

The logo for China Aircraft Leasing Group Holdings Limited, featuring the letters 'CALC' in a bold, italicized, blue sans-serif font.

Stock code: 01848.HK

China Aircraft Leasing Group Holdings Limited

Aircraft Full Value Chain Solutions Provider

2022 Annual Results

March 2023



CONTENTS



Performance Highlights



Financial Highlights



Operation Highlights



Industry Outlook

1.1 Steady growth in 2022 annual results

For the year ended 31 December 2022

HK\$ **4.17** bn **27%**↑

Rapid growth in total revenue

HK\$ **513** mn **HK\$ 74** mn

(adjusted ⁽¹⁾)

Profit attributable to shareholders

HK\$ **3.49** bn **22%**↑

Significant increase in EBITDA

As at 31 December 2022

176 aircraft

Steady fleet growth
(150 owned + 26 managed, incl. the two involving Russian carriers)

>94%

High in-service ratio of fleet
(Major lessors ⁽²⁾ average 84.2%)

HK\$ **3.35** bn **54%**↑

Significant increase in net cash flows generated by operating activities

90%

Narrowbody-dominant fleet
(owned fleet)

100%

Best fleet utilization
(Owned fleet, excl. the two already written off)

HK\$ **11.37** bn **40%**↑

Sufficient liquidity

Cash, bank balances and undrawn borrowing facilities

226 aircraft

Third largest orderbook among global lessors

102.4%

Rent collection ratio ⁽³⁾
(5 ppts up year-on-year)

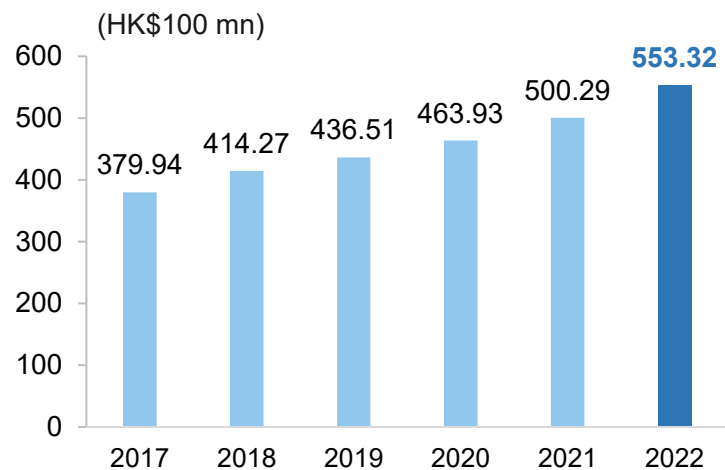
Note: 1. Adjusted results are calculated by excluding the net write-off of HK\$439 million related to Russia-Ukraine conflict.

2. Major lessors refer to the Top 20 aircraft lessors ranked by Cirium by the end of 2022. In-service ratio of fleet = number of aircraft in service / (number of aircraft in service + number of aircraft in storage).

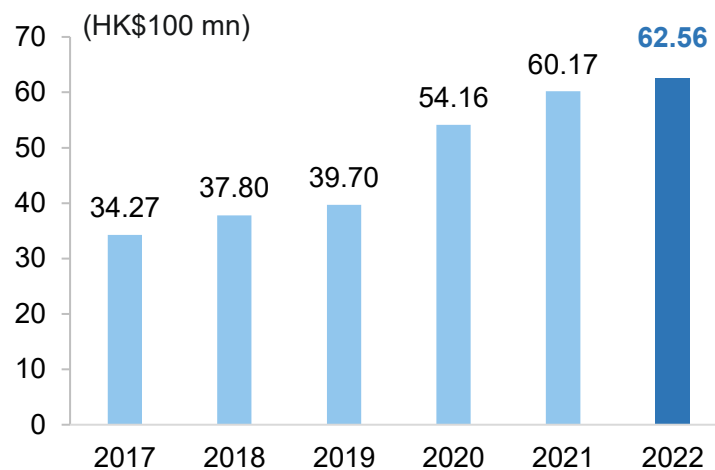
3. represented by the cash received over invoiced amount.

1.2 A stable capital structure

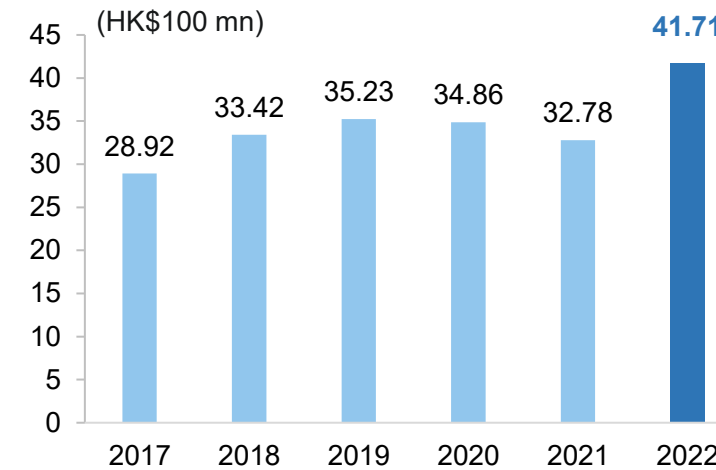
✈ Steady growth of total assets



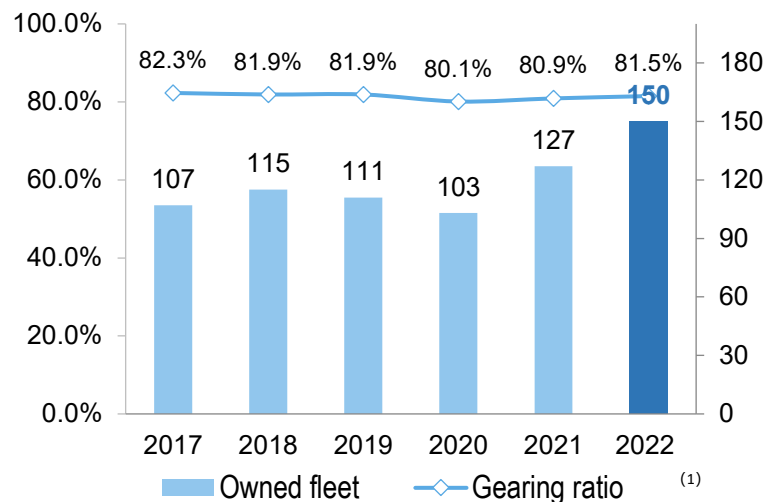
✈ Increasing net assets



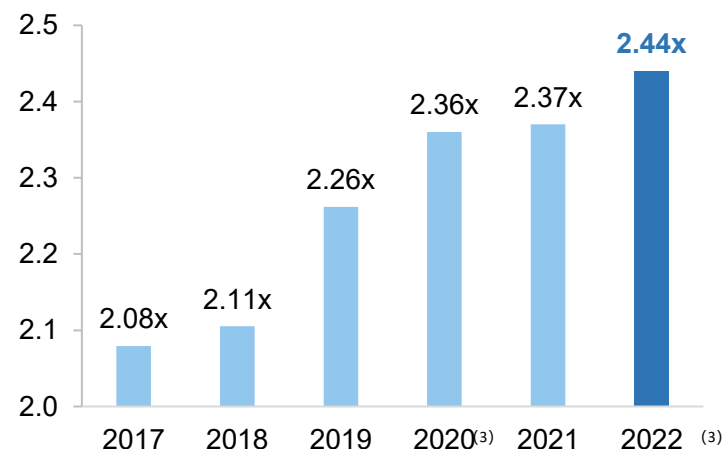
✈ Rapid growth in total revenue



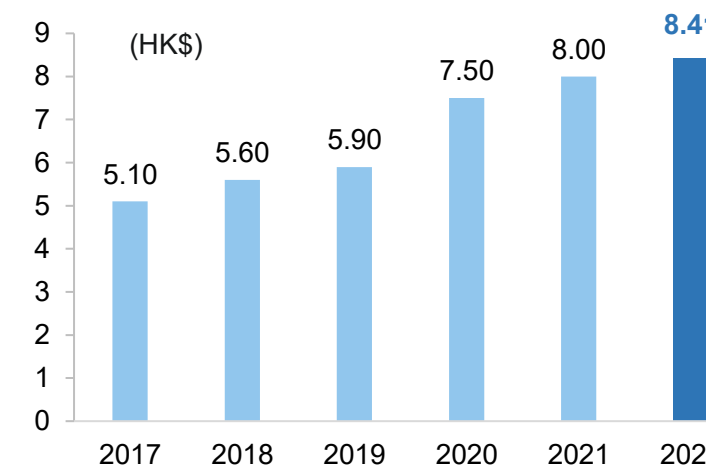
✈ Gearing ratio remained steady amid fleet growth



✈ Improving interest coverage ratio⁽²⁾



✈ Increasing net asset value per share



Note: 1. Gearing ratio = Interest-bearing debts/total assets.

Note: 2. Interest coverage ratio = EBITDA/interest expense

Note: 3. 2020 and 2022 figures are adjusted after exceptional items.

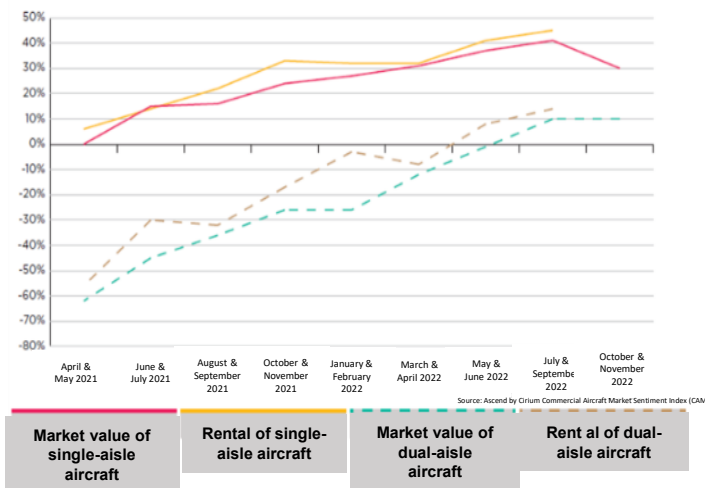
1.3 Strong demand recovery manifests narrowbody shortage and increasing rent

Global air passenger traffic trend (2017-2022)

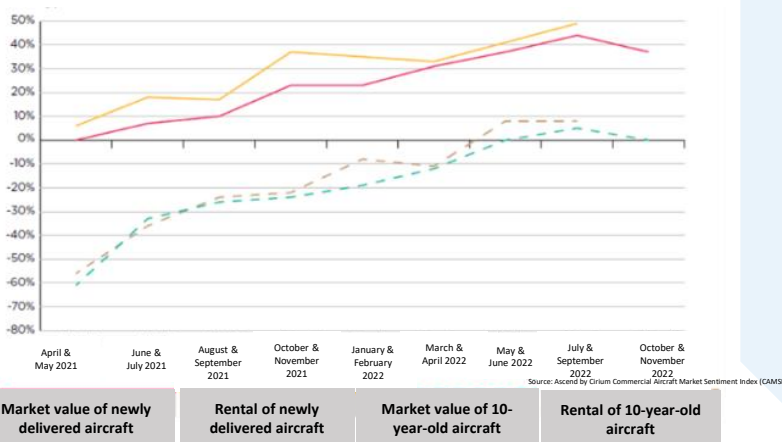


Source: IATA Air Passenger Market Analysis, December 2022

Market sentiment index for narrow-body and wide-body aircraft (since April 2021)

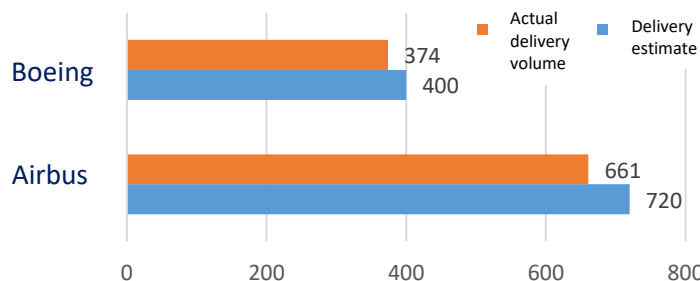


Market sentiment index for newly delivered aircraft and 10-year-old aircraft (since April 2021)



Source: Ascend by Cirium Commercial Aircraft Market Sentiment Index (CAMSII), December 2022

Aircraft manufacturers' delivery estimate and actual delivery volume



Source: public news

Accelerating recovery of global aviation market

- Compared to 2021, the revenue passenger kilometers in 2022 has risen sharply by 64.4% and has recovered to 68.5% of 2019, with December 2022 recovering to 76.9% of the same period in 2019. Leading institutions predicted that air passenger traffic will return to 2019 levels in 2023.

Restricted aircraft supply drives leasing demand

- In 2022, Airbus lowered its full-year aircraft delivery estimate to **700** aircraft and delivered only **661** aircraft; Boeing also lowered its full-year 737 series delivery estimate to around **400**, with only **374** delivered. With limited production capacity, airlines will rely more on lessors to meet the needs of fleet expansion and renewal, further boosting the penetration rate of leasing

New generation narrowbody models in shortage

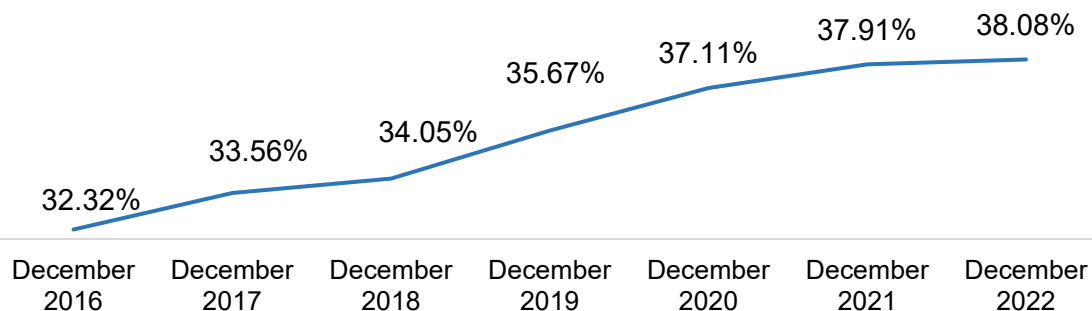
- Institutional data showed that single-aisle aircraft recovered stronger than dual-aisle aircraft. The global wave of carbon neutrality, coupled with rising fuel prices and continuous inflation, will facilitate airlines to accelerate the upgrade of their fleet to a new generation of energy-saving models.
- Latest reports of Airbus and Boeing respectively predicted the world will need 31,620 & 30,880 single-aisle aircraft in the next 20 years, or an average of about 1,500 aircraft per year, while Airbus and Boeing delivered no more than 1,100 narrow-body aircraft in 2022. A rough estimate for the annual shortfall of narrow-body aircraft may reach 400 aircraft.

China is expected to become the world's largest aviation market

- China's "14th Five-Year Plan" of Civil Aviation pointed out that 2023-2025 is the period of growth and release of the aviation industry. The 2022 National Civil Aviation Work Conference pointed out that efforts will be made to return to the 75% level before the pandemic in 2023.
- Both Airbus and Boeing forecast the world's largest air passenger traffic in the next 20 years to be in the Chinese domestic market.

Continued increase of stake by CEL

- In the past 5 years, CEL has purchased shares in the secondary market and increased its holdings of CALC through scrip dividends scheme. As of December 2022, CEL's shareholding in CALC increased to **38.08%**.



- Increasing shareholdings over the past few years: equity stake at market value is around **HKD 1.45bn**
- Became the actual controlling party of CALC (TJ) in 2020
- Provide revolving line credit of **USD 94 mn**



Bond investors

RMB 1 billion

270-day short-term debentures (October 2022)

RMB 1.2 billion

3-year corporate bond (February 2022)

RMB 1.5 billion

Medium-term notes (April 2022)

✓ Diversified financing channels

USD and RMB working capital loans, USD bonds, RMB bonds, PDP financing, asset securitization, joint venture platform, etc.

Credit rating results *(updated in December 2022)*

MOODY'S

Ba1

Corporate Family Rating

Stable

Outlook

FitchRatings

BB +

Long-term issuer rating

Stable

Outlook

- ✓ On December 2022, ARJ21, a China-developed air-jet regional passenger aircraft was officially delivered to its first overseas customer – TransNusa of Indonesia. This is COMAC's first air-jet passenger aircraft entering the overseas market.
- ✓ At the beginning of 2021, CALC placed orders for 30+30 option) ARJ21 aircraft with COMAC. It had been making efforts for the first export of ARJ21 for many years, including coordinating with the aviation administration of both countries to promote ARJ21 to obtain the Indonesian Model Certificate.
- ✓ **Looking ahead, CALC will further leverage its international advantages to facilitate the international development of China-developed aircraft.**



Source: public news



CONTENTS



--- Performance Highlights



— **Financial Highlights**



--- Operation Highlights



--- Industry Outlook



2.1 Highlights of 2022 annual results



Total revenue increased rapidly by 27.2% year-on-year to HK\$4.17 bn and EBITDA increased by 21.9% year-on-year to HK\$ 3.5 bn; The profit attributable to shareholders for the year ended 31 December 2022 was stable excluding the write-off of the assets involving the aircraft in Russia; the final dividend has been declared.

HK\$ mn	2022	2021	Change
Total revenue	4,171.0	3,278.1	27.2%
Operating profit	775.2	819.9	(5.5%)
Profit attributable to shareholders of the Company	73.6	525.8	(86.0%)
Profit attributable to shareholders of the Company (adjusted)	512.6	525.8	(2.5%)
EBITDA	3,490.6	2,864.1	21.9%
Net cash flow generated from operating activities	3,348.6	2,174.8	54.0%
Final dividend per share (HK\$)	0.15	0.26	(42.3%)
Full year dividend per share (HK\$)	0.30	0.41	(26.8%)

Note: *Due to relevant international sanctions subsequent to Russia-Ukraine conflict erupted in early 2022, CALC has decided prudently to write down in full the net book value of the two aircraft that remained in Russia, which is offset by the security deposit, maintenance reserves and the value of one engine under CALC's control, resulting in a net write-off of HK\$439.0 million for the twelve months ended 31 December 2022. Adjusted results here are calculated by excluding the above-mentioned net write-off.

	For the year ended 31 December		
Unit: HK\$ mn	2022	2021	Change
Total lease income	3,542.2	2,500.4	41.7%
Finance lease income (FY2022: 49 aircraft vs. FY2021: 49 aircraft)	574.7	540.6	6.3%
Operating lease income	2,967.6	1,959.8	51.4%
Net income from aircraft transactions and aircraft components trading (FY2022: 5 aircraft vs. FY2021: 9 aircraft)	207.1	301.7	(31.4%)
Other income	421.7	475.9	(11.4%)
Government grants	212.0	215.5	(1.6%)
Interest income from loans to associates and joint ventures	100.1	105.4	(5.0%)
Bank interest income	32.7	8.2	298.8%
Asset management service fees income from CAG Group	19.2	12.1	58.7%
Incidental income and others	57.7	134.7	(57.2%)
Total revenue	4,171.0	3,278.1	27.2%

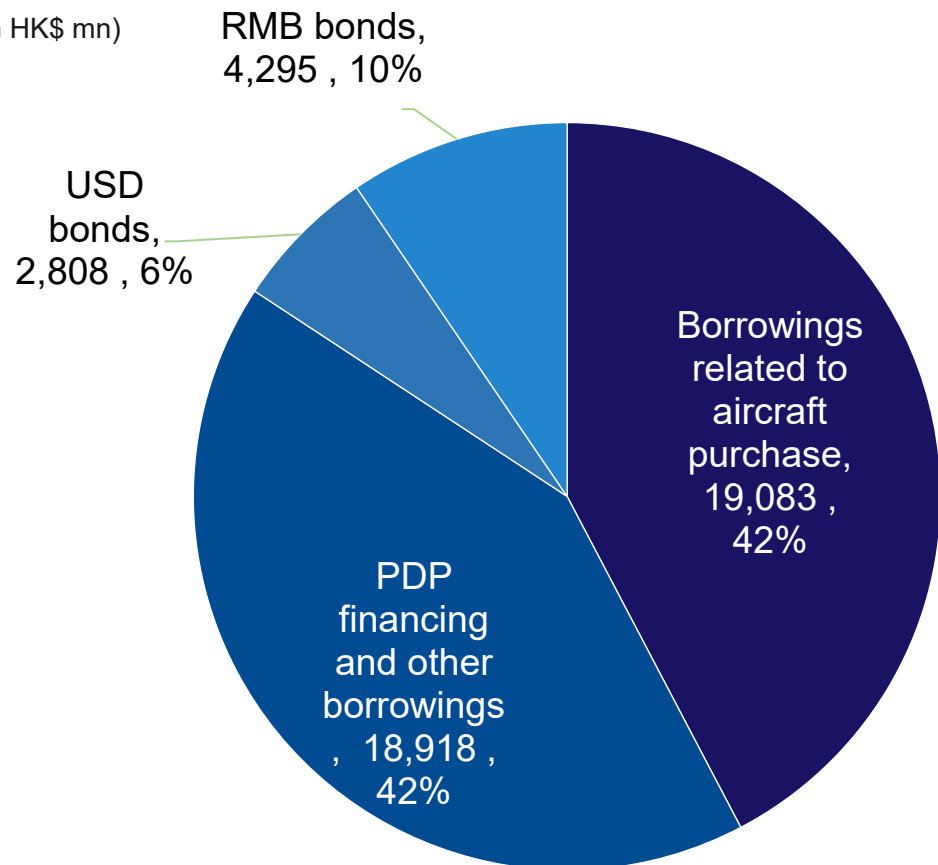
HK\$ mn	For the year ended 31 December		
	2022	2021	Change
Interest expenses (Total interest-bearing debts at the end of 2022 reached HK\$45.1 billion, an increase of 11.4% from HK\$40.5 billion at the end of 2021; Avg. 3-month LIBOR for the whole year of 2022 was 4.77% vs. 2021: 0.24%)	(1,610.5)	(1,211.3)	33.0%
Depreciation and others (FY 2022: 101 aircraft vs. FY 2021: 78 aircraft)	(1,356.6)	(820.7)	65.3%
Expected credit loss (2022: prudent and sufficient provision for overdue rental amounted to approximately 38% vs 2021: 31%)	(83.4)	(144.2)	(42.2%)
Other operating expenses	(345.3)	(282.0)	22.4%
Total operating expenses	(3,395.8)	(2,458.2)	38.1%

2.4 Diversified financing channels ensure sufficient liquidity

Interest-bearing debts totaled HK\$45.1 billion

(as at 31 December 2022)

(in HK\$ mn)



✓ **New/renewed facilities obtained in 2022**

✓ **Newly issued RMB bonds**

> HK\$ 21 bn

RMB 1 bn

270-day short-term debentures (October 2022)

RMB 1.2 bn

3-year corporate bonds (February 2022)

RMB 1.5 bn

Medium-term notes (April 2022)

✓ **Abundant liquidity**

HK\$ mn	Year ended 31 December 2022	Year ended 31 December 2021	Change
Cash and bank balances	4,667.5	5,013.6	(6.9%)
Undrawn borrowing facilities	6,700.8	3,117.0	115.0%
total	11,368.3	8,130.6	39.8%

Interest rate risk management

- ✓ Of the total interest-bearing debt of HK\$ 45.1 bn, natural rent hedges, RMB-denominated loans, USD bonds and interest rate swaps were included, of which only HK\$6.6 bn or 15% interest-bearing debt will have an impact on the statement of profit or loss.

USD interest rate risk sensitivity test

Profit before income tax (HK\$ mn)	31 December 2022
If interest rate up 1%	(82.0)
If interest rate down 1%	82.0

Exchange rate risk management

- ✓ Effectively control currency risk exposure with hedging arrangements

(RMB mn)	31 December 2022
Unhedged RMB liabilities	1,582.6

Foreign exchange rate risk sensitivity test

Profit before income tax (HK\$ mn)	31 December 2022
RMB appreciates against USD by 1%	(18.0)
RMB depreciates against USD by 1%	18.0

One of the aircraft lessors least affected by the Russia-Ukraine conflict

Only two owned aircraft were leased to Russian lessees, representing less than **1.5%** of the 150 owned aircraft as at 31 December 2022, and no new aircraft in its orderbook is to be leased to Russian airlines.

	Russia-related write-off (# of aircraft)	# of aircraft written off compared to owned fleet ² (%)	Net write-off (HK\$ bn)	Net write-off compared to total assets ³ (%)
CALC	2	< 1.5%	0.44	0.8%
Peers ¹	17 ~ 113	4% ~ 8%	4 ~ 21	2% ~ 4%

Note: 1. Only include listed lessors with a fleet of more than 100 aircraft, i.e. Air Lease, AerCap and BOCA; 2. For peer comparison, the owned fleet here include those aircraft written down as of 31 December 2022; 3. For peer comparison, the calculation formula here is unified as net write-off / (net write-off + total assets as at 31 December 2022). Source: financial reports of the companies, as at 31 December 2022.

International rating agencies believe Russia-Ukraine conflict will not have a significant impact on CALC

Moody's

"CALC had limited exposure to Russian airlines and potential provisions or write offs of related aircraft will not significantly hurt CALC's operations and credit profile." (June 2022)

Fitch

"We do not expect the one-off impairment charges related to two aircraft stranded in Russia to affect CALC's operating cash flow and funding and liquidity profile." (August 2022)

CALC will take active risk control measures

- ✓ Closely monitor the situation and take proactive measures to recover assets/obtain compensation as much as possible;
- ✓ Continue to proactively approach and negotiate with the Russian lessees, requesting them to return the aircraft or make compensation;
- ✓ Follow up on the insurance claims that have been filed;
- ✓ Immediately after the incident, actions were taken to control an engine located outside Russia, thereby reducing write-off;
- ✓ Related write-off may be partially reversed if we successfully repossess these aircraft or receive compensations from either the Russian airlines or the Insurers in the future.

Number of aircraft located in Russia and owned by global aircraft lessors

Lessors	No. of aircraft located in Russia	No. of aircraft located in Russia compared to lessors own fleet (%)
Other lessor	117	6.6%
Other lessor	35	5.1%
Other lessor	27	5.4%
Other lessor	23	5.9%
Other lessor	21	5.1%
Other lessor	18	9.3%
Other lessor	16	3.9%
Other lessor	14	2.9%
Other lessor	12	8.1%
Other lessor	12	2.1%
Other lessor	9	3.6%
Other lessor	9	3.3%
Other lessor	8	42.1%
Other lessor	8	5.8%
Other lessor	8	2.3%
Other lessor	6	7.2%
Other lessor	5	1.8%
Other lessor	4	1.2%
Other lessor	3	7.9%
Other lessor	3	3.5%
Other lessor	3	2.7%
Other lessor	3	0.6%
Other lessor	2	11.8%
CALC	2	1.1%
Other lessor	2	1.1%
Other lessor	1	4.2%
Other lessor	1	3.4%
Other lessor	1	1.9%
Other lessor	1	1.8%
Other lessor	1	0.8%

Source: Cirium Portfolio Tracker Q4 2022, CALC analysis

CONTENTS



--- Performance Highlights



--- Financial Highlights



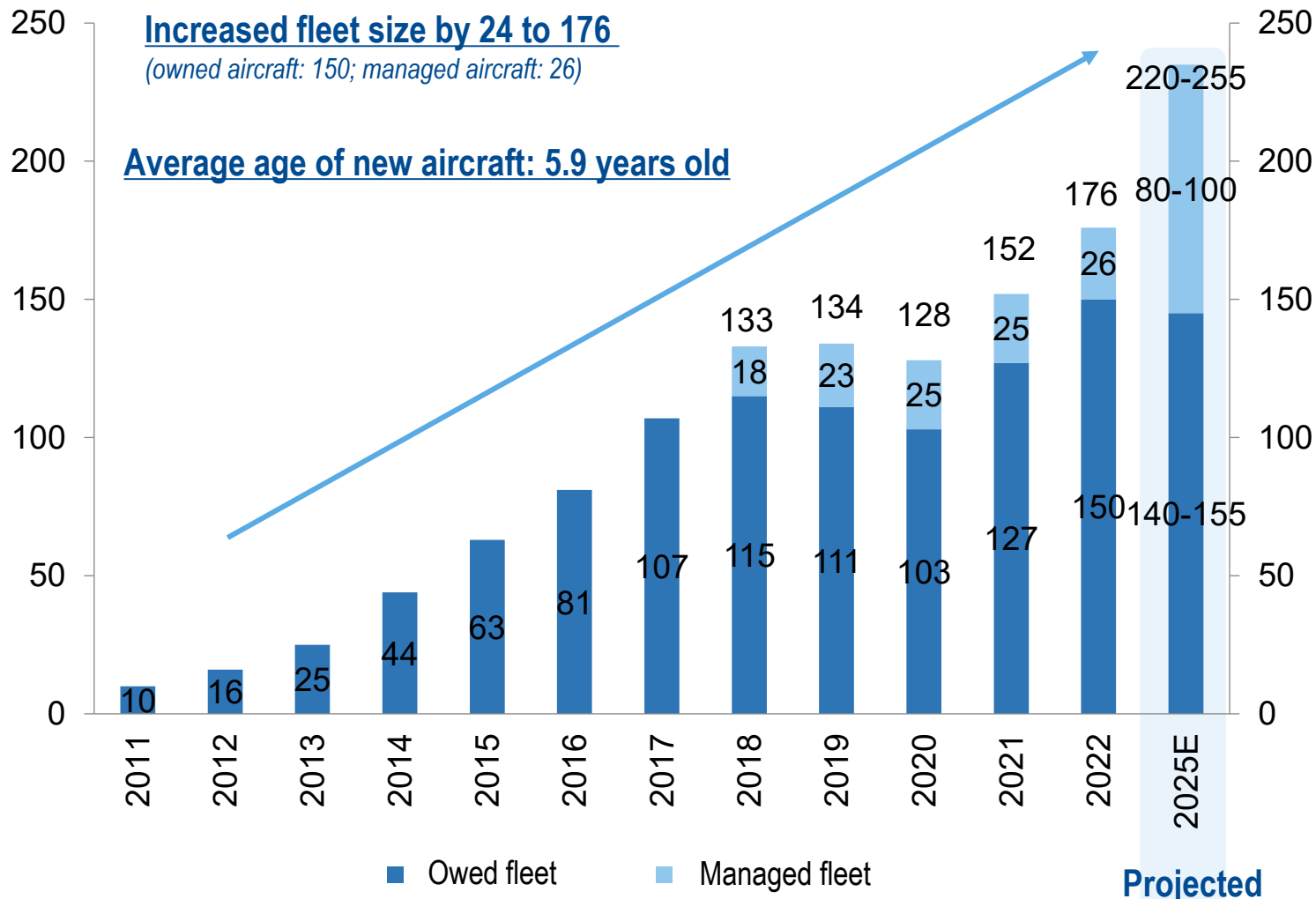
— Operation Highlights



--- Industry Outlook



Steady growth in owned fleet while advancing asset-light business model



2022:

28 aircraft

Delivered

(18 from orderbook + 10 PLB)

5 aircraft

Disposed

(aircraft trading postponed due to impact of Covid-19)

Estimates for 2023:

25 aircraft

Scheduled delivery

(from orderbook)

20 aircraft

Projected disposals

Management Platform	CAG	Maotai JV	HNCA JV	Total
As at 31 December 2022	23	1	2	26

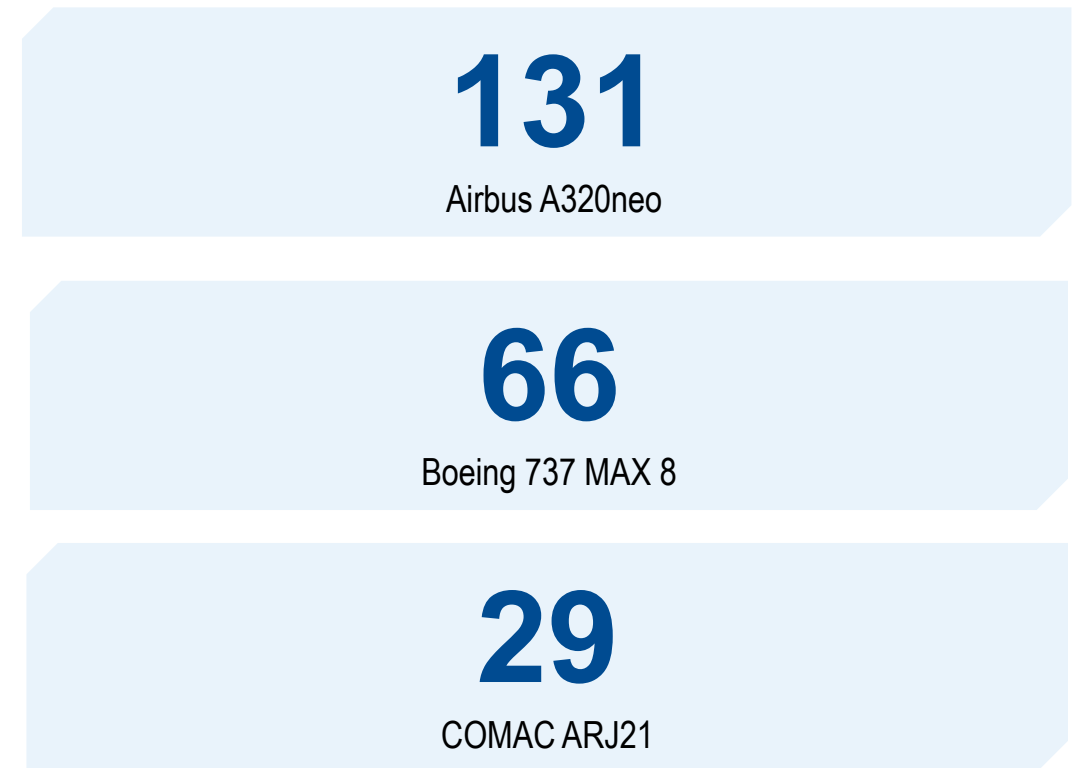
- ✓ Following the establishment of an aircraft asset management joint venture platform with our partner, Maotai Leasing, in 2021, an aircraft was first injected into the platform in December 2022;
- ✓ CALC will continue to work closely with Maotai Leasing and inject more aircraft assets into the joint venture platform.

Third largest orderbook among global lessors

Rank	Lessor/asset manager	Orderbook
1	Other lessor	455
2	Other lessor	426
3	CALC	256
4	Other lessor	225
5	Other lessor	190
6	Other lessor	176
7	Other lessor	130
8	Other lessor	109
9	Other lessor	95
10	Other lessor	78

Source: Airfinance Journal Lessors and AFJ Fleet Tracker, as of 30 June 2022.

Narrowbody-dominant orderbook* with aircraft from the world's top three OEMs



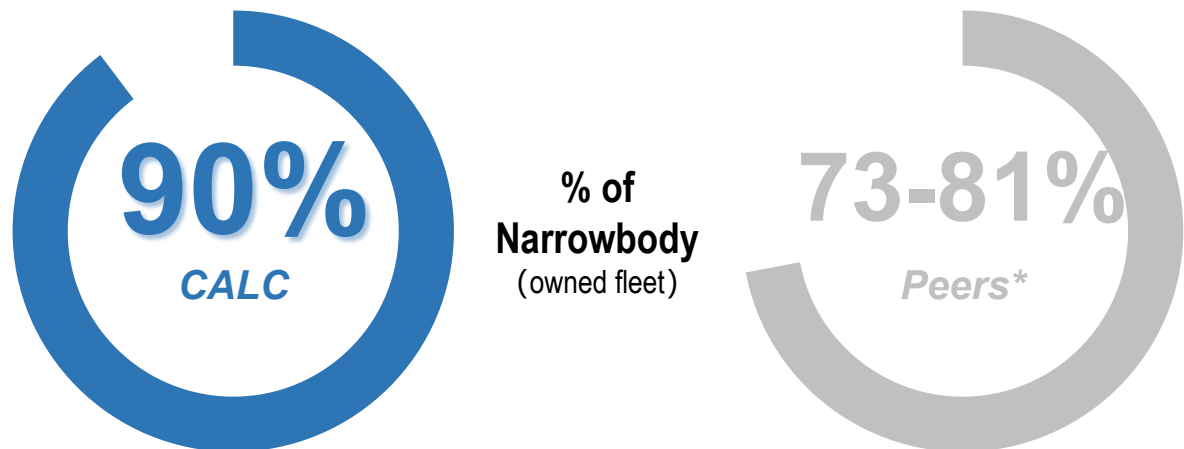
Bulk delivery from 2023 onwards, tapping the opportunities emerged from full recovery of aviation market

*Note: data as of December 31 2022.

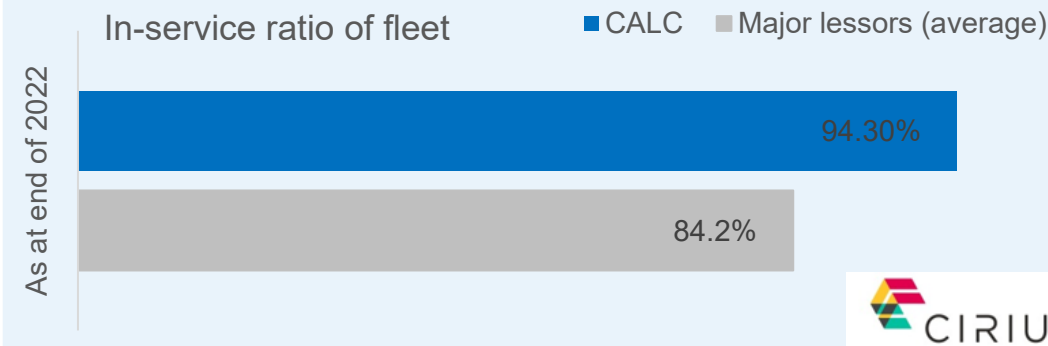
3.3 Highly liquid and popular aircraft portfolio



Highly liquid narrowbody-dominant fleet with stable value



In-service ratio of fleet significantly above average of major lessors[^]

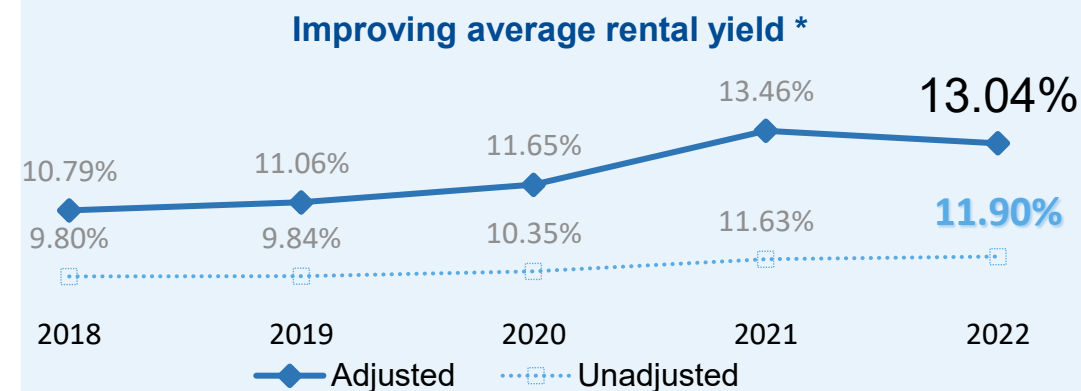


Note: [^] Major lessors are those grouped as operating lessors by Cirium whose owned and managed fleet exceeds 100 aircraft. In-service ratio of fleet = number of aircraft in service / (number of aircraft in service + number of aircraft in storage). End-of-year data as at 31 December 2022.

Fleet breakdown (as at 31 December 2022)

	Series	Model	Owned#	Managed	Orderbook
Airbus	A320	NB	112	22	131
	A330	WB	13	1	-
Boeing	B737	NB	23	2	66
	B787	WB	1	1	-
COMAC China	ARJ21	Regional	1	-	29
Total			150	26	226

Note: *Only includes listed lessors with a fleet of more than 100 aircraft, i.e., Air Lease, AerCap and BOCA;
#Including 1 A320 series and 1 B737 series aircraft related to Russian airlines.

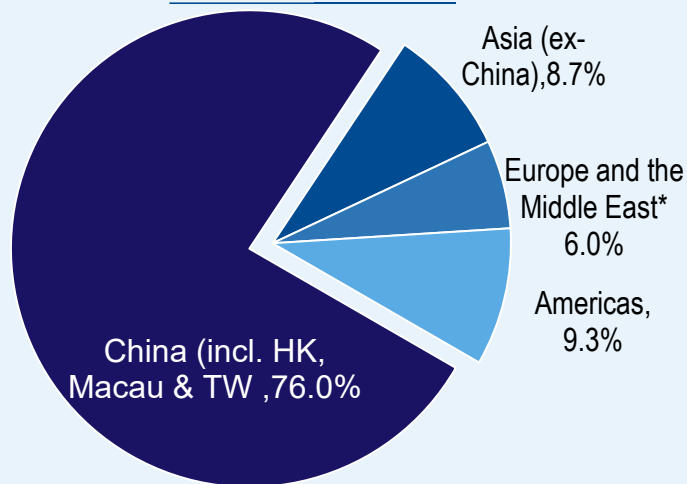


Note: * Adjusted average rental yield is a weighted average calculated as the sum of expected annualized gross lease receipt and government grants divided by the net book value of aircraft, and the unadjusted data is a weighted average calculated as the expected annualized gross lease receipt divided by net book value of the aircraft.

3.4 Ongoing Chinese market penetration and global expansion

- ✓ 76% of CALC's owned fleet is leased to Chinese airlines, most of which are state-owned airlines with strong financial strength.
- ✓ **Riding on the strong rebound of the overseas market, CALC has accelerated its global expansion accordingly, and the proportion of overseas clients has increased significantly in terms of orderbook placement.**
- ✓ In the future, we will continue to enhance leadership in home market and explore new customers in regions with rapid economic growth, **targeting a 50/50 split in China/overseas customers.**

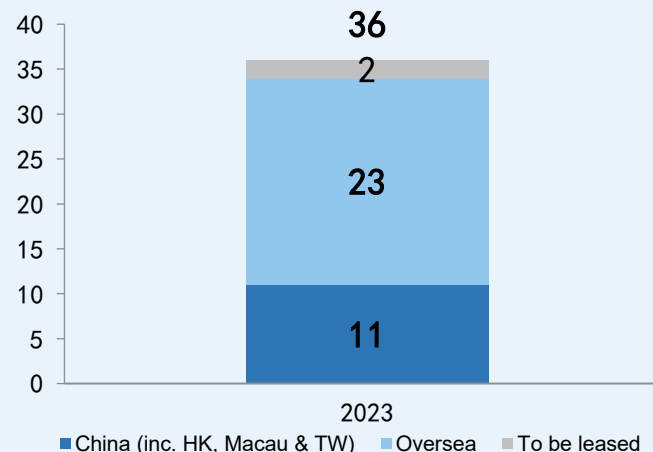
Owned fleet mainly leased to Chinese airlines



Note: *Includes 2 aircraft involving Russian airlines
As a percentage of owned aircraft, as at 31 December 2022

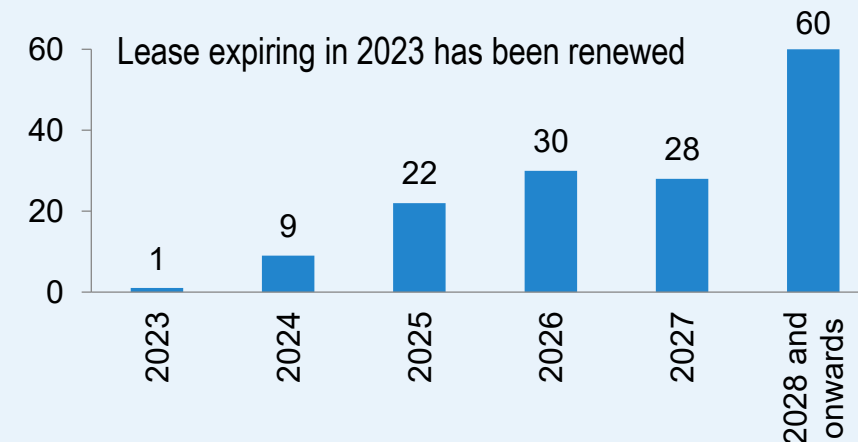
- 114 of the 150 owned aircraft are leased to Chinese airlines (including Hong Kong, Macau and Taiwan).

Increasing overseas clients in orderbook placement



- All aircraft to be delivered in the next 15 months after the end of 2022 have been mandated for lease.
- **More than 60%** of the aircraft to be delivered in 2023 will be leased to overseas airline customers.

Expiring leases in the owned fleet



- Lease that will expire in 2023 have been renewed with little re-marketing pressure

3.5 Aircraft aftermarket businesses level up



Aircraft recycling facility was included in flight zone

- ✓ The first large-scale aircraft recycling facility in Asia under Aircraft Recycling International Limited, an associate company of CALC, has been **included in the flight zone of Harbin Taiping International Airport**, bringing our aircraft maintenance business to a new stage.
- ✓ The International Airport is the second largest airport in Northeast China, with passenger throughput reaching 9,490,000 in 2022.



Signed the first “passenger-to-freighter conversion” contract

- ✓ The Group signed a contract with Aeronautical Engineers, Inc. (AEI), a company specialized in the aircraft passenger-to-freighter conversion business, for **its first AEI B737-800SF freighter conversion project**, which was completed in 2022. CALC continues to deepen our after-market services and old aircraft conversion businesses.

Further granted Part 145 approval certification for base maintenance of B737NG series aircraft

- ✓ FL ARI was **granted Part 145 approval certification for base maintenance of B737NG series aircraft** subsequent to the approval for the A320 series aircraft granted previously.

First cooperation with Air China in aged aircraft, entering “P2F” market

- ✓ CAAM reached agreement with Air China to acquire **5 aircraft with an average age of about 20 years old** and has completed the evaluation of this batch of aircraft and formulated corresponding recycling plan. In the future, it will maximize the residual value of these assets riding on its one-stop professional aged aircraft management capability.

Contracted to disassemble more than 20 aircraft and airframe during 2022

- ✓ The Group successively entered into cooperation with LATAM AirLines and United Airlines for disassembly of 6 and 13 airframe respectively.
- ✓ **Over 20 aircraft and airframe disassembles were contracted during the year**, demonstrating CALC’s strong determination to build a sustainable aviation industry.

Completed the first A320 C-check

- ✓ In its aircraft recycling facility, FL ARI successfully **completed the C-check of an A320 aircraft for the first time** and delivered it to the airline customer, winning full recognition from the customer and marking a milestone in improving its maintenance capacity.

3.6 Leveraging first-mover advantage to drive post-pandemic growth



First-mover advantage

Mature aircraft aftermarket service system and infrastructure

Extensive licencing resources and professional engineering capabilities

First-mover advantage and broad customer network

Synergies in the sales network of disassembled aircraft, aircraft maintenance and used aircraft parts

Two major aircraft recycling facilities across China and the United States



Harbin Aircraft Recycling Facility

- 300,000 sq.m. with an annual disassembly capacity of 20 aircraft (Phase I)



Memphis Dismantling Facility in the United States

- Annual disassembly capacity: 50 aircraft

Complete aircraft after-market professional licence

Business scope	PRC qualification/permit	International qualification/permit
Aircraft disassembly	<ul style="list-style-type: none"> ✓ CAAC CCAR-145 Aircraft Disassembly MRO Licence (First Aircraft Disassembly Institution with this certification) 	<ul style="list-style-type: none"> ✓ FAA Federal Aviation Administration FAR 145 Maintenance Licence ✓ AFRA Aircraft Fleet Recycling Association Member
Aircraft maintenance	<ul style="list-style-type: none"> ✓ CAAC CCAR-145-R3 Qualification Certificate of Civil Aircraft Maintenance Units; 145 A320 Series C Inspection ✓ B737NG series inspection and maintenance permit 	<ul style="list-style-type: none"> ✓ Federal Aviation Administration 145 Certification Unit ✓ EU EASA 145, M, 21, 147 maintenance certifications
Sales of used aircraft parts	<ul style="list-style-type: none"> ✓ China Civil Aviation Maintenance Association (CAMAC)-Qualification of Aviation Material Distributors 	<ul style="list-style-type: none"> ✓ ASA Member of American Aviation Equipment Suppliers Association ✓ ISTAT Member of the International Society for Transport Aircraft Trading ✓ IACMI Member of Advanced Composite Material Manufacturing Innovation Institute

CONTENTS



--- Performance Highlights



--- Financial Highlights







--- Operation Highlights



— **Industry Outlook**



The aviation industry is expected to return to pre-pandemic levels in 2023

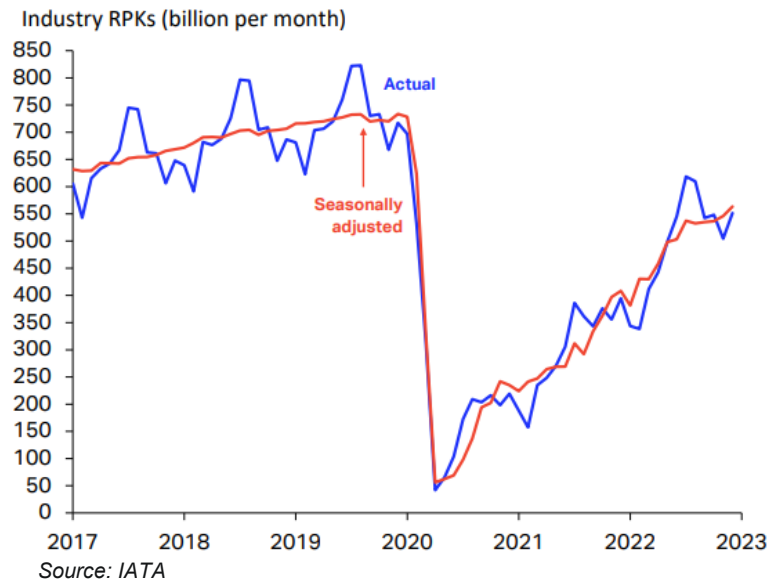
Institutions	Forecasts	Release date
	<p>International Air Transport Association (IATA)</p> <ul style="list-style-type: none"> Air RPKs (RPKs) in 2022 increased by 64.4% year-on-year, and the global passenger traffic in 2022 reached 68.5% of the pre-pandemic (2019) level. The total passenger traffic volume in December 2022 increased by 39.7% as compared to the same period in 2021, returning to 76.9% of the level in December 2019. 	2023.02
	<p>International Civil Aviation Organisation (ICAO)</p> <ul style="list-style-type: none"> It is expected that by the first quarter of 2023, air passenger demand on most routes will quickly recover to pre-pandemic levels and will achieve a growth rate of approximately 3% by the end of the year as compared to 2019 figures. 	2023.02
	<p>Airbus</p> <ul style="list-style-type: none"> The industry continued to recover in 2022, with increasing air traffic and airlines shifting to long-term fleet planning. Global air traffic is expected to return to pre-pandemic levels by the second quarter of 2023. 	2023.02
	<p>Ascend</p> <ul style="list-style-type: none"> Global air passenger (RPK) is expected to exceed pre-pandemic levels by October 2023. 	2023.01

Source: IATA, ICAO, Ascend by Cirium, Airbus Global Market Forecast 2022-2041

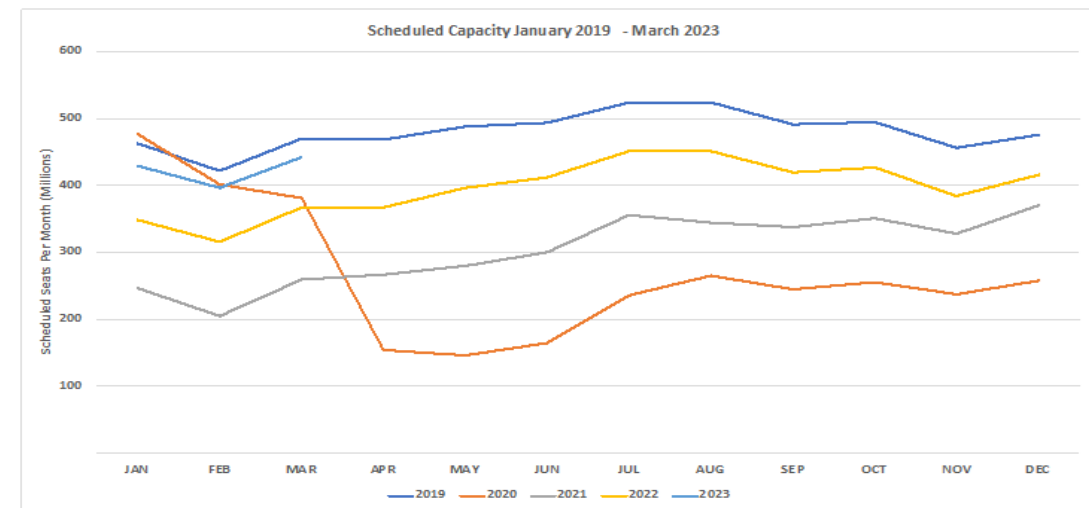
4.2 Global air transport market trends in 2023

- ✓ IATA predicts that the aviation industry as a whole is expected to achieve a total revenue of US\$779 bn in 2023, with more than 4.2 bn passengers and a net profit of US\$4.7 bn.
- ✓ North America is expected to continue to lead the industry in recovery, and there is a large demand for air travel in the Asia Pacific region.
 - The air transport market in North America, represented by the United States, is recovering at a faster pace and its total tourism consumption in September 2022 was even 6% higher than that in September 2019. North America will continue to be the most profitable region in the industry, followed by Europe and the Middle East. In 2023, some major countries in the Asia-Pacific region will adjust their international travel policies successively, which is expected to drive up the demand for air travel.
- ✓ **The International Airport Council expects that the global domestic and international passenger traffic volume will return to the pre-pandemic level in late 2023 and the second half of 2024, respectively.**
- ✓ **Cirium's analysis shows that the global fleet of in-service narrow-body aircraft has returned to 98% of the pre-pandemic (2019) level; The global fleet of in-service wide-body aircraft has returned to 80% of 2019 level.**

Global air passenger traffic trend (2017-2022)



Planned capacity of the global aviation industry from January 2019 to March 2023



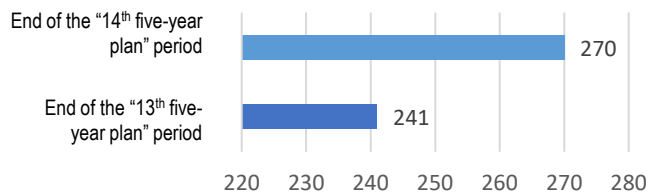
4.3 Domestic policies drive high-quality growth of the aviation industry



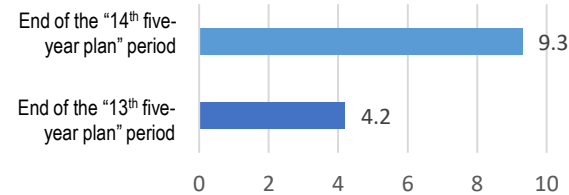
“14th Five-year Plan” of Civil Aviation: 2023-2025 is the period of growth and release

- ✓ Stressed to focus on expanding the domestic market, achieving recovery in the international market, accelerating the improvement of capacity scale and quality efficiency, and comprehensively promoting the high-quality development of civil aviation. In addition, the China Civil Aviation Work Conference put forward the target of returning to 75% of the pre-pandemic 75 level, 460 mn passengers in 2023 and reaching the breakeven point of profit and loss.

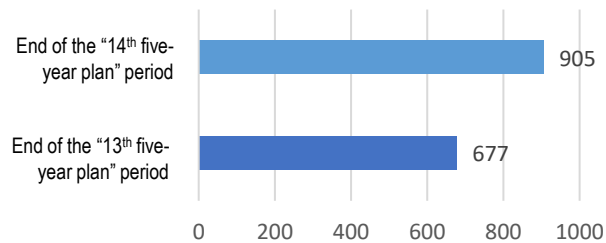
Number of civil airports



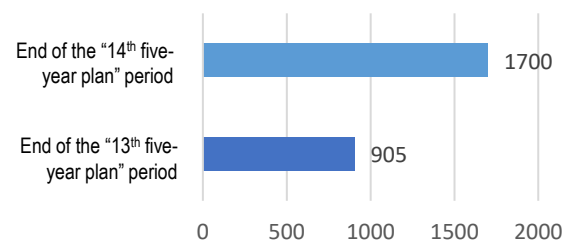
Passenger volume (10 million)



Freight volume (10 thousand tons)



Guaranteed flight take-off and landing (10 thousand flights)



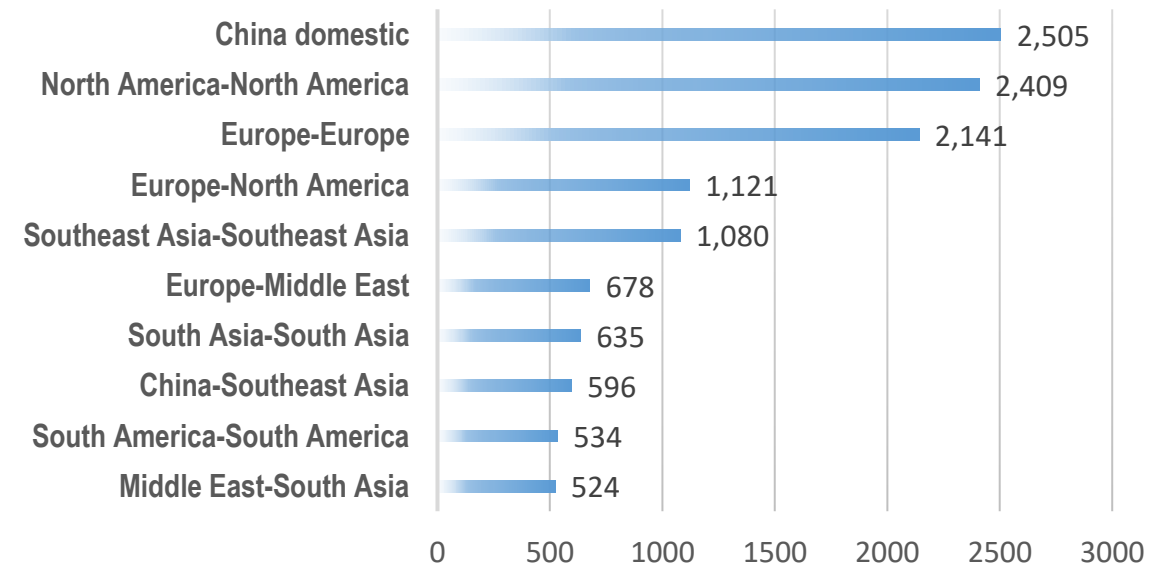
Source: “14th Five-year Plan” Civil Aviation Development Plan, Civil Aviation Resource Network

China will become the world’s largest aviation market in terms of passenger traffic

- ✓ Airbus and Boeing both predicted the world’s largest air passenger traffic in the next 20 years to be in the Chinese domestic market, with a compound annual growth rate of over 5%.

Top 10 traffic flows in 2041

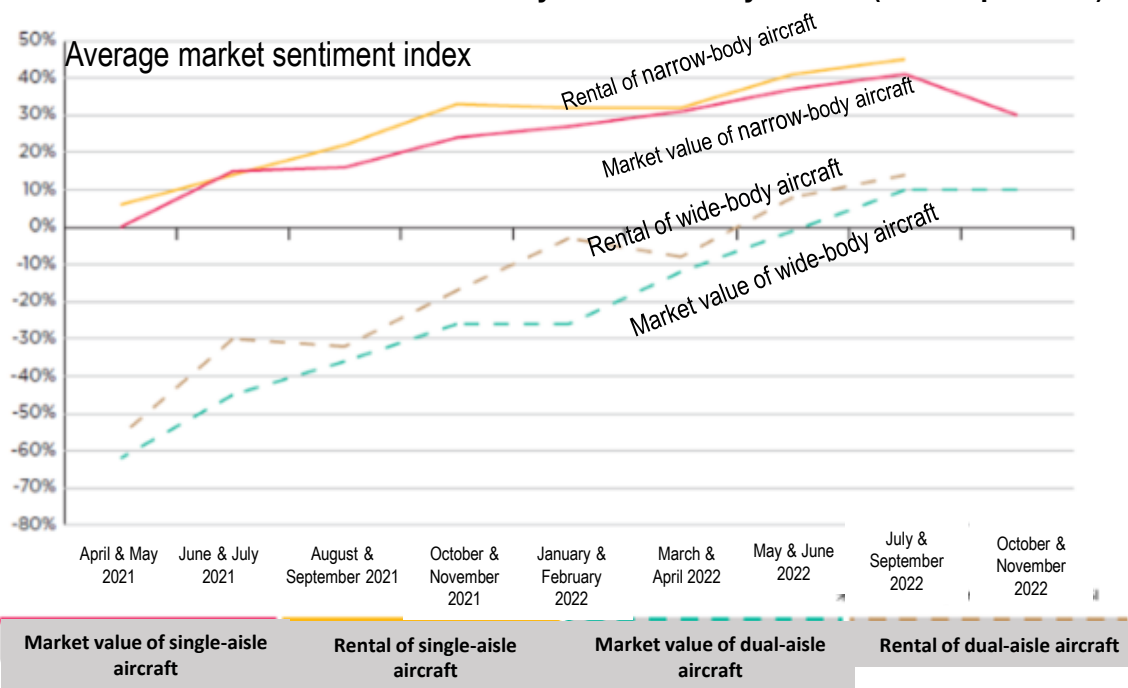
(RPKs in billions)



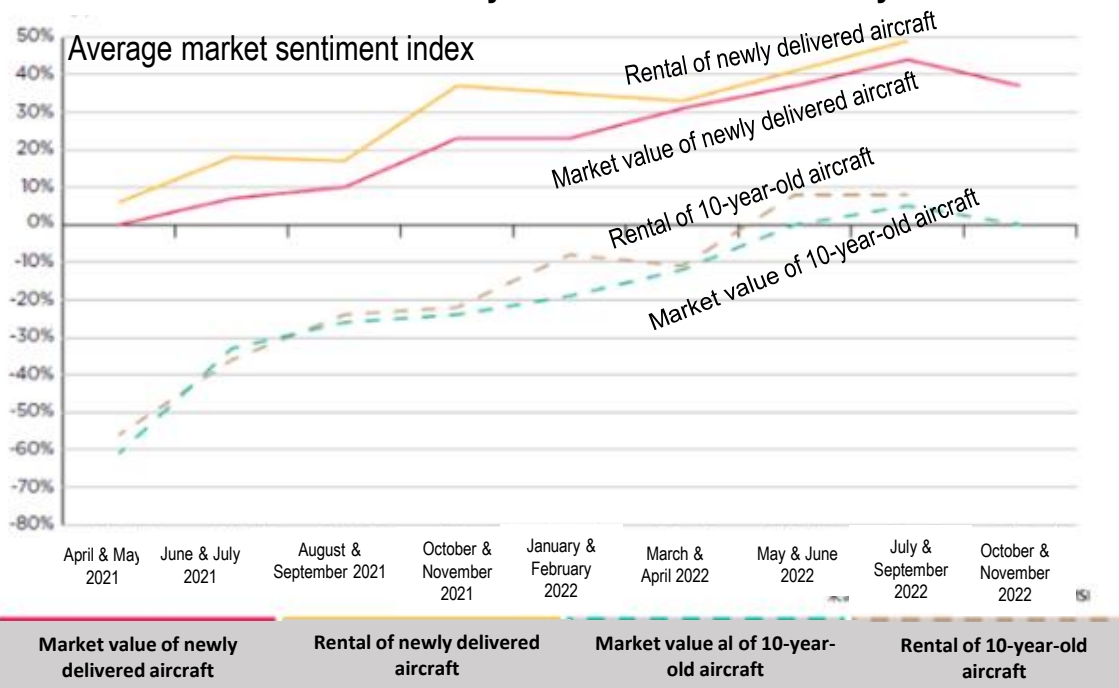
Source: Boeing Commercial Market Outlook 2022-2041.

- ✓ Ascend by Cirium Commercial Aircraft Market Sentiment Index (CAMSI) showed that the market value and rent of aircraft have been growing over the past year. Aircraft rentals changed in line with interest rates, which will drive up rents during the interest rate hike cycle.
- ✓ Due to supply chain disruptions, aircraft manufacturers' capacity ramp-up turned out slower than expected. In July 2022, Airbus **lowered** its 2022 full-year delivery **target to 700** aircraft and postponed the mid-term capacity target of 65 A320 series narrow-body aircraft per month from summer 2023 to early 2024. Boeing also revised its annual delivery projection for 737 series aircraft to around 400, **a reduction of 100** compared to the projection at the beginning of the year.
- ✓ With the optimisation of China's Covid-19 prevention policies and the re-opening of borders, the demand for domestic and international passenger transportation is expected to experience a strong recovery soon. Given the limited supply, aircraft will be in shortage. It is expected that airlines will meet the demand for capacity expansion and fleet renewal through leasing companies, which will further drive up the market value and rental of aircraft.

Market sentiment index for narrow-body and wide-body aircraft (since April 2021)

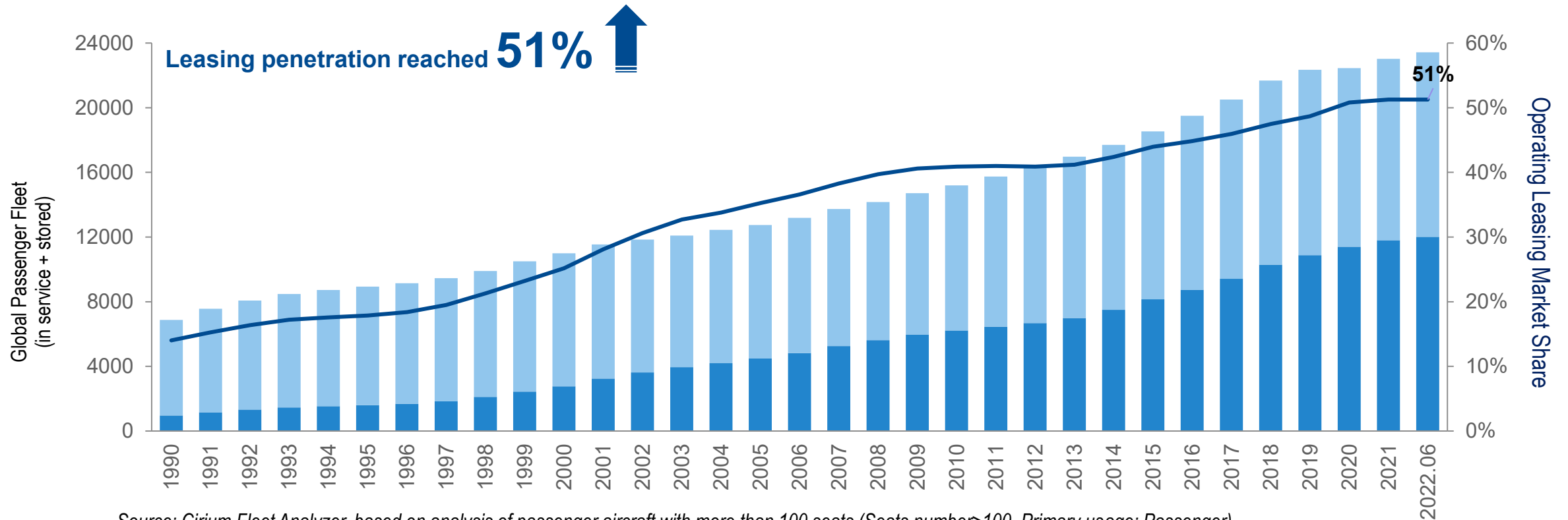


Market sentiment index for newly delivered aircraft and 10-year-old aircraft



4.5 Continuous increase in leasing penetration

- ✓ According to Cirium's data, the leasing penetration did not decrease but increased during the Covid-19. In August 2020, the leasing penetration of commercial aircraft exceeded **50%** for the first time and reached a new high of 51% in June 2022, which fully demonstrated the vigorous vitality of the aircraft leasing market.
- ✓ According to the RESEARCH AND MARKETS, the global aircraft leasing market is expected to grow by **USD15.5 billion** at a CAGR of **8.66%** from 2022 and 2026.



Source: Cirium Fleet Analyzer, based on analysis of passenger aircraft with more than 100 seats (Seats number > 100, Primary usage: Passenger).

Thank you

【Disclaimer】

This document may contain "forward-looking statements", including, but not limited to, statements regarding strategic initiatives and execution statements relating to the Company's future business development and economic performance.

While these forward-looking statements represent only our judgment and expectations for future business development, readers should note that numerous risks, uncertainties and other statutory requirements could cause actual developments and results to differ materially from expectations.

These factors include, but are not limited to: (1) general market, macroeconomic, governmental and regulatory trends, (2) fluctuations in local and international securities markets, exchange rates and interest rates, (3) market competition pressures, (4) technological developments, (5) changes in the financial condition or credit profiles of our customers, creditors and peers as well as developments in the markets in which they operate, (6) legislative developments, (7) changes in management and business structure and (8) other key factors that may adversely affect our business and financial model.

We undertake no obligation (and expressly disclaim no such obligation) to update or change our forward-looking statements as a result of new information, future events or other cases. This document may not be reproduced, distributed or transmitted to any other person or incorporated in any way into another document or material without our prior written consent.

This document does not constitute:

- (I) a proposal to sell securities in Hong Kong, China or any other territory; or
- (II) invite any person to enter into an agreement to buy, sell, subscribe or underwrite securities; or issue of any securities.

This document (and the information contained therein) may not be published or distributed to any person unless authorized by CALC.

