mr Wang joined Bank of China in 1978 in the Trade Finance department of the Shanghai Branch. After being posted to the Sydney Branch of Bank of China in 1985, he returned to the Shanghai Branch in 1992 where he was subsequently promoted to the position of Deputy General Manager. In July 2006 he was Deputy Head of the project team in Bank of China that was tasked with evaluating us and our eventual acquisition. Mr Wang holds a Diploma in English Linguistics from East China Normal University.

- **Phang Thim Fatt, Deputy Managing Director and Chief Financial Officer**

Mr Phang has been involved since our inception in the early 1990s, when he took part in the study to evaluate the establishment of an aircraft leasing company in Singapore. Initially seconded from former shareholder Singapore Airlines Limited in 1996 to be the Chief Financial Officer, Mr Phang formally joined us as Chief Financial Officer in 1999, and in 2001 he was promoted to the position of Deputy Managing Director. Prior to joining us, Mr. Phang served for 17 years with Singapore Airlines Limited, primarily in treasury and finance functions. He has 36 years of aviation financing and leasing experience. Mr Phang graduated with first class Honors in Business Administration from the University of Malaya.

- **Steven Townend, Chief Commercial Officer (Europe, Americas & Africa)**

Mr Steven Townend joined us in January 2001 and was Chief Commercial Officer based in Singapore from July 2004 to June 2014. He is presently based in London and has primary responsibility for all revenue activities in Europe, Americas and Africa. He has 24 years of aviation finance and leasing experience. Prior to joining us, 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 Honors degree in Banking and Finance from Loughborough University in the UK.

- **Gao Jinyue, Chief Commercial Officer (Asia Pacific & Middle East)**

Mr Gao Jinyue joined us as a board director in December 2006, and was appointed Chief Commercial Officer with primary responsibility for all revenue activities in Asia Pacific and the Middle East in December 2014. He 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. More 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.

- **David Walton, Chief Operating Officer**

Mr David Walton joined us in November 2014 as Chief Operating Officer, with responsibility for Legal & Transaction Management, Portfolio Management, Compliance & Corporate Affairs, and Investor Relations and Corporate Communications. Mr Walton has 28 years of aviation finance and leasing experience, having led global operations, technical and portfolio management teams at other aircraft operating lessors, developing and directing asset management systems for large fleets of leased aircraft. Prior to joining us, Mr Walton was he Chief Operating Officer and General Counsel of Aircastle Limited, an NYSE-listed aircraft leasing company. He also served as a general counsel for both privately held and publicly listed companies, with primary responsibility for structuring and documenting capital raising, joint venture and leasing activities. Mr Walton was formerly a Partner at the law firm of Perkins Coie, based in Seattle and in Hong Kong. He holds a Bachelor of Arts (Honors) from Stanford University, and a law degree from the University of California, Berkeley (Boalt Hall).

CERTAIN ERISA CONSIDERATIONS

Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and Section 4975 of the Code, prohibit employee benefit plans subject to ERISA (**ERISA Plans**), as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, **Plans**), from engaging in certain transactions involving “plan assets” (within the meaning of ERISA) with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (**Parties in Interest**) with respect to Plans. As a result of the Issuer’s business, it may be a Party in Interest with respect to certain Plans. Where the Issuer is a Party in Interest with respect to a Plan (either directly or by reason of its ownership of its subsidiaries), the purchase and holding of the Notes by or on behalf of the Plan may be a prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, unless exemptive relief were available under an applicable prohibited transaction exemption.

Accordingly, the Notes (or any interest therein) may not be purchased or held by any Plan, any entity whose underlying assets are deemed for purposes of ERISA or the Code to include “plan assets” by reason of any Plan’s investment in the entity (a **Plan Asset Entity**) or any person investing “plan assets” of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under one or more Prohibited Transaction Class Exemptions (**PTCE**), including PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, issued by the U.S. Department of Labor or another applicable prohibited transaction exemption or exception. Any purchaser or holder of the Notes or any interest therein will be deemed to have represented by its purchase and holding thereof that either (a)(i) it is not (and for so long as it holds the Notes or interest therein will not be) a Plan or a Plan Asset Entity and is not (and for so long as it holds the Notes or interest therein will not be) purchasing the Notes (or any interest therein) on behalf of or with “plan assets” of any Plan or (ii) its purchase and holding of the Notes or any interest therein is eligible for the exemptive relief available under an applicable exemption or exception from the prohibitions under Section 406 of ERISA and Section 4975 of the Code, and (b) it will not sell or otherwise transfer the Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations and agreements with respect to its purchase and holding of the Notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to these “prohibited transaction” rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or documents. Fiduciaries or other persons considering purchasing the Notes on behalf of such a plan should consult with their counsel regarding these other applicable laws, rules or documents.

Due to the complexity of the applicable rules, it is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of a Plan, a Plan Asset Entity or with “plan assets” of any Plan consult with their counsel regarding the relevant provisions of ERISA and the Code and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, or another applicable prohibited transaction exemption or exception.

TAXATION

U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the U.S. federal income tax considerations for initial purchasers of Notes at their original issuance that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986 (the **Code**), final, temporary and proposed U.S. Treasury Regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect.

This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) partnerships or other pass-through entities; (viii) holders that are not U.S. Holders; (ix) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction; (x) investors that have a functional currency other than the U.S. Dollar and (xi) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, Medicare contribution tax on net investment income considerations or non-U.S., state or local tax considerations. This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in Section 165(j) and 1287 of the Code. Moreover, the summary deals only with Notes with a term of 30 years or less and does not address the treatment of Index Linked Redemption Notes. The U.S. federal income tax consequences of owning Notes with a longer term or Index Linked Redemption Notes will generally be discussed in the applicable Pricing Supplement.

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof, or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding the Notes should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of the Notes.

This summary should be read in conjunction with the discussion of U.S. federal income tax consequences in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of U.S. tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. We generally intend to treat Notes issued under the Program as debt, unless otherwise indicated in the applicable Pricing Supplement. Certain Notes, however, such as Notes with extremely long maturities and certain Index Linked Redemption Notes, may be treated as equity for U.S. federal

income tax purposes. The tax treatment of Notes to which a treatment other than as debt may apply may be discussed in the applicable Pricing Supplement. The following disclosure applies only to Notes that are treated as debt for U.S. federal income tax purposes.

Payments of Interest

General

Interest on a Note, including the payment of any additional amounts whether payable in U.S. Dollars or a currency, composite currency or basket of currencies other than U.S. Dollars (a **foreign currency**), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount – General”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder’s method of accounting for tax purposes. Interest paid by us on the Notes and OID (as defined below), if any, accrued with respect to the Notes (as described below under “Original Issue Discount”) will generally constitute income from sources outside the United States for U.S. foreign tax credit purposes. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of any payment of foreign taxes in respect of the Notes.

Unless specified otherwise in a Pricing Supplement, Interest on Floating Rate Notes and Indexed Linked Interest Notes will generally accrue at a hypothetical fixed rate equal to the rate at which the Notes bore interest on their issue date. The amount of interest actually recognized for any accrual period will increase (or decrease) if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical rate. U.S. Holders of Floating Rate Notes and Index Linked Interest Notes, therefore, generally will recognize income for each period equal to the amount paid during that period.

Foreign Currency Denominated Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. Dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a U.S. Holder, the part of the interest accrual period within each taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. Dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the U.S. Internal Revenue Service (**IRS**).

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars. U.S. Holders will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (**OID**). The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event that we issue contingent payment debt instruments to U.S. Holders, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a **Short-Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note's "stated redemption price at maturity" over its issue price is at least a de minimis amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity or, in the case of Installment Notes, its weighted average maturity). An Installment Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the **issue price** of a Note will be the first price at which a substantial amount of such Notes is first sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The **stated redemption price at maturity** of a Note is the total of all payments provided under the Note that are not payments of "qualified stated interest." A **qualified stated interest** payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or at a qualifying variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the then outstanding principal amount of the Note. Solely for the purpose of determining whether a Note has been issued with OID, we will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has de minimis OID, a U.S. Holder must include the de minimis amount in income as ordinary income as stated principal payments are made on the Note, unless the holder makes the election described below under "– Election to Treat All Interest as Original Issue Discount." A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's de minimis OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and will generally have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includable in income is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Note allocable to the accrual period. The **adjusted issue price** of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments. OID accrued on the Notes will generally constitute income from sources outside the United States for U.S. foreign tax credit purposes.

Election to Treat All Interest as OID

A U.S. Holder may elect to include in gross income all interest and discount that accrues on a Note using the constant-yield method described above under “Original Issue Discount – General” with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described below under “Notes Purchased at a Premium”) or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant-yield method is applied, the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Note has amortizable bond premium, the U.S. Holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter.

Variable Interest Rate Notes

Notes that provide for stated interest at a variable rate (Variable Interest Rate Notes) are subject to special rules. Stated interest on a Variable Interest Rate Note will be treated as qualified stated interest for purposes of the rules governing accrual of OID if (a) the Variable Interest Rate Note’s issue price does not exceed the total non-contingent principal payments due under the Note by more than a specified de minimis amount and (b) the Note provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) the Note does not provide for any principal payments that are contingent. If interest on a Variable Interest Rate Note does not qualify to be treated as “qualified stated interest” then the Variable Interest Rate Note will generally be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the applicable Pricing Supplement.

A **qualified floating rate** is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An **objective rate** is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Company (or a related party) or that is unique to the circumstances of the Company (or a related party), such as dividends, profits or the value of the Company’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Company). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. A variable rate will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate

Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A **qualified inverse floating rate** is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate.

If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the Variable Interest Rate Note must be set at a "current value" of that rate. A **current value** of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout its term, then any stated interest on the Note which is unconditionally payable in cash or property (other than additional Notes) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout its term will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout its term will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that provides for stated interest at a fixed rate for a portion of its term and a single qualified floating rate or a single objective rate throughout its remaining term, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

Short-Term Notes

Short-Term Notes are subject to special rules. For purposes of determining the amount of OID on such Notes, all interest payments are included in the Short-Term Note’s stated redemption price at maturity. In general, a cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding).

U.S. Holders who are not required to and do not elect to include OID in income currently, any gain realized on the sale, redemption or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, redemption or other disposition. U.S. Holders who are not required to and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Dividend Equivalent Amounts on Index Linked Interest Notes

Section 871(m) of the Code and regulations promulgated thereunder treats certain “dividend equivalent” payments as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30 per cent. U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a treaty exemption, tax credit or refund from the IRS. A “dividend equivalent” payment includes payments that directly or indirectly reference the payment of a dividend by a U.S. corporation under certain equity linked or other instruments. To the extent that the Reference Rate or other Relevant Factor in determining the amount payable under any Floating Rate Notes or Index Linked Interest Notes are directly or indirectly determined by reference to dividends payable by a U.S. corporation, such payments may be considered dividend equivalent payments.

If we or any withholding agent determines that withholding is required under Section 871(m), we will not be required to pay any additional amounts with respect to amounts so withheld nor will any withholding agent. The proper U.S. federal tax treatment of Notes that give rise to a dividend equivalent pursuant to Section 871(m) will generally be more fully described in the applicable Pricing Supplement.

Foreign Currency Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under “Payments of Interest.” Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of a Note), a U.S. Holder may recognize exchange gain or loss, which will be U.S. source ordinary gain or loss measured by the difference between the amount received (translated into U.S. Dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a **Market Discount Note**) if the Note’s stated redemption price at maturity or, in the case of a Discount Note, the Note’s “revised issue price”, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note’s maturity (or, in the case of an Installment Note, the Installment Note’s weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes **de minimis market discount**. For this purpose, the **revised issue price** of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Generally, any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder. Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Market discount on a Market Discount Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. Dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder’s taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will generally be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. Dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, in excess of all amounts payable on the Discount Note after the acquisition date (other than payments of qualified stated interest), may elect to treat the excess as “amortizable bond premium,” in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note’s yield to maturity) to that year. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium (including acquisition premium) will be computed in units of foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, on a Note that is denominated in, or determined by reference to, a foreign currency, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “Original Issue Discount – Election to Treat All Interest as Original Issue Discount.”

A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognize a capital loss when the Note matures, and with respect to any Notes that are denominated in, or determined by reference to foreign currency, a foreign currency exchange gain or loss with respect to the premium is realized based on the difference between the spot rates on the sale or other disposition of the Note and at the time of the acquisition of the Note. In such case, the amount of capital loss relating to the premium may be offset or eliminated by exchange gain.

Sale or Other Disposition of Notes

A U.S. Holder’s tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder’s income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable Note premium applied to reduce interest on the Note. A U.S. Holder’s tax basis in a foreign currency Note will be determined by reference to the U.S. Dollar cost of the Notes. The U.S. Dollar cost of a Note purchased with a foreign currency will generally be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognize gain or loss on the sale or other disposition of a Note equal to the difference between the amount realized on the sale or other disposition and the holder’s adjusted tax basis of the Note, each determined in U.S. Dollars. The amount realized on a sale or other disposition for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale or other disposition or, in the case of Notes traded on an established securities market sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Except to the extent described above under “Original Issue Discount – Short-Term Notes” or attributable to accrued but unpaid interest or changes in exchange rates (as described below), gain or loss recognized on the sale or other disposition of a Note will be capital gain or loss and will generally be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate

applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. Dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or other disposition and (ii) the date on which the U.S. Holder acquired the Note. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or other disposition of a Note will have a tax basis equal to its U.S. Dollar value at the time the interest is received or at the time of the sale or other disposition. Foreign currency that is purchased will generally have a tax basis equal to the U.S. Dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or an exchange for U.S. Dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of principal, interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments (including payments of OID) if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

Disclosure Requirements

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions with respect to the Notes may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency Note. Persons considering the purchase of such Notes should consult with their tax advisers to determine the tax return obligations, if any, with respect to an investment in such Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. Dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

U.S. Foreign Account Tax Compliance Act Withholding

Certain provisions of the Code and applicable U.S. Treasury Regulations implementing these provisions (commonly referred to as **FATCA**) may impose 30% withholding on "foreign passthru payments" made by a "foreign financial institution" (an **FFI**) made on or after January 1, 2019. Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent

payments on the Notes would be considered foreign passthru payments if we were considered to be an FFI. The United States has entered into an intergovernmental agreement with Singapore (the **IGA**) which potentially modifies the FATCA withholding regime, including the definition of an FFI. Under FATCA and the IGA, we do not expect to be treated as an FFI and, therefore, do not expect that payments on the Notes would be subject to withholding tax under FATCA or the IGA. Investors in the Notes should consult their tax advisors regarding the potential impact of FATCA, the IGA and any non-U.S. legislation implementing FATCA, on their investment in the Notes.

FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is an FFI that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Our obligations under the Notes are discharged once we have made payment to, or to the order of, the common depository for the Clearing Systems or CMU (as bearer or registered holder of the Notes) and we have therefore no responsibility for any amount thereafter transmitted through the Clearing Systems or CMU and custodians or intermediaries.

Singapore

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars 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, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars 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 professional 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 emphasized that we do not and any other persons involved in the Program do not accept 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% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 22%. 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%. The rate of 15% 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 January 1, 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after February 17, 2006; and
- (c) prepayment fee, redemption premium or break cost from debt securities derived on or after February 15, 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 Program as a whole is jointly arranged by the Arrangers, each of which is a Financial Sector Incentive (Bond Market) Company, Financial Sector Incentive (Capital Market) Company or Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, any tranche of the Notes (the **Relevant Notes**) issued as debt securities under the Program during the period from the date of this Offering Circular to December 31, 2018 would be, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by MAS on June 28, 2013 (the **MAS Circular**), “qualifying debt securities” (**QDS**) 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 of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed, and the inclusion by us 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 and profits 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 us 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 of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant

authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), Qualifying Income from the Relevant Notes paid by us 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% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

(aa) our inclusion of, 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 furnishing of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed,

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

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% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by our related parties, such Relevant Notes would not qualify as QDS; and

(B) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50% or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any of our related party(ies), Qualifying Income derived from such Relevant Notes held by:

(I) any of our related party(ies); or

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

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.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant 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 for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant 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 (i.e. the Qualifying Income) 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.

Under the Qualifying Debt Securities Plus Scheme (**QDS Plus Scheme**), subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the QDS in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the QDS as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), income tax exemption is granted on Qualifying Income derived by any investor from QDS (excluding Singapore Government Securities) which:

- (a) are issued during the period from February 16, 2008 to December 31, 2018;
- (b) have an original maturity of not less than ten years;
- (c) cannot be redeemed, called, exchanged or converted within ten years from the date of their issue; and
- (d) cannot be re-opened with a resulting tenure of less than ten years to the original maturity date.

However, even if a particular tranche of the Relevant Notes are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Notes, 50% or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any of our related party(ies), Qualifying Income from such Relevant Notes derived by:

- (aa) any of our related party(ies); or
- (bb) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any of our related party(ies),

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

The MAS Circular states that, with effect from June 28, 2013, the QDS Plus Scheme will be refined to allow QDS with certain standard early termination clauses (as prescribed in the MAS Circular) to qualify for the QDS Plus Scheme at the point of issuance of such debt securities. MAS has also clarified that if such debt securities are subsequently redeemed prematurely pursuant to such standard early termination clauses before the tenth year from the date of issuance of such debt securities, the tax exemption granted under the QDS Plus Scheme to Qualifying Income accrued prior to such redemption will not be clawed back. Under such circumstances, the QDS Plus status

of such debt securities will be revoked prospectively for such outstanding debt securities (if any), and holders thereof may still enjoy the tax benefits under the QDS scheme if the QDS conditions continue to be met.

MAS has stated that, notwithstanding the above, QDS with embedded options with economic value (such as call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the pricing of such debt securities at the onset) which can be exercised within ten years from the date of issuance of such debt securities will continue to be excluded from the QDS Plus Scheme from such date of issuance.

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 recognize 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 February 15, 2008.

The proposed Financial Transactions Tax (FTT)

On February 14, 2013, the European Commission published a proposal (the Commission’s Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating

Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of CDP, DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither we nor any other party to the Agency Agreement 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 Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

Clearance and Settlement under the Depository System

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (**Depository System**) maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organization. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a Global Note for persons holding the Notes in securities accounts with CDP (**Depositors**). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Notes through the Depository System may only be effected through certain corporate depositors (**Depository Agents**) approved by CDP under the Companies Act, Chapter 50 of Singapore to maintain securities sub-accounts and to hold the Notes in such securities sub-accounts for themselves and their clients. Accordingly, Notes for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Principal Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

DTC

DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**, together with the Direct Participants, the **Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor of ours, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is our responsibility, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale*" and "*Transfer Restrictions*."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

We may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories

of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

We expect DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. We also expect that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar nor of ours. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is our responsibility.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*" and "*Transfer Restrictions*," cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the

designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. Neither we nor the agents nor any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUBSCRIPTION AND SALE

*The Dealers have, in an amended and restated program agreement (such amended and restated program agreement as modified and/or supplemented and/or restated from time to time, the **Program Agreement**) dated March 16, 2015, agreed with us 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 Program Agreement, we have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of Notes under the Program 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, or with any securities regulatory authority of any state or other jurisdiction of the United States, 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 accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

Each Dealer represents and agrees that it has offered, sold and delivered any Notes, and will offer, sell and deliver any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer also agrees that, at or prior to confirmation of sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used herein have the meanings given to them by Regulation S.

Each Dealer represents and agrees that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and in respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, it and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **D Rules**), each Dealer (i) represents that it has

not offered or sold, and agrees that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) represents that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

- (b) each Dealer represents that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, each Dealer represents that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010);
- (d) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in subclauses (a), (b), (c) and (e) on such affiliate's behalf;
- (e) each Dealer agrees that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4)(ii) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010)) that purchases any Notes in bearer form from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for our benefit and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subclauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder; and
- (f) Terms used the provisions of subclauses (a), (b), (c) and (e) have the meanings given to them by the Code and regulations promulgated thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer represents and agrees in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations promulgated thereunder, including the D Rules and the U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **C Rules**).

Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold to QIBs in the United States in reliance on Rule 144A, and in connection therewith each Dealer represents and agrees that:

- (a) offers, sales, resales and other transfers of Registered Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;
- (b) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to (1) a limited number of institutional investors that are accredited investors (as defined in Rule 501(a)(1), (2) and (3) under the Securities Act each an institutional investor being hereinafter referred to as an Institutional Accredited Investor) that has executed and delivered to a Dealer an IAI Investment Letter, or (2) institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a **QIB**);
- (c) the Registered Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Registered Notes in the United States;
- (d) no sale of Registered Notes in the United States to (1) any one Institutional Accredited Investor will be for less than U.S.\$250,000 principal amount and (2) any one QIB will be for less than U.S.\$100,000 principal amount or (in each case) its equivalent rounded upwards and no Registered Note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$250,000 (in the case of (1) above) or U.S.\$100,000 (in the case of (2) above) principal amount of the Registered Notes; and
- (e) each Registered Note sold as a part of a private placement in the United States and each Regulation S Global Note shall contain a legend in substantially the form set out on the face of such Registered Note in the Agency Agreement.

We represent and agree that any resale or other transfer, or attempted resale or other transfer of Notes sold as part of a private placement in the United States made other than in compliance with the restrictions set out above shall not be recognized by us or any of our agent and shall be void.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as we 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 Program 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 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 us 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 us 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 (as amended, including by the 2010 PD Amending Directive), 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 Program 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 us;
- (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 us; 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.

Canada

The Notes may only be offered or sold to a resident of Canada pursuant to an exemption from the requirement to file a prospectus in the applicable Canadian province or territory in which such offer or sale is made, and only by a dealer duly registered under the applicable securities laws of that province or territory or by a dealer that is relying in that province or territory on the “international dealer” exemption provided by section 8.18 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103). Furthermore, the Notes may only be offered or sold to or for the benefit of a resident of any such province or territory provided that such resident is both an “accredited

investor” as defined in National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) and a “permitted client” as defined in NI 31-103. The distribution of the Notes in Canada is being made on a private placement basis only and any resale of the Notes must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements or exemptions from the prospectus and registration requirements.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Under Canadian securities law, National Instrument 33-105 *Underwriting Conflicts* (NI 33-105) provides disclosure requirements with respect to potential conflicts of interest between an issuer and underwriters, dealers or placement agents, as the case may be. To the extent any conflict of interest between the Issuer and any of the Dealers (or any other placement agent acting in connection with this offering) may exist in respect of this offering, the applicable parties to this offering are relying on the exemption from these disclosure requirements provided to them by section 3A.3 of NI 33-105.

The Issuer and the Dealers hereby notify prospective Canadian purchasers that: (a) the Issuer or the Dealers may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Notes purchased) (“personal information”), which Form 45-106F1 may be required to be filed by the Issuer or the Dealers under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Notes in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis.*

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 Program 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 that and each further Dealer appointed under the Program 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 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 (Winding Up and Miscellaneous Provisions) 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 under that Ordinance.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program 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 Program 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) of the Securities and Futures Act; 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 Program 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 we nor any of the Dealers shall have any responsibility therefor.

Neither we 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, us and our 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, us and our affiliates in the future.

In connection with each Tranche of Notes issued under the Program, 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 of our securities or our 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).

TRANSFER RESTRICTIONS

United States

As a result of the following restrictions, purchases of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States who is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which we were or an affiliate of ours was the owner of such Notes, only (a) to us or any of our affiliate, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (e) to an institutional “accredited investor” within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring the Notes for its own account or for the account of such an institutional “accredited investor” for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or (f) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above, the transferor shall deliver (i) an IAI Investment Letter to the Registrar, which shall provide, among other things, that the transferee is an institutional “accredited investor” within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act, and that it will acquire Notes having a minimum purchase price of at least U.S.\$250,000 (or the approximate equivalent in another specified currency (as defined in the Agency Agreement)); and (ii) such other satisfactory evidence as we may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by us:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “INSTITUTIONAL ACCREDITED INVESTOR”); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (5) TO AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF IN VIOLATION OF THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; IF ANY RESALE OR OTHER TRANSFER OF THE NOTES IS PROPOSED TO BE MADE PURSUANT TO CLAUSE (5) ABOVE, THE TRANSFEROR SHALL DELIVER A LETTER SUBSTANTIALLY IN THE FORM SET OUT IN SCHEDULE 4 TO THE AGENCY AGREEMENT TO THE TRANSFER AGENT, WHICH SHALL PROVIDE, AMONG OTHER THINGS, THAT THE TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT, THAT IT IS ACQUIRING SUCH NOTES FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, AND THAT IT WILL ACQUIRE NOTES HAVING A MINIMUM PURCHASE PRICE OF AT LEAST U.S.\$250,000 (OR THE APPROXIMATE EQUIVALENT IN ANOTHER SPECIFIED CURRENCY (AS DEFINED IN THE AGENCY AGREEMENT)) AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.”

“THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the Distribution Compliance Period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 3 to the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made: (a) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or (b) to a person who is an Institutional Accredited Investor, together with, in the case of (b), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 4 to the Agency Agreement and such other satisfactory evidence as we may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; (iii) to us or any of our affiliates; or (if available) (iv) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by us of such satisfactory evidence as we may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by us:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

- (viii) that we and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify us; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account. Institutional

Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter.

Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “Form of the Notes.” The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes (including those set out above), and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with such restrictions and conditions and the Securities Act;
- (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts’ investment for an indefinite period of time;
- (v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$250,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$100,000 (or its foreign currency equivalent) nominal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$250,000 (or its foreign currency equivalent) nominal amount, and no Legended Note will be issued in connection with such a sale in a smaller nominal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$250,000 (or its foreign currency equivalent) nominal amount of Registered Notes.

LEGAL MATTERS

The validity of the Notes, certain U.S. legal matters and certain English legal matters will be passed upon for us by Freshfields Bruckhaus Deringer, our U.S. and English counsel. Allen & Overy LLP, U.S. and English counsel to the Dealers, will pass upon certain U.S. and English legal matters for the Dealers. Allen & Gledhill LLP, Singapore counsel to the Dealers, will pass upon certain Singapore legal matters for the Dealers.

INDEPENDENT AUDITORS

This Offering Circular includes our audited consolidated financial statements as at and for the years ended December 31, 2013, 2014 and 2015. For the audit of these financial statements, our independent auditor was Ernst & Young LLP, Public Accountants and Chartered Accountants, Singapore, located at 1 Raffles Quay, North Tower, Level 18, Singapore 048583.

GENERAL INFORMATION

Authorization

The establishment and update of the Program and the issue of Notes have been duly authorized by resolutions of our Board of Directors dated September 16, 2012, April 10, 2014, and March 16, 2015.

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 our merits or the merits of our subsidiary companies, their associated companies, the Program 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 our registered office and from the specified offices of the Paying Agents for the time being in Singapore:

- (a) our constitutional documents;
- (b) the audited consolidated financial statements of the Group in respect of the financial years ended December 31, 2013, 2014 and 2015. 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 Program Agreement, the Agency Agreement, the Deed of Covenant, the CDP Deed of Covenant and Deed Poll;
- (e) a copy of this Offering Circular; and
- (f) any future offering circulars, prospectuses, information memoranda, supplements and Pricing Supplement (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 us 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.

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 depository on behalf of Euroclear and Clearstream, Luxembourg 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 Registered Global Note and deposited on the issue date thereof with (i) a common depository for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg; or (ii) deposited with, and registered in the name 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. In addition, we may make an application for any Notes in registered form to be accepted for

trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Program will be determined by us 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 December 31, 2015 and there has been no material adverse change in the financial position of the Group since December 31, 2015.

Litigation

We are not and have not, and no 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 we are 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 our or the Group's financial condition or business.

Independent Auditors

This Offering Circular includes our audited consolidated financial statements as at and for the years ended December 31, 2013, 2014 and 2015. For the audit of these financial statements, our independent auditor was Ernst & Young LLP, Public Accountants and Chartered Accountants, Singapore, located at 1 Raffles Quay, North Tower, Level 18, Singapore 048583. The reports of our independent auditors are included in the form and context in which they are included, with the consent of the independent auditors who have authorized the contents of that part of this Offering Circular.

Dealers transacting with us

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 for, us and our affiliates in the ordinary course of business.

INDEX TO FINANCIAL STATEMENTS

BOC AVIATION PTE. LTD. AND
ITS SUBSIDIARY COMPANIES
*(Incorporated in Singapore. Registration No.
199307789K)*

FINANCIAL STATEMENTS
*For the financial years ended
31 December 2013, 2014 and 2015*

FINANCIAL STATEMENTS

For the financial years ended 31 December 2013, 2014 and 2015

Contents

	Page
Independent Auditor's Report	1
Consolidated Statement of Profit or Loss	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	9
Notes to the Financial Statements	10

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

INDEPENDENT AUDITOR'S REPORT

For the financial years ended 31 December 2013, 2014 and 2015

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 (collectively, the "Group") set out on pages 3 to 77, which comprise the consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015, the consolidated statement of changes in equity, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for each of the financial years ended 31 December 2013, 2014 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance International Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

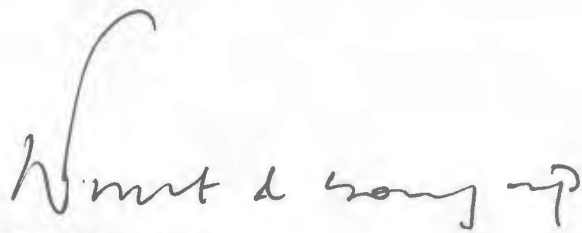
INDEPENDENT AUDITOR'S REPORT

For the financial years ended 31 December 2013, 2014 and 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BOC AVIATION PTE. LTD.

Opinion

In our opinion, the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Group as at 31 December 2013, 2014 and 2015 and the financial performance, changes in equity and cash flows of the Group for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", with a stylized flourish at the end.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

4 March 2016

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEARS ENDED 31 December 2013, 2014 and 2015**

	Note	2013 US\$'000	2014 US\$'000	2015 US\$'000
Revenues				
- Lease rental income	4	804,112	936,916	975,485
- Interest and fee income	5	27,951	11,607	39,844
Other income:				
- Net gain on sale of aircraft	6	76,471	30,291	70,144
- Others		10,127	8,820	5,249
- Allowance for doubtful debts written back				
- Trade receivables	17	-	779	-
- Other receivables	18	-	20	-
		918,661	988,433	1,090,722
Costs and expenses				
Depreciation of plant and equipment	14	336,346	381,247	381,951
Finance expenses	7	135,689	150,780	168,771
Amortisation of deferred debt issue costs	8	14,635	14,546	18,129
Amortisation of lease transaction closing costs	15	306	171	345
Staff costs	9	40,654	51,230	58,689
Marketing and travelling expenses		4,254	5,048	5,037
Other operating expenses	10	28,310	9,545	12,467
Impairment of aircraft	14	42,800	23,100	43,900
Bad debts written off		4,736	-	-
		(607,730)	(635,667)	(689,289)
Profit before income tax		310,931	352,766	401,433
Income tax expense	11	(33,870)	(44,192)	(58,126)
Profit for the year attributable to equity holder of the Company		277,061	308,574	343,307
Earnings per share attributed to ordinary equity holder of the Company				
Basic and diluted earnings per share (US\$)	12	0.47	0.52	0.58

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 December 2013, 2014 and 2015**

	Note	2013 US\$'000	2014 US\$'000	2015 US\$'000
Profit for the year		277,061	308,574	343,307
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Effective portion of changes in fair value of cash flow hedges, net of tax	31	1,507	205	–
Other comprehensive income for the year, net of tax		1,507	205	–
Total comprehensive income for the year		278,568	308,779	343,307
Attributable to:				
Equity holder of the Company		278,568	308,779	343,307

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 December 2013, 2014 and 2015**

	Note	2013 US\$'000	2014 US\$'000	2015 US\$'000
Non-current assets				
Plant and equipment	14	9,594,313	11,015,308	11,717,436
Lease transaction closing costs	15	1,365	661	649
Derivative financial instruments	16	–	1,476	2,011
		<u>9,595,678</u>	<u>11,017,445</u>	<u>11,720,096</u>
Current assets				
Derivative financial instruments	16	722	213	–
Trade receivables	17	55	4,783	400
Prepayments		1,094	1,652	1,542
Other receivables	18	12,949	11,677	22,813
Fixed deposits	19	455,435	212,204	237,415
Cash and bank balances	20	82,727	155,200	269,417
Assets held for sale	21	–	–	222,222
		<u>552,982</u>	<u>385,729</u>	<u>753,809</u>
Total assets		<u>10,148,660</u>	<u>11,403,174</u>	<u>12,473,905</u>
Current liabilities				
Derivative financial instruments	16	5,557	5,030	393
Trade and other payables	22	111,948	67,992	106,104
Deferred income	23	34,803	36,789	62,240
Income tax payables		614	94	874
Loans and borrowings	24	685,686	889,318	963,291
Finance lease payables	25	6,585	8,776	9,148
Security deposits	26	29,034	36,438	36,970
Liabilities associated with assets held for sale	21	–	–	36,299
Deferred asset value guarantee fees		30	–	–
		<u>874,257</u>	<u>1,044,437</u>	<u>1,215,319</u>
Net current liabilities		<u>(321,275)</u>	<u>(658,708)</u>	<u>(461,510)</u>
Total assets less current liabilities		<u>9,274,403</u>	<u>10,358,737</u>	<u>11,258,586</u>

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 December 2013, 2014 and 2015

	Note	2013 US\$'000	2014 US\$'000	2015 US\$'000
Non-current liabilities				
Derivative financial instruments	16	5,390	73,168	146,216
Loans and borrowings	24	6,569,412	7,272,301	7,648,531
Finance lease payables	25	52,812	76,802	67,655
Security deposits	26	164,136	177,107	183,737
Deferred income	23	26,474	19,061	16,867
Maintenance reserves	28	335,456	383,940	432,897
Deferred income tax liabilities	29	175,368	219,953	277,010
Other non-current liabilities	27	18,723	39,994	45,955
		<u>7,347,771</u>	<u>8,262,326</u>	<u>8,818,868</u>
Total liabilities		<u>8,222,028</u>	<u>9,306,763</u>	<u>10,034,187</u>
Net assets		<u>1,926,632</u>	<u>2,096,411</u>	<u>2,439,718</u>
Equity attributable to equity holder of the Company				
Share capital	30	607,601	607,601	607,601
Retained earnings		1,319,236	1,488,810	1,832,117
Hedging reserve	31	(205)	–	–
Total equity		<u>1,926,632</u>	<u>2,096,411</u>	<u>2,439,718</u>
Total equity and liabilities		<u>10,148,660</u>	<u>11,403,174</u>	<u>12,473,905</u>

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

	Note	Attributable to the equity holder of the Company			
		Share capital US\$'000	Retained earnings US\$'000	Hedging reserve US\$'000	Total equity US\$'000
2013					
Balance at 1 January 2013		607,601	1,155,175	(1,712)	1,761,064
Profit for the year		–	277,061	–	277,061
Other comprehensive income for the year		–	–	1,507	1,507
Total comprehensive income for the year		–	277,061	1,507	278,568
Dividends paid	32	–	(113,000)	–	(113,000)
Balance at 31 December 2013		607,601	1,319,236	(205)	1,926,632
2014					
Balance at 1 January 2014		607,601	1,319,236	(205)	1,926,632
Profit for the year		–	308,574	–	308,574
Other comprehensive income for the year		–	–	205	205
Total comprehensive income for the year		–	308,574	205	308,779
Dividends paid	32	–	(139,000)	–	(139,000)
Balance at 31 December 2014		607,601	1,488,810	–	2,096,411

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

	Attributable to equity holder of the Company		
	Share capital US\$'000	Retained earnings US\$'000	Total equity US\$'000
2015			
Balance at 1 January 2015	607,601	1,488,810	2,096,411
Profit for the year	-	343,307	343,307
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	343,307	343,307
Balance at 31 December 2015	607,601	1,832,117	2,439,718

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

	Note	2013	2014	2015
		US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit before income tax		310,931	352,766	401,433
Adjustments for:				
Depreciation of plant and equipment	14	336,346	381,247	381,951
Impairment of aircraft	14	42,800	23,100	43,900
Amortisation of deferred debt issue costs	8	14,635	14,546	18,129
Amortisation of lease transaction closing costs	15	306	171	345
Net gain on sale of aircraft	6	(76,471)	(30,291)	(70,144)
Asset value guarantee fees recognised		(84)	(30)	–
Allowance for doubtful debts (trade) written back	17	–	(779)	–
Allowance for doubtful debts (non-trade) written back	18	–	(20)	–
Bad debts written off		4,736	–	–
Interest and fee income		(21,234)	(8,340)	(36,396)
Finance expenses	7	135,689	150,780	168,771
Operating profit before working capital changes		747,654	883,150	907,989
Decrease/(Increase) in receivables		16,295	(5,669)	(10,378)
Decrease in finance lease receivables		17,440	–	–
Increase/(Decrease) in payables		9,732	(25,013)	37,851
Increase in maintenance reserves		79,597	84,375	113,983
Increase in deferred income		–	1,468	19,617
Cash generated from operations		870,718	938,311	1,069,062
Security deposit received/(paid), net		(47,173)	12,962	4,968
Lease transaction closing costs paid	15	(1,062)	(272)	(233)
Income tax refund/(paid), net		29	(127)	(313)
Interest and fee income received		16,143	10,795	38,949
Net cash flows from operating activities		838,655	961,669	1,112,433
Cash flows from investing activities:				
Purchase of plant and equipment	14	(2,502,588)	(3,142,775)	(3,409,917)
Proceeds from sale of plant and equipment		913,303	1,315,861	2,092,315
Net cash flows used in investing activities		(1,589,285)	(1,826,914)	(1,317,602)
Cash flows from financing activities:				
Proceeds from loans and borrowings		2,359,358	2,153,061	2,824,033
Repayment of loans and borrowings		(1,465,051)	(1,155,185)	(2,287,778)
Finance expenses paid		(135,180)	(151,315)	(171,443)
Debt issue costs paid		(21,154)	(13,075)	(20,215)
Dividends paid	32	(113,000)	(139,000)	–
Decrease in cash and bank balances - encumbered		382,794	130,283	166,278
Increase in cash and bank balances - encumbered		(369,461)	(228,609)	(166,457)
Net cash flows from financing activities		638,306	596,160	344,418
Net (decrease)/increase in cash and cash equivalents		(112,324)	(269,085)	139,249
Cash and cash equivalents at beginning of year		613,553	501,229	232,144
Cash and cash equivalents at end of year	33	501,229	232,144	371,393

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

1. Corporate information

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 Group Investment Limited, incorporated in Hong Kong and owned by Bank of China Limited, incorporated in the People's Republic of China. Bank of China Limited is owned by Central Huijin Investment Ltd, which is incorporated in the People's Republic of China.

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

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

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

As at 31 December 2013, 2014 and 2015, the Group had a net current liability amounting to US\$321.3 million, US\$658.7 million and US\$461.5 million respectively. The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with IFRSs, which include all International Financial Reporting Standards and International Accounting Standards ("IASs") issued by International Accounting Standards Board (the "IASB") and Interpretations issued by IFRS Interpretations Committee. All IFRSs effective for the accounting periods commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group. The financial statements for the years ended 31 December 2013, 2014 and 2015 (the "Relevant Period") have been prepared using the same basis and presentation.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.2 (a) Standards issued but not yet effective

The Group has not adopted the following new and revised IFRSs, which have been issued but are not yet effective:

Standards/ Amendments	Content	Applicable for financial years beginning on/after
IAS 1 (Amendments)	Disclosure Initiative	1 January 2016
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IFRS 10, IFRS 12 and IAS 28 (2011) (Amendments)	Investment entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements 2012- 2014 Cycle	Amendments to a number of IFRSs	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Based on initial assessment, the Group does not expect the adoption of the above standards/amendments to have material impact on the financial statements in the period of initial application.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.2 (b) Improvements to IFRSs

“Improvements to IFRSs” contains numerous amendments to IFRSs. It comprises amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual IFRSs. The amendments will be effective for annual periods beginning on or after 1 January 2016. The Group does not expect the adoption of these improvements to IFRSs to have material impact on the financial statements in the period of initial application.

2.3 Basis of consolidation

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

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

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

2.4 Functional and foreign currency

(a) Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operate (“functional currency”).

(b) Foreign currency transactions

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

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

2.5 Plant and equipment

(a) Aircraft

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

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to profit or loss. Depreciation on the relevant asset is charged to profit or loss.

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

(b) Aircraft progress payments

Aircraft progress payments relate to pre-delivery payments for aircraft under construction. These progress payments are recognised under plant and equipment when payments are made.

(c) Other plant and equipment

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.5 Plant and equipment (cont'd)

(d) Depreciation

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

Depreciation on other plant and equipment is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

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

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

The residual values, useful life and depreciation method are reviewed and adjusted, as appropriate, at each year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment. The effects of any revision are recognised in the profit or loss when the changes arise.

(e) Disposal

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

2.6 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. Property, plant and equipment, once classified as held for sale are not depreciated.

2.7 Lease transaction closing costs

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

Where the lease agreement is terminated or novated prior to its expiry date, the remaining lease transaction closing costs will be written off to the profit or loss.

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

2.8 Impairment of non-financial assets

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

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

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

2.9 Subsidiary Companies

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

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

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

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

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

2.10 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

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

(ii) Other financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

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

2.10 Financial instruments (cont'd)

(c) Offsetting of financial instruments

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

2.11 Impairment of financial assets

The Group assesses at the end of each year whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

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

2.12 Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit or loss.

2.13 Provisions

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.14 Maintenance reserves

Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessee to make monthly or end of lease maintenance reserves contributions to the Group which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserves balances are accounted for as liabilities. Upon termination of the lease, any unutilised maintenance reserves balance will be released to the profit or loss or continued to be retained as reserves for drawdown by the follow-on operator. Upon sale of the aircraft, any unutilised maintenance reserves balance not transferred to buyer will be released to the profit or loss. Any shortfall identified in the balances held in respect of historic operation of the aircraft that may be required to be made available for drawdown by follow-on operators are provided as a charge to the profit or loss.

2.15 Borrowing costs

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

2.16 Debt issue costs

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.17 Trade and other payables

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

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

2.18 Employee benefits

(a) Short term employee benefits

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

(b) Short term incentive plan

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

(c) Long term incentive plan

The long term incentive plan is payable to selected employees of the Group based on the achievement of certain key performance targets at the end of a pre-determined period. The bonus is accrued and recognised in the profit or loss in the period in which the employees render their services to the Group. Any over or under provision will be recognised in the profit or loss. Payment of accrued bonus will be made over a period after each pre-determined period.

(d) Employer's defined contribution benefits

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

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

2.19 Leases

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

Leases where the Group or the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.20. Contingent rents are recognised as revenue in the period in which they are earned.

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

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

Finance leases, which effectively transfer to the Group or the Company substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments and disclosed under Note 36. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership of the leased asset by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) Lease income

The Company and certain of its subsidiary companies, as lessors, lease aircraft under operating leases. Lease income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

Lease income is not recognised if the collections are not probable due to prolonged financial difficulties of lessees.

(b) Arrangement, remarketing and lease management fees

Arrangement, remarketing and lease management fees are recognised as revenue upon rendering of services.

(c) Dividend income

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

(d) Interest income

Interest income is recognised on an accrual basis unless collectability is in doubt.

(e) Lease termination fees

Lease termination fees are recognised based on contractual agreement with third parties to the extent that it is probable that the economic benefits will flow to the Group.

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

2.21 Taxes

(a) Current income tax

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

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

(b) Deferred income tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.21 Taxes (cont'd)

(b) Deferred income tax (cont'd)

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

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

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

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

2.22 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

2.23 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

2.24 Segment reporting

IFRS 8 'Operating Segments' sets out the requirements for disclosure of financial and descriptive information about the Group's operating segments. For management and reporting purposes the Group's activities are organised in one reportable segment based on information provided internally to the Company's key management personnel. The principal activities of the Group involve the leasing and management of aircraft leases and other related activities.

3. Significant accounting judgments and estimates

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

3.1 Judgments made in applying accounting policies

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

(a) Maintenance of aircraft by lessees

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make monthly or end of lease contributions to the Group which can subsequently be drawn on for certain maintenance events carried out. Management has made a judgment based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements. For any shortfall identified, a provision for aircraft maintenance will be charged to the profit or loss.

(b) Impairment of financial assets

The Group follows the guidance of IAS 39 in determining when a financial asset is other-than-temporarily impaired and this requires judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost.

(c) Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models by counterparties. The valuation of financial instruments is described in more detail in Note 38.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

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

(d) Classification of leases

- Operating lease – As lessor

The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

- Finance lease – As lessor

The Group has entered into aircraft leases whereby the Group has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Group has recorded the transaction as a sale of aircraft and finance lease receivables on the statement of financial position.

- Finance lease – As lessee

The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft on the statement of financial position.

(e) Deferred income taxes

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Management judgment is required to determine that the undistributed profits of the subsidiary companies will not be distributed and remitted into Singapore in the foreseeable future. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiary companies and overseas unremitted income as at 31 December 2013, 2014 and 2015 were US\$542.1 million, US\$640.4 million and US\$817.4 million respectively for which deferred tax liabilities have not been recognised.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

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

(e) Deferred income taxes (cont'd)

The Company was granted a renewal of the concessionary tax rate of 5% with effect from 1 July 2012 under the 5-year Aircraft Leasing Scheme incentive by the Economic Development Board of Singapore. To qualify for 5 years of concessionary tax rate of 5%, the Company is required to achieve certain conditions within the 5-year period. Management is reasonably confident that the conditions can be met and is unaware of any reason that the extension of the enhanced concessionary rate after the expiry will not be considered.

Details have been disclosed in Note 11 and Note 29.

(f) Non-current assets held for sale

Non-current asset is classified as held for sale when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and its sale must be highly probable. Management judgment is required to assess whether the asset meets the conditions to be classified as asset held for sale and details have been disclosed in Note 21.

3.2 Key sources of estimation uncertainty

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

(a) Impairment of aircraft

The Group follows the guidance of IAS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. This determination requires estimation of the fair value less cost to sell and the value in use of an aircraft. To estimate the fair value, the management uses independent aircraft appraisers' valuations which were derived based on certain assumptions or recent sale transactions. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the lease and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Analysis of impairment loss provision is disclosed in Note 14 in the financial statements.

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Depreciation of aircraft and estimation of residual values

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

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A one-year decrease in the expected useful lives of these assets from management's estimates would result in an increase in annual depreciation charges which is approximately US\$13.6 million, US\$16.6 million and US\$16.4 million for 2013, 2014 and 2015, respectively. Such a decrease in the useful lives of the Group's aircraft could affect the Group's annual profit before tax in future.

(c) Fair values

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 16.

Fair values of other financial instruments have been disclosed in Note 38.

(d) Income taxes and deferred income taxes

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

Details have been disclosed in Note 11 and Note 29.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

4. Lease rental income

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Lease rental income			
- Third parties	790,899	916,038	951,861
- Related parties	13,213	20,878	23,624
	804,112	936,916	975,485

5. Interest and fee income

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Interest and fee income			
- Finance leases	1,211	-	-
- Fixed deposits and bank balances	3,048	2,983	1,400
- Aircraft pre-delivery payments	16,029	4,861	34,909
- Lease management fee income	3,383	704	2,284
- Remarketing fee income	3,250	2,533	1,164
- Asset value guarantee fee income	84	30	-
- Others	946	496	87
	27,951	11,607	39,844

6. Net gain on sale of aircraft

	Note	Year ended 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Sale of aircraft				
- Proceeds from sale of aircraft		913,303	1,315,861	1,822,618
- Maintenance reserves released	28	45,745	35,891	65,026
- Net book value of aircraft		(880,642)	(1,319,484)	(1,798,652)
- Expenses		(1,935)	(1,977)	(18,848)
Net gain on sale of aircraft		76,471	30,291	70,144

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

7. Finance expenses

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Interest expense and other charges on:			
- Finance leases	781	995	1,156
- Loans and borrowings	136,730	152,159	169,063
	137,511	153,154	170,219
Net fair value gains on derivative financial instruments	(1,822)	(2,374)	(1,448)
	135,689	150,780	168,771

8. Amortisation of deferred debt issue costs

	Note	Year ended 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Arising from:				
- Loans and borrowings	24	14,605	14,491	18,060
- Finance lease payables	25	30	55	69
		14,635	14,546	18,129

9. Staff costs

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Salaries, bonuses and other staff costs	39,483	49,387	56,892
Employer's defined contribution benefits	1,171	1,843	1,797
	40,654	51,230	58,689

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

10. Other operating expenses

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
General office expenses	2,695	3,531	3,305
Operating lease expenses	1,432	2,383	2,294
Technical services expenses	18,927	(1,665)	1,448
Professional fees	4,866	4,406	4,975
Auditors' remuneration	309	342	316
Net foreign exchange losses	18	9	105
Others	63	539	24
	28,310	9,545	12,467

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

11. Income tax expense

Major components of income tax expense

The major components of income tax expense in the Relevant Period are:

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Current tax			
- Singapore	(94)	(46)	(43)
- Foreign	618	156	1,112
- Write-back of provision in respect of prior years	-	(503)	-
	524	(393)	1,069
Deferred tax			
- Singapore	14,072	10,303	20,759
- Foreign	25,665	37,834	36,298
- Write-back of provision in respect of prior years	(6,391)	(3,552)	-
	33,346	44,585	57,057
	33,870	44,192	58,126

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

11. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate in the Relevant Period are as follows:

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Profit before income tax	310,931	352,766	401,433
Tax at the domestic rate of 17%	52,858	59,970	68,244
Adjustments:			
Different tax rates in other countries	3,558	7,661	178
Effects of Aircraft Leasing Scheme incentive on Company's results	(20,221)	(21,105)	(13,125)
Income not subject to tax	(1,772)	(773)	(286)
Expenses not deductible for tax purposes	5,631	2,895	3,107
Others	207	(401)	8
Write-back of provision in respect of prior years	(6,391)	(4,055)	–
	33,870	44,192	58,126

As at 31 December 2013, 2014 and 2015, the Group had unabsorbed capital allowances of approximately US\$849.9 million, US\$763.9 million and US\$638.3 million, respectively, and unutilised tax losses of approximately US\$775.5 million, US\$800.7 million and US\$718.2 million respectively which, subject to the provisions of relevant local tax legislation and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

12. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to ordinary equity holder of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Note	Year ended 31 December		
		2013 US\$'000	2014 US\$'000	2015 US\$'000
Earnings				
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holder of the Company)		277,061	308,574	343,307
		2013 '000	2014 '000	2015 '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	30	589,909	589,909	589,909
Basic and diluted earnings per share (US\$)		0.47	0.52	0.58

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

13. Information of subsidiary companies

Information of subsidiary companies are as follows:

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company		
				2013 %	2014 %	2015 %
¹	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	100	100	100
²	Stamford Leasing Limited	Bermuda	Dissolved	100	–	–
¹	BOC Aviation (Labuan) Pte. Ltd.	Malaysia	Leasing of aircraft	100	100	100
²	BOC Aviation (Bermuda) Limited	Bermuda	Holding of funds	100	100	100
²	Quartet Two Limited	Cayman Islands	Dissolved	100	–	–
²	Quartet Three Limited	Cayman Islands	Dissolved	100	–	–
²	Quartet Three Limited	Cayman Islands	Dissolved	100	–	–
²	Emerald One Limited	Cayman Islands	Dissolved	100	100	–
²	Emerald Two Limited	Cayman Islands	Dissolved	100	100	–
¹	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	100	100	100
²	Solitaire Capital Limited	Singapore	Dissolved	100	100	–
²	Excalibur Express Limited	Cayman Islands	Dissolved	100	–	–
^{2,3}	Bluebell Leasing Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Avocet Leasing Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Dolphin Leasing Limited	Cayman Islands	Dissolved	100	–	–
²	Emerald Three Limited	Cayman Islands	Dormant	100	100	100
²	Emerald Four Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	SALE Cayman (MP1) Limited	Cayman Islands	Dissolved	100	–	–
²	Nimue Leasing Limited	Cayman Islands	Dissolved	100	100	–
²	Penguin Leasing Limited	Cayman Islands	Dissolved	100	–	–
²	SALE Cayman (VLE1) Limited	Cayman Islands	Dissolved	100	–	–
²	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	100	100	100
²	SALE Cayman (35073) Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	SALE Cayman (VLE2) Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	SALE Cayman (35075) Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	SALE Cayman (35076) Limited	Cayman Islands	Dormant	100	100	100
²	SALE Cayman (35077) Limited	Cayman Islands	Dormant	100	100	100

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

13. Information of subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company		
				2013 %	2014 %	2015 %
²	Yasashi Leasing Limited	Cayman Islands	Dissolved	100	–	–
^{2,6}	Acme Leasing One Limited	Cayman Islands	Dormant	100	100	100
²	Acme Leasing Two Limited	Cayman Islands	Dormant	100	100	100
^{2,3}	Acme Leasing Three Limited	Cayman Islands	Leasing of aircraft	100	100	100
^{2,3}	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	100	100	100
^{2,3}	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Echo Leasing Three Limited	Cayman Islands	Dormant	100	100	100
²	BOCA Leasing (Bermuda) Limited	Bermuda	Leasing of aircraft	100	100	100
²	Echo Leasing Four Limited	Cayman Islands	Dormant	100	100	100
²	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Vanda Leasing One Limited	Cayman Islands	Dissolved	100	–	–
²	Vanda Leasing Two Limited	Cayman Islands	Dormant	100	100	100
^{2,5}	Vanda Leasing Three Limited	Cayman Islands	Disposed	100	100	–
²	Vanda Leasing Four Limited	Cayman Islands	Dormant	100	100	100
²	Vanda Leasing Five Limited	Cayman Islands	Dormant	100	100	100
^{2,3}	Vanda Leasing Six Limited	Cayman Islands	Dormant	100	100	100
^{2,3}	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	100	100	100
^{2,3}	Vanda Leasing Eight Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	100	100	100
²	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	100	100	100
¹	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	–	100	100
¹	BOC Aviation Leasing (Tianjin) Limited	People's Republic of China	Leasing of aircraft	–	100	100
²	MSN 2441 Leasing Limited	Cayman Islands	Dormant	–	–	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

13. Information of subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company		
				2013	2014	2015
				%	%	%
	Deemed subsidiary companies*					
1.4	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	-	-	-
1.4	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	-	-	-
2.4	ACME Lease Holdings LLC	United States	Leasing of aircraft	-	-	-
2.4	Laylya Leasing LLC	United States	Leasing of aircraft	-	-	-
2.4	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	-	-	-
2.4	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	-	-	-
2.4	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	-	-	-
2.4	Gawain Leasing Limited	Cayman Islands	Leasing of aircraft	-	-	-
2.4	Chilli Leasing LLC	United States	Leasing of aircraft	-	-	-
2.4	Green Knight Leasing Limited	Cayman Islands	Leasing of aircraft	-	-	-
	Held by ARCU Aircraft Holdings Pte. Ltd.:					
2.4	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	-	-	-
	Held by Pacific Triangle Holdings Pte. Ltd.:					
2.4	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	-	-	-
2.4	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	-	-	-
*	The companies are deemed subsidiary companies of the Company as the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.					

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

13. Information of subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company		
				2013	2014	2015
				%	%	%
<i>Held by BOC Aviation (Ireland) Limited:</i>						
²	BOC Aviation (France) SARL	France	Leasing of aircraft	100	100	100
²	BOC Aviation (France) 2 SARL	France	Dormant	100	100	100
²	BOC Aviation (France) 3 SARL	France	Disposed	100	100	–
²	BOC Aviation (France) 4 SARL	France	Dormant	100	100	100
²	BOC Aviation (France) 5 SARL	France	Leasing of aircraft	100	100	100
²	BOC Aviation (France) 6 SARL	France	Leasing of aircraft	100	100	100
²	BOC Aviation (France) 7 SARL	France	Disposed	100	100	–
²	BOC Aviation (France) 8 SARL	France	Leasing of aircraft	100	100	100
²	BOC Aviation (France) 9 SARL	France	Leasing of aircraft	100	100	100
²	BOC Aviation (France) 10 SARL	France	Leasing of aircraft	100	100	100
²	BOC Aviation (France) 11 SARL	France	Leasing of aircraft	–	100	100
<i>Held by BOC Aviation (USA) Corporation:</i>						
²	Apex Leasing Corporation	United States	Dissolved	100	–	–
²	Nexus Leasing Limited	United States	Dissolved	100	–	–
²	BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	100	100	100
<i>Held by Solitaire Capital Limited:</i>						
²	Goldfinch Limited	Bermuda	Dissolved	100	–	–

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

13. Information of subsidiary companies (cont'd)

- ¹ Audited by Ernst & Young LLP, Singapore or member firms of Ernst & Young.
- ² Not required to be audited by law in its country of incorporation, but included in the audit of consolidated financial statements of BOC Aviation Pte. Ltd. by Ernst & Young LLP.
- ³ The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Note 22 and Note 23).
- ⁴ The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.
- ⁵ During the year ended 31 December 2015, the Group disposed its entire interest in Vanda Leasing Three Limited. As the subsidiary company was set up as a special purpose vehicle to hold aircraft for leasing, the disposal has been accounted for as gain on sale of aircraft. Accordingly, the proceeds have been classified as "proceeds from sale of plant and equipment" in the consolidated statement of cash flows and the gain as "net gain on sale of aircraft" in the consolidated statement of profit or loss. There was no net gain recognised on the disposal of this subsidiary company.
- ⁶ Subsequent to the 31 December 2015, the Company disposed its entire interest in Acme Leasing One Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015
BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**

14. Plant and equipment

	As at 31 December				
	Aircraft US\$'000	Aircraft progress payments US\$'000	Office renovations US\$'000	Furniture, fittings and office equipment US\$'000	Total US\$'000
Cost:					
At 1 January 2013	8,642,699	885,086	126	5,058	9,532,969
Additions	2,116,673	383,820	545	1,550	2,502,588
Disposals	(1,062,902)	—	—	(73)	(1,062,975)
Transfers	801,169	(801,169)	—	—	—
Adjustments	280	—	—	—	280
At 31 December 2013 and 1 January 2014	10,497,919	467,737	671	6,535	10,972,862
Additions	1,984,074	1,158,015	327	1,766	3,144,182
Disposals	(1,664,200)	—	—	—	(1,664,200)
Transfers	536,275	(536,275)	—	—	—
Adjustments	644	—	—	—	644
At 31 December 2014 and 1 January 2015	11,354,712	1,089,477	998	8,301	12,453,488
Additions	1,464,504	1,952,823	60	1,025	3,418,412
Disposals	(2,193,081)	(269,697)	—	—	(2,462,778)
Transfers	532,261	(532,261)	—	—	—
Transfer to assets held for sale (Note 21)	(266,972)	—	—	—	(266,972)
Adjustment	138	—	—	—	138
At 31 December 2015	10,891,562	2,240,342	1,058	9,326	13,142,288
Accumulated depreciation and impairment:					
At 1 January 2013	1,178,386	—	95	3,255	1,181,736
Charge for the year	335,012	—	34	1,300	336,346
Disposals	(182,260)	—	—	(73)	(182,333)
Impairment on aircraft	42,800	—	—	—	42,800
At 31 December 2013 and 1 January 2014	1,373,938	—	129	4,482	1,378,549
Charge for the year	378,997	—	264	1,986	381,247
Disposals	(344,716)	—	—	—	(344,716)
Impairment on aircraft	23,100	—	—	—	23,100
At 31 December 2014 and 1 January 2015	1,431,319	—	393	6,468	1,438,180
Charge for the year	379,863	—	314	1,774	381,951
Disposals	(394,429)	—	—	—	(394,429)
Impairment on aircraft	43,900	—	—	—	43,900
Transfer to assets held for sale (Note 21)	(44,750)	—	—	—	(44,750)
At 31 December 2015	1,415,903	—	707	8,242	1,424,852
Net book value:					
At 31 December 2013	9,123,981	467,737	542	2,053	9,594,313
At 31 December 2014	9,923,393	1,089,477	605	1,833	11,015,308
At 31 December 2015	9,475,659	2,240,342	351	1,084	11,717,436

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

14. Plant and equipment (cont'd)

(a) Impairment of assets

Provision for impairment loss on the Group's plant and equipment of US\$48.9 million, US\$57.5 million and US\$80.5 million as at 31 December 2013, 2014 and 2015, respectively, was included in accumulated depreciation and impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value in use. For the calculation of value in use, the weighted average discount rates is 2.6%, 3.0% and 2.8% per annum for 2013, 2014 and 2015, respectively.

Movement of impairment loss provision:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Balance at beginning of year	12,632	48,932	57,532
Impairment of aircraft	42,800	23,100	43,900
Disposal of assets	(6,500)	(14,500)	(20,927)
Balance at end of year	48,932	57,532	80,505

(b) Assets held under finance leases

The net book value of aircraft owned by the Group held under finance lease arrangements amounted to US\$70.5 million, US\$104.7 million and US\$100.8 million, as of 31 December 2013, 2014 and 2015, respectively.

These assets are pledged as security for the related finance lease liabilities.

(c) Assets pledged as security

The net book value of aircraft and aircraft held for sale (Note 21) owned by the Group, including aircraft held under finance lease arrangements in Note 14(b), that have been charged for loan facilities granted (Note 24 and Note 25) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold titles to such aircraft amounted to US\$7,708.7 million, US\$7,516.7 million and US\$6,409.7 million as at 31 December 2013, 2014 and 2015, respectively.

(d) Capitalisation of borrowing costs

The borrowing costs capitalised as cost of aircraft amounted to US\$1.4 million and US\$8.5 million for year 2014 and 2015, respectively. There was no capitalised borrowing cost in year 2013. The rate used to determine the amount of borrowing costs eligible for capitalisation was approximately 2.6% and 2.5% per annum for 2014 and 2015, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

15. Lease transaction closing costs

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Cost:			
At beginning of year	1,759	2,619	1,129
Additions	1,062	272	233
Written off to profit or loss upon sale of aircraft	(211)	(205)	(59)
Adjustments	34	(740)	134
Fully amortised costs written off	(25)	(817)	(387)
At end of year	2,619	1,129	1,050
Accumulated amortisation:			
At beginning of year	1,116	1,254	468
Charge for the year	306	171	345
Written off to profit or loss upon sale of aircraft	(148)	(140)	(25)
Adjustments	5	-	-
Fully amortised costs written off	(25)	(817)	(387)
At end of year	1,254	468	401
Net book value:			
At end of year	1,365	661	649

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

16. Derivative financial instruments

	As at 31 December					
	2013		2014		2015	
	Outstanding notional amounts US\$'000	Assets US\$'000	Liabilities US\$'000	Outstanding notional amounts US\$'000	Assets US\$'000	Liabilities US\$'000
Current:						
Cross-currency interest rate swaps	63,967	-	(415)	59,971	-	-
Interest rate swaps	145,276	-	(5,142)	93,276	-	(393)
Interest rate caps	697,761	722	-	470,205	213	-
		722	(5,557)	213	-	(393)
Non-current:						
Cross-currency interest rate swaps	306,838	-	(5,390)	915,427	-	(145,287)
Interest rate swaps	-	-	-	300,000	1,476	(929)
		-	(5,390)	1,476	2,011	(929)
Total		722	(10,947)	1,689	2,011	(146,609)

The fair values of cross-currency interest rate swaps, interest rate swaps and interest rate caps shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

16. Derivative financial instruments (cont'd)

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

(a) Fair value hedges

The Group uses interest rate swaps to hedge against changes in fair value of medium term notes, issued at a fixed coupon rate, from changes in interest rates.

There were no fair value hedges which applied hedge accounting as at 31 December 2013.

During the year 2014 and 2015, the Group issued US\$300 million notes and US\$500 million notes, respectively, under its EMTN programme and GMTN program at fixed coupon rate which were swapped to floating rates. As at 31 December 2014 and 2015, the Group has interest rate swap contracts with a total notional amount of US\$300 million and US\$500 million, respectively, to hedge the interest rate exposure whereby the Group receives fixed rate and pays floating rate pegged to USD LIBOR on the notional amount on a half yearly basis. The terms of the interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the fair value hedges are assessed to be highly effective. The fair value of the derivative financial asset was US\$1.5 million and US\$2.0 million as at 31 December 2014 and 2015, respectively. The fair value of the derivative liability was US\$Nil and US\$0.9 million as at 31 December 2014 and 2015 respectively.

(b) Cash flow hedges

The Group borrows at floating interest rates pegged to USD LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates.

As at 31 December 2013, the Group had an interest rate swap contract with a notional amount of US\$24.2 million to hedge the interest rate exposure whereby the Group pays fixed rate and receives floating rate pegged to USD LIBOR on the notional amount on a half yearly basis. The terms of the interest rate swap contracts had been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The ineffective portion, if any, has been recognised in the statement of profit or loss. The fair value of the derivative financial liability was US\$0.2 million.

There were no cash flow hedges which applied hedge accounting as at 31 December 2014 and 2015.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

17. Trade receivables

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Trade receivables (gross)	834	4,783	400
Allowance for impairment	(779)	–	–
Trade receivables (net)	55	4,783	400

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Subsequent to each year end, the trade receivables had been received.

The Group's trade receivables (gross) are secured by cash security deposits held by the Group or letters of credit issued by acceptable banks.

(a) Receivables that were past due but not impaired

The Group had trade receivables amounting to US\$0.05 million and US\$4.1 million as at 31 December 2013 and 2014, respectively, that were past due but not impaired. These receivables were within the age bracket of 1 to 30 days.

(b) Trade receivables that were impaired

As at 31 December 2013, 2014 and 2015, the movement in the allowance for impairment accounts is as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
At beginning of year	779	779	–
Write-back during the year	–	(779)	–
At end of year	779	–	–

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

18. Other receivables

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Deposits	794	780	716
Sundry receivables	83	1,260	14,423
Accrued income	12,092	9,637	7,674
Allowance for impairment	(20)	–	–
	12,949	11,677	22,813

Sundry receivables are non-interest bearing. They are recognised at costs which represent their fair values on initial recognition.

Certain of the balances past due are secured by security deposits collected and recognised on the statement of financial position or through letters of credit from banks. The unsecured amounts not collected, if any, have been fully provided for.

Other receivables that were impaired

In the Relevant Period, the movement in the allowance for impairment accounts is as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
At beginning of year	20	20	–
Write-back during the year	–	(20)	–
At end of year	20	–	–

19. Fixed deposits

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Unencumbered	33	455,435	212,204	237,415

Short term fixed deposits are placed for varying periods between one day and two months, depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term fixed deposits was 0.7%, 0.7% and 0.4% per annum in 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, fixed deposits placed with intermediate holding company amounted to US\$163.6 million, US\$101.5 million and US\$23.2 million, respectively. As at 31 December 2015, fixed deposits placed with other related party amounted to US\$89.2 million. As at 31 December 2013 and 2014, there was no fixed deposit placed with other related party.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

20. Cash and bank balances

	Note	As at 31 December		
		2013 US\$'000	2014 US\$'000	2015 US\$'000
Encumbered	24	36,933	135,260	135,439
Unencumbered	33	45,794	19,940	133,978
		82,727	155,200	269,417

The Group's encumbered cash and bank balances have been pledged for loan obligations and contingency provisions under such obligations as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, the Group's cash and bank balances included an amount of US\$28.1 million, US\$4.5 million and US\$111.5 million, respectively, placed in daily sweep accounts which are available upon demand.

Cash at banks of the Group earned interest at floating rates based on daily bank interest rates at an average rate of 0.05%, 0.01% and 0.02% per annum during the year 2013, 2014 and 2015, respectively.

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

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Australian Dollar	247	236	156
Euro	688	733	801
Japanese Yen	118	101	75
Malaysian Ringgit	–	–	84
Chinese Yuan	–	–	14
Sterling Pounds	–	623	582
Singapore Dollar	2,134	2,500	516
	3,187	4,193	2,228

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

As at 31 December 2013, 2014 and 2015, the Group's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	Note	As at 31 December		
		2013 US\$'000	2014 US\$'000	2015 US\$'000
<u>Assets held for sale</u>				
Property, plant and equipment - aircraft	14	–	–	222,222
<u>Liabilities associated with assets held for sale</u>				
Loans and borrowings	24	–	–	26,856
Maintenance reserves payable		–	–	9,443
		–	–	36,299

22. Trade and other payables

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Trade payables	3,814	1,228	4,572
Sundry payables	1,676	2,629	2,187
Accrued interest expenses	26,948	29,486	35,246
Maintenance reserves payable	17,144	2,491	22,306
Accrued technical expenses	15,979	528	560
Other accruals and liabilities	46,387	31,630	41,233
	111,948	67,992	106,104

Trade payables and sundry payables are substantially denominated in United States Dollar, non-interest bearing, current in nature and are normally settled on 30-day credit terms.

23. Deferred income

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

Deferred income (non-current) relates to the difference between the nominal value of the security deposits (Note 26) and its fair value. The deferred income is charged to the profit or loss on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

24. Loans and borrowings

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Current:				
Medium Term Notes		63,967	59,971	–
Fair value adjustments		(415)	(2,976)	–
		63,552	56,995	–
USD bank loans		635,149	844,994	1,001,499
Deferred debt issue costs		(13,015)	(12,671)	(11,352)
		685,686	889,318	990,147
Non-current:				
Medium Term Notes		1,356,838	2,265,427	3,212,612
Medium Term Notes discount (net of premium)		(856)	(3,268)	(5,823)
Fair value adjustments		(5,390)	(71,692)	(144,206)
		1,350,592	2,190,467	3,062,583
USD bank loans		5,306,867	5,163,865	4,665,246
Deferred debt issue costs		(88,047)	(82,031)	(79,298)
		6,569,412	7,272,301	7,648,531
Total loans and borrowings		7,255,098	8,161,619	8,638,678
Statement of financial position:				
Loans and borrowings (current)		685,686	889,318	963,291
Loans and borrowings (non-current)		6,569,412	7,272,301	7,648,531
Liabilities associated with assets held for sale	21	–	–	26,856
		7,255,098	8,161,619	8,638,678

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

24. Loans and borrowings (cont'd)

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

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Cost:			
At beginning of year	125,985	141,808	140,227
Additions	22,161	9,645	16,150
Written off to profit or loss upon sale of aircraft	(1,694)	(3,837)	(5,679)
Fully amortised costs written off	(4,656)	(7,002)	(7,906)
Adjustments	12	(387)	31
At end of year	141,808	140,227	142,823
Accumulated amortisation:			
At beginning of year	31,326	40,746	45,525
Charge for the year (Note 8)	14,605	14,491	18,060
Written off to profit or loss upon sale of aircraft	(529)	(2,710)	(3,506)
Fully amortised costs written off	(4,656)	(7,002)	(7,906)
At end of year	40,746	45,525	52,173
Net book value:			
At end of year	101,062	94,702	90,650
Deferred debt issue costs, net	101,062	94,702	90,650
Less: Current portion	(13,015)	(12,671)	(11,352)
Non-current portion	88,047	82,031	79,298

As at 31 December 2013, 2014 and 2015, total loans and borrowings of the Group included secured liabilities of US\$5,882 million, US\$5,744 million and US\$4,657 million, respectively. These amounts are secured by the related aircraft (Note 14), certain cash and bank balances and designated bank accounts (Note 20) and/or a pledge of the shares in certain subsidiary companies that hold title to the aircraft.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

24. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the Group's gross loans and borrowings before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes at the end of each year in the Relevant Period.

	One year or less	One to two years	Two to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2013					
Bank loans	635,149	219,574	2,000,215	3,087,078	5,942,016
Medium term notes	63,967	59,971	746,867	550,000	1,420,805
Total gross loans and borrowings	699,116	279,545	2,747,082	3,637,078	7,362,821

	One year or less	One to two years	Two to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2014					
Bank loans	844,994	915,368	2,588,257	1,660,240	6,008,859
Medium term notes	59,971	–	1,292,225	973,202	2,325,398
Total gross loans and borrowings	904,965	915,368	3,880,482	2,633,442	8,334,257

	One year or less	One to two years	Two to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2015					
Bank loans	1,001,499	498,343	2,838,133	1,328,770	5,666,745
Medium term notes	–	500,000	1,769,845	942,767	3,212,612
Total gross loans and borrowings	1,001,499	998,343	4,607,978	2,271,537	8,879,357

24. Loans and borrowings (cont'd)

(a) Bank loans

Interest on floating rate bank loans of the Group is set at specified margins above USD LIBOR. Interest rate for floating rate bank loans is reset at intervals of up to six months and the weighted average effective interest rate was 1.5% per annum for each year in the Relevant Period. The bank loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the bank loans are between 2014 and 2025, 2015 and 2026 and 2016 to 2026 as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, the Group's bank loans in terms of term loans due to intermediate holding company amounted to US\$527.8 million, US\$495.4 million and US\$442.5 million, respectively. The intermediate holding company granted two US\$1 billion committed revolving credit facilities to the Group which have been aggregated into a single US\$2 billion committed revolving credit facility in 2015 and extended to 28 April 2022. There were no outstanding drawings under these committed revolving credit facilities as at 31 December 2013, 2014 and 2015. Included in the Group's bank loans was an amount of US\$628.7 million, US\$476.5 million and US\$574.1 million, due to related parties, as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, the Group had unutilised unsecured committed revolving credit facilities of US\$2,335 million, US\$2,250 million and US\$2,510 million, respectively. The Group had signed documentation in place for two unsecured term loans totalling US\$525 million as at 31 December 2015, each of which were undrawn as of that date.

The Group had committed long term credit facilities pending the provision of new replacement aircraft as collateral of US\$123.9 million, US\$181.2 million and US\$165.8 million as at 31 December 2013, 2014 and 2015, respectively.

(b) Medium Term Notes

The Company set up a US\$300 million Multi-Currency Medium Term Note Programme (the "Programme") on 2 September 2009. The Programme was increased to US\$600 million on 12 December 2011. The Company had fully repaid its last series outstanding notes of US\$64 million in April 2014.

The Company has set up a US\$2 billion Euro Medium Term Note Programme ("EMTN Programme") on 20 September 2012 and this was increased to US\$5 billion on 16 April 2014. The EMTN Programme was converted to a US\$5 billion Global Medium Term Note Program ("GMTN Program") on 16 March 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

24. Loans and borrowings (cont'd)

(b) Medium Term Notes (cont'd)

Outstanding notes denominated in various currencies issued were:

			As at 31 December 2013	
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	Outstanding amounts US\$'000	Amounts swapped to USD and floating rates US\$'000
Chinese Yuan	4.5%	2018	246,867	246,867
Singapore Dollar	2% to 3.25%	2014 to 2015	123,938	123,938
United States Dollar	2.875% to 4.375%	2017 to 2023	1,050,000	—
			1,420,805	370,805

			As at 31 December 2014	
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	Outstanding amounts US\$'000	Amounts swapped to USD and floating rates US\$'000
Australian Dollar	5.375%	2020 to 2021	373,493	373,493
Chinese Yuan	4.2% to 5.5%	2018 to 2024	541,934	541,934
Singapore Dollar	2%	2015	59,971	59,971
United States Dollar	2.875% to 4.375%	2017 to 2023	1,350,000	300,000
			2,325,398	1,275,398

			As at 31 December 2015		
Currency	Fixed Coupon Rate (per annum)	Maturity (Year)	Outstanding amounts US\$'000	Amounts swapped to USD and floating rates US\$'000	Amounts swapped to USD US\$'000
Australian dollar	5.375%	2020 to 2021	373,493	373,493	—
Chinese Yuan	4.2% to 5.5%	2018 to 2024	630,236	590,236	40,000
Singapore Dollar	3.93%	2025	108,883	—	108,883
United States Dollar	2.875% to 4.375%	2017 to 2023	2,100,000	500,000	—
			3,212,612	1,463,729	148,883

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

24. Loans and borrowings (cont'd)

(a) Medium Term Notes (cont'd)

As at 31 December 2013, 2014 and 2015, US\$370.8 million, US\$1,275.4 million and US\$1,463.7 million, respectively, have been swapped to floating rate liabilities and United States dollar (for non-USD denominated notes) via interest rate swap and cross-currency interest rate swap contracts. All notes are liabilities designated as at fair value through profit or loss and classified under Level 2 of the fair value hierarchy, except for the fixed rate notes amounting to US\$1,050.0 million, US\$1,050.0 million and US\$1,748.9 million as at 31 December 2013, 2014 and 2015, respectively. The floating interest rate ranged from 1.9% to 2.7%, 1.7% to 2.7% and 1.7% to 2.9% per annum during the year 2013, 2014 and 2015, respectively

25. Finance lease payables

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Current:			
Finance lease payables	6,615	8,845	9,217
Deferred debt issue costs	(30)	(69)	(69)
Finance lease payables, net	6,585	8,776	9,148
Non-current:			
Finance lease payables	52,910	77,119	67,903
Deferred debt issue costs	(98)	(317)	(248)
Finance lease payables, net	52,812	76,802	67,655
Total finance lease payables, net	59,397	85,578	76,803
Finance lease payables (Note 36 (c))	59,525	85,964	77,120
Less: Current portion	(6,615)	(8,845)	(9,217)
Non-current portion	52,910	77,119	67,903

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

25. Finance lease payables (cont'd)

The finance lease payables are secured by a charge over leased assets (Note 14). Interest on the leases ranged from 0.8% to 2.7%, 0.7% to 2.4% and 0.8% to 2.6% per annum in 2013, 2014 and 2015, respectively.

The deferred debt issue costs relating to finance lease payables are analysed as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Cost:			
At beginning of year	191	191	504
Adjustments	–	313	–
At end of year	191	504	504
Accumulated amortisation:			
At beginning of year	33	63	118
Charge for the year (Note 8)	30	55	69
At end of year	63	118	187
Net book value:			
At end of year	128	386	317
Deferred debt issue costs, net	128	386	317
Less: Current portion	(30)	(69)	(69)
Non-current portion	98	317	248

The table below summarises the maturity profile of the Group's gross finance lease payable before adjustments for debt issue costs at the end of each year in the Relevant Period.

	One year or less	One to two years	Two to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2013	6,615	6,896	46,014	–	59,525
2014	8,845	9,217	45,415	22,487	85,964
2015	9,217	9,606	38,188	20,109	77,120

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

26. Security deposits

In addition to the cash security deposits recorded on the statement of financial position, the security deposits received by the Group in the form of irrevocable letters of credit amounted to US\$110.5 million, US\$98.7 million and US\$118.0 million as at 31 December 2013, 2014 and 2015 respectively.

27. Other non-current liabilities

Included in other non-current liabilities are non-current portion of bonuses payable and provided for under the staff incentive plans. These bonuses are payable over a 3-year period from the second year after the end of each year in the Relevant Period.

28. Maintenance reserves

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
At beginning of year		301,604	335,456	383,940
Contributions		173,764	184,477	171,478
Utilisation		(57,215)	(13,344)	(26,818)
Transfers to buyers		(36,952)	(86,124)	(29,403)
Release to profit or loss for excess written off		–	(634)	(1,274)
Release to profit or loss upon sale of aircraft	6	(45,745)	(35,891)	(65,026)
At end of year		335,456	383,940	432,897

Irrevocable letters of credit received by the Group from lessees to cover their maintenance reserves (or equivalent) obligations amounted to US\$58.7 million, US\$90.2 million and US\$117.5 million as at 31 December 2013, 2014 and 2015, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

29. Deferred income tax liabilities

Deferred income tax liabilities as at the end of each year in the Relevant Period relate to the following:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Gross deferred tax liabilities	425,648	454,507	470,819
Gross deferred tax assets	(250,280)	(234,554)	(193,809)
Net deferred tax liabilities	175,368	219,953	277,010

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

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

	Differences in depreciation	Unremitted overseas income	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax liabilities arising from:				
At 1 January 2013	375,735	392	624	376,751
Charged/(Credited) to profit or loss	45,074	4,178	(355)	48,897
At 31 December 2013 and 1 January 2014	420,809	4,570	269	425,648
Charged/(Credited) to profit or loss	31,109	(2,045)	(205)	28,859
At 31 December 2014 and 1 January 2015	451,918	2,525	64	454,507
Charged/(Credited) to profit or loss	6,744	8,918	650	16,312
At 31 December 2015	458,662	11,443	714	470,819

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

29. Deferred income tax liabilities (cont'd)

	Unabsorbed capital allowances and unutilised tax losses	Provisions	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets arising from:				
At 1 January 2013	(227,198)	(4,206)	(3,325)	(234,729)
Charged/(Credited) to profit or loss	(15,105)	414	(860)	(15,551)
At 31 December 2013 and 1 January 2014	(242,303)	(3,792)	(4,185)	(250,280)
Charged/(Credited) to profit or loss	14,108	1,355	263	15,726
At 31 December 2014 and 1 January 2015	(228,195)	(2,437)	(3,922)	(234,554)
Charged/(Credited) to profit or loss	41,974	(1,975)	746	40,745
At 31 December 2015	(186,221)	(4,412)	(3,176)	(193,809)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

30. Share capital

	Note	As at 31 December 2013, 2014, 2015	
		No. of shares '000	US\$'000
Issued and fully paid ordinary shares:			
At beginning and end of the year	12	589,909	607,601

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

31. Hedging reserve

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

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
At beginning of year	(1,712)	(205)	-
Net change in the reserve	1,507	205	-
At end of year	(205)	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

32. Dividends

During the year 2013, 2014 and 2015, the Company declared and paid a dividend of US\$113 million, US\$139 million and US\$Nil, respectively, to its sole shareholder. Dividends per share amounted to US\$0.19, US\$0.24 and US\$Nil for 2013, 2014 and 2015, respectively.

Subsequent to year end and to the date of this report, the Company has not proposed any dividend to its sole shareholder in respect of the year ended 31 December 2015.

33. Cash and cash equivalents

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

	Note	As at 31 December		
		2013	2014	2015
		US\$'000	US\$'000	US\$'000
Fixed deposits	19	455,435	212,204	237,415
Cash and bank balances	20	45,794	19,940	133,978
		501,229	232,144	371,393

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

34. Segmental analysis

All revenues are derived from the Group's principal activities and business segment of leasing and management of aircraft leases and other related activities. Revenue and assets are analysed by geographical region (by country of origin) as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income by operator's geographic region based on each airline's principal place of business is as follows:

	2013		2014		2015	
	US\$'000	%	US\$'000	%	US\$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	228,529	28.4	292,190	31.2	323,979	33.2
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	113,665	14.1	116,507	12.5	163,098	16.7
Americas	194,227	24.2	212,957	22.7	189,981	19.5
Europe	197,735	24.6	243,719	26.0	233,214	23.9
Middle East & Africa	69,956	8.7	71,543	7.6	65,213	6.7
	804,112	100.0	936,916	100.0	975,485	100.0

In the Relevant Period, other than the lease rental income attributable to Spain which accounted for 10.4% of the total lease rental income in 2014, there was no other country concentration in excess of 10% of the total lease rental income.

In the Relevant Period, other than one major customer (operators under common control) which accounted for 10.7% of the total lease rental income in 2014, there was no other customer concentration in excess of 10% of the total lease rental income.

(b) Net book value of aircraft

The distribution of net book value of the aircraft by operator's geographic region based on each airline's principal place of business is as follows:

	2013		2014		2015	
	US\$'000	%	US\$'000	%	US\$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	2,879,831	31.6	3,336,209	33.6	3,307,446	34.9
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	1,257,370	13.8	1,486,917	15.0	1,816,589	19.2
Americas	2,002,563	21.9	1,997,051	20.1	1,591,160	16.8
Europe	2,341,823	25.7	2,521,920	25.4	2,154,034	22.7
Middle East & Africa	642,394	7.0	581,296	5.9	606,430	6.4
	9,123,981	100.0	9,923,393	100.0	9,475,659	100.0

In the Relevant Period, other than the net book value of aircraft leased to operators in Spain which accounted for 10.2% of the total net book value as at 31 December 2014, there was no other country concentration in excess of 10% of total net book value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

35. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
<i>Income and expense</i>			
<i>(a) Intermediate holding company:</i>			
Interest income	2,269	1,541	830
Interest expense	(9,339)	(9,122)	(8,727)
<hr/>			
<i>(b) Other related parties:</i>			
Lease rental income	13,213	20,878	23,624
Interest expense	(11,483)	(10,753)	(7,074)
<hr/>			
<i>Liabilities</i>			
<i>(c) Intermediate holding company:</i>			
Loans due to intermediate holding company	527,821	495,455	442,517
<hr/>			
<i>(d) Other related parties:</i>			
Loans due to other related parties	628,719	476,483	574,148
<hr/>			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

35. Related party transactions (cont'd)

	Year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
<i>Directors' and key executives' remuneration paid during the year</i>			
(a) Directors of the Company:			
Salary, fees, bonuses and other costs	6,806	7,332	9,072
CPF and other employer's defined contributions	–	–	38
	6,806	7,332	9,110
(b) Key executives (excluding executive directors)			
Salary, bonuses and other costs	9,611	6,544	10,820
CPF and other employer's defined contributions	7	158	223
	9,618	6,702	11,043

As at 31 December 2013, 2014 and 2015, deferred bonus of US\$19.9 million, US\$18.2 million and US\$16.0 million, respectively, was payable to directors of the Company and key executives of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

36. Commitments

(a) Operating lease commitments

(i) Operating lease commitments - As lessor

Aircraft

The Group leases its aircraft under operating lease agreements that are non-cancellable.

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year in the Relevant Period for existing aircraft are as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Within one year	870,403	959,757	994,684
After one year but not more than five years	3,146,525	3,416,607	3,536,017
After five years	2,532,504	2,761,994	2,820,281
	<u>6,549,432</u>	<u>7,138,358</u>	<u>7,350,982</u>

Future net minimum lease receivables committed as at the end of each year in the Relevant Period for aircraft yet to be delivered are as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Within one year	78,696	55,646	83,453
After one year but not more than five years	755,576	1,002,921	1,101,553
After five years	1,193,995	1,835,795	1,833,578
	<u>2,028,267</u>	<u>2,894,362</u>	<u>3,018,584</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

36. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

Offices

The Group leases office spaces under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Future minimum lease payments for the office leases with initial or remaining terms of one year or more are as follows:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Within one year	2,091	2,029	1,621
After one year but not more than five years	3,648	1,502	187
	<u>5,739</u>	<u>3,531</u>	<u>1,808</u>

(b) Capital expenditure commitments

As at 31 December 2015, the Group had committed to purchase various aircraft delivering between 2016 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery as at the end of each year in the Relevant Period, was approximately US\$4,919.2 million, US\$9,850.0 million and US\$9,580.8 million as at 31 December 2013, 2014 and 2015, respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

36. Commitments (cont'd)

(c) Finance lease commitments

Finance lease commitments - As lessee

The Group lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Group upon the Group discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Group by entering into these leases.

	As at 31 December					
	Minimum lease payments	Present value of payments (Note 25)	Minimum lease payments	Present value of payments (Note 25)	Minimum lease payments	Present value of payments (Note 25)
	2013	2013	2014	2014	2015	2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease with third parties:						
Not later than one year	7,830	6,615	11,041	8,845	11,069	9,217
Later than one year but not later than five years	55,858	52,910	60,195	54,633	51,872	47,794
Later than five years	–	–	24,033	22,486	20,947	20,109
Total minimum lease payments	63,688	59,525	95,269	85,964	83,888	77,120
Less: Amounts representing finance charges	(4,163)	–	(9,305)	–	(6,768)	–
Present value of minimum lease payments	59,525	59,525	85,964	85,964	77,120	77,120

37. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2013, 2014 and 2015, the corporate guarantees for loans to subsidiary companies amounted to approximately US\$4,028.9 million, US\$3,852.0 million and US\$3,451.7 million, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

38. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities are disclosed either in the statement of financial position or in the notes to the financial statements.

Loans and receivables comprise trade receivables (Note 17), other receivables (Note 18), fixed deposits and cash and bank balances (Note 19 and Note 20).

As at 31 December 2013, 2014 and 2015, the loans and receivables for the Group were US\$551.2 million, US\$383.9 million and US\$530.0 million respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 22), loans and borrowings (except as disclosed in Note 24), finance lease payables (Note 25) and liabilities associated with assets held for sale (Note 21).

As at 31 December 2013, 2014 and 2015, the financial liabilities measured at amortised cost for the Group were US\$7,061.0 million, US\$7,114.5 million and US\$7,499.1 million respectively.

(a) Financial instruments carried at fair values

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

(b) Financial instruments whose carrying amounts approximate fair values

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

Non-current loans and borrowings reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of each year in the Relevant Period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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

(c) Financial instruments carried at other than fair values

Set out below is a comparison of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Medium term notes			
Carrying amounts	1,048,740	1,049,153	1,744,971
Fair values	994,511	1,050,155	1,744,396

39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's exposure to financial risks and the objectives, policies and processes for the management of these risks.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings, finance lease payables, finance lease receivables, and lease rental income fees and expenses.

The Group obtains financing through bank borrowings and capital market bond issues. The Group's objective is to obtain the most favourable interest rates available at acceptable terms and conditions.

A significant portion of the Group's loans and borrowings and finance lease payables are contracted at floating interest rates pegged to USD LIBOR. Interest rate exposure arises when the Group collects fixed rate rentals but pays floating interest rate under the borrowings.

A significant portion of the Group's financial assets and liabilities are based on floating interest rates pegged to USD LIBOR and are contractually repriced at intervals of less than 12 months from the end of each year in the Relevant Period.

The Group's policy is to hedge at least 50% of its mismatched interest rate exposure through appropriate interest rate financial derivative instruments and borrowing fixed rate debts. At the end of each year in the Relevant Period, the Group has hedged approximately 96%, 54% and 60% as at 31 December 2013, 2014 and 2015, respectively, of the Group's mismatched interest rate exposure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

39. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

Sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the end of each year in the Relevant Period:

- Changes in interest rates affect the interest income and finance expenses of variable interest financial instruments which include deposits and floating rate loans.
- Changes in interest rates affect the fair values of derivative financial instruments.
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of each year in the Relevant Period.

For a more meaningful analysis on the impact of interest rate on the Group, the sensitivity analysis includes the effect of interest rate fluctuation on the lease rental income.

Under these assumptions, an increase or decrease in interest rate of 10 basis points as at the end of each year in the Relevant Period, with all other variables held constant, will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

	Basis points	Effect on profit net of tax US\$'000	Effect on hedging reserve in equity US\$'000
2013			
Increase in interest rate	+10	375	1
Decrease in interest rate	-10	(502)	–
2014			
Increase in interest rate	+10	(730)	–
Decrease in interest rate	-10	1,198	–
2015			
Increase in interest rate	+10	(1,668)	–
Decrease in interest rate	-10	1,690	–

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and due to refinancing risk.

To ensure that the Group is able to meet its financial obligations, the Group's current policy is to have its loan repayments spread over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2013, 2014 and 2015, the Group had unutilised unsecured committed revolving credit facilities of US\$2,335 million, US\$2,250 million and US\$2,510 million, respectively. The Group had signed documentation in place for two unsecured term loan financing totalling US\$525.0 million as at 31 December 2015 which were undrawn as of that date.

The Group had committed long term credit facilities pending the provision of new replacement aircraft as collateral of US\$123.9 million, US\$181.2 million and US\$165.8 million as at 2013, 2014 and 2015, respectively.

Revenue from lease rentals and other operating revenues will be sufficient to meet annual interest payments and regular loan repayment over the next one year period.

As at 31 December 2013, 2014 and 2015, approximately 10%, 11% and 11%, respectively, of the Group's gross debt, comprising loans and borrowings and finance lease payables, would have matured in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of each year in the Relevant Period based on contractual undiscounted repayment obligations.

	One year or less	One to five years	Over five years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
2013				
<i>Financial liabilities:</i>				
Trade and other payables	111,948	–	–	111,948
Loans and borrowings	699,116	3,026,627	3,637,078	7,362,821
Estimated interest payments	141,003	432,113	168,481	741,597
Finance lease payables	6,615	52,910	–	59,525
Security deposits	29,034	107,012	83,598	219,644
Estimated net swap payments	3,200	2,551	–	5,751
Other non-current liabilities	–	18,723	–	18,723
Total undiscounted financial liabilities	990,916	3,639,936	3,889,157	8,520,009

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

39. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
2014				
Financial liabilities:				
Trade and other payables	67,992	–	–	67,992
Loans and borrowings	904,965	4,795,850	2,633,442	8,334,257
Estimated interest payments	158,083	459,258	154,570	771,911
Finance lease payables	8,845	54,632	22,487	85,964
Security deposits	36,438	112,722	83,446	232,606
Estimated net swap payments	2,136	578	–	2,714
Other non-current liabilities	–	36,994	–	36,994
Total undiscounted financial liabilities	1,178,459	5,460,034	2,893,945	9,532,438

	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
2015				
Financial liabilities:				
Trade and other payables	106,104	–	–	106,104
Loans and borrowings	974,643	5,606,321	2,271,537	8,852,501
Estimated interest payments	206,713	586,584	145,325	938,622
Finance lease payables	9,217	47,794	20,109	77,120
Security deposits	36,970	46,916	153,688	237,574
Estimated net swap payments	495	–	–	495
Liabilities associated with assets held for sale	36,299	–	–	36,299
Other non-current liabilities	–	42,955	–	42,955
Total undiscounted financial liabilities	1,370,441	6,330,570	2,590,659	10,291,670

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, derivative financial instruments, fixed deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long term procurement contracts are being contemplated.

The Group's policy is to undertake deposit and derivatives transactions with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard and Poor's "A-".

(i) Exposure to credit risk

At the end of each year in the Relevant Period, the Group's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values; and
- corporate guarantees provided by the Group to the banks on bank loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

39. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual lessee and regional exposure to its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of each year in the Relevant Period is as follows:

	2013		2014		2015	
	US\$'000	%	US\$'000	%	US\$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	807	96.8	53	1.1	-	-
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	-	-	38	0.8	-	-
Americas	-	-	27	0.6	-	-
Europe	27	3.2	4,665	97.5	400	100.0
	<u>834</u>	<u>100.0</u>	<u>4,783</u>	<u>100.0</u>	<u>400</u>	<u>100.0</u>

(iii) Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 and 18.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

39. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the functional currency of the Group.

All borrowings which are denominated in Australian Dollar, Chinese Yuan and Singapore Dollar are swapped into United States Dollar denominated liabilities. Foreign currency exposure arises because the Group collects all revenues and other income in United States Dollars while certain borrowings are denominated in non-United States Dollars. To hedge this foreign currency exposure, the Group utilises cross-currency interest rate swap contracts to convert its Australian Dollar, Chinese Yuan and Singapore Dollar denominated borrowings into United States Dollar denominated financial liabilities.

Accordingly, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Capital management

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

The Group manages its capital structure and makes adjustments to it after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholder, adjust dividend payment to the shareholder or return capital to the shareholder. No changes were made in the objectives, policies or processes during the years ended 31 December 2013, 2014 and 2015.

The Group monitors capital using a gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in the loan facilities. Gross debts comprise the Group's loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes. Total equity refers to the equity attributable to the equity holder of the Company.

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Gross debt	7,422,346	8,420,221	8,956,477
Total equity	1,926,632	2,096,411	2,439,718
Gearing (times)	3.85	4.02	3.67

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 December 2013, 2014 and 2015**

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

41. Authorisation of financial statements for issue

The financial statements for the years ended 31 December 2013, 2014 and 2015 were authorised for issue in accordance with a resolution of the directors on 3 March 2016.

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