

China Aircraft Leasing Group Holdings Limited

— Aircraft Full Value Chain Solutions Provider

2022 Interim Results
August 2022



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1.1 Strong revenue growth in 1H2022 with positive business momentum *CALC*

For the six months ended 30 June 2022:

HK\$ **1.89** bn **19%** ↑
Strong revenue

HK\$ **(130)** mn (unadjusted) HK\$ **309** mn (Adjusted⁽¹⁾)
Profit/(loss) attributable to shareholders

Since listing:


16 times **HK\$ 3.84**
Dividend payments Accumulated payout per share⁽²⁾
Continuous dividend payments


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

2. Including the HK\$0.15 2022 interim dividend recommended

As at 30 June 2022

163 aircraft 
Steady fleet growth
(138 owned+ 25 managed, incl. the two involving Russian carriers)


>90% 
High in-service ratio of fleet
(Major lessors⁽³⁾ average: 78%)

6.5 yrs **7.7** yrs 
Avg. age **Avg. remaining lease term**
(New aircraft leased fleet⁽⁴⁾)

90% 
Narrowbody-dominant fleet
(owned fleet)

100% 
Best fleet utilization
(Owned fleet, excl. the two already written off)

241 aircraft 
Third largest orderbook among global lessors

13.51% 
High avg. rental yield
(Adjusted⁽⁵⁾)

38 **17** 
Airline clients **Countries & regions**

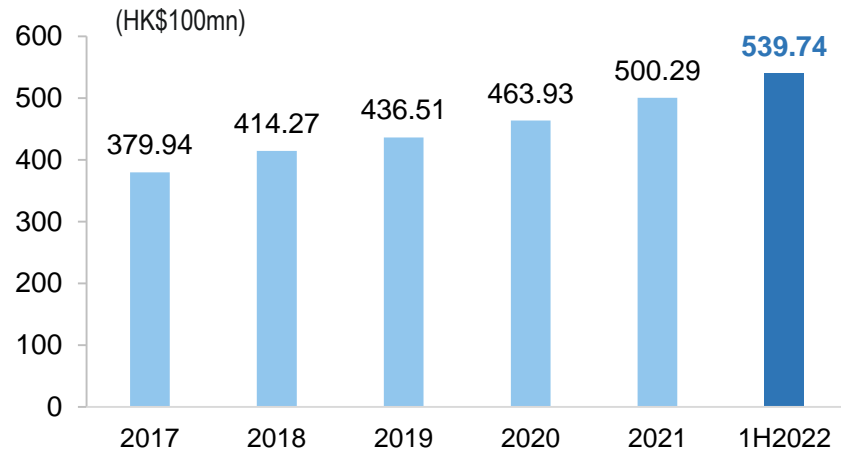
Note : 3. Major lessors are those grouped as operating lessors by Cirium whose owned and managed fleet exceeds 100 aircraft. In-service ratio of fleet = number of aircraft in service / (number of aircraft in service + number of aircraft in storage). End-of-quarter data as at 30 June 2022.

4. CALC is a one-stop aircraft full-life-cycle solution provider. Its business covers new aircraft and middle-to-aged aircraft. The new aircraft leased fleet refers to the aircraft under the age of 12 in its owned fleet.

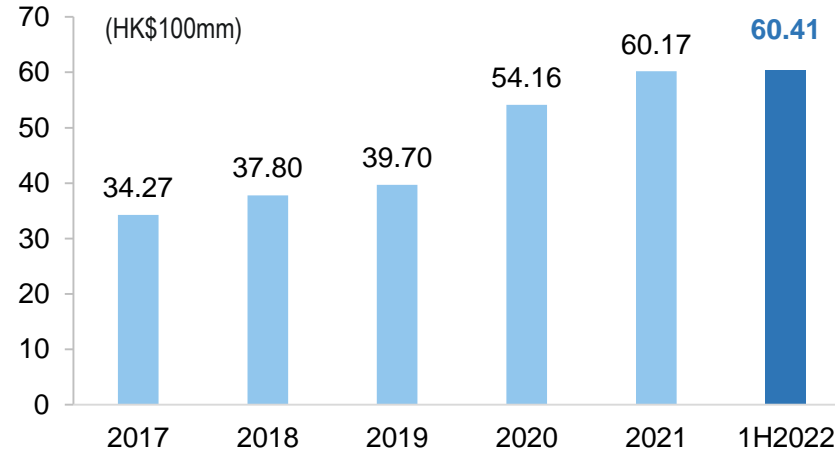
5. Adjusted average rental yield is a weighted average calculated as the sum of expected annualized gross lease receipt and government grants divided by the net book value of aircraft.

1.2 Effective capital management to ensure stable credit profile

✈ Steady growth of total assets



✈ Increasing net assets



Credit rating results updated in Jun 2022

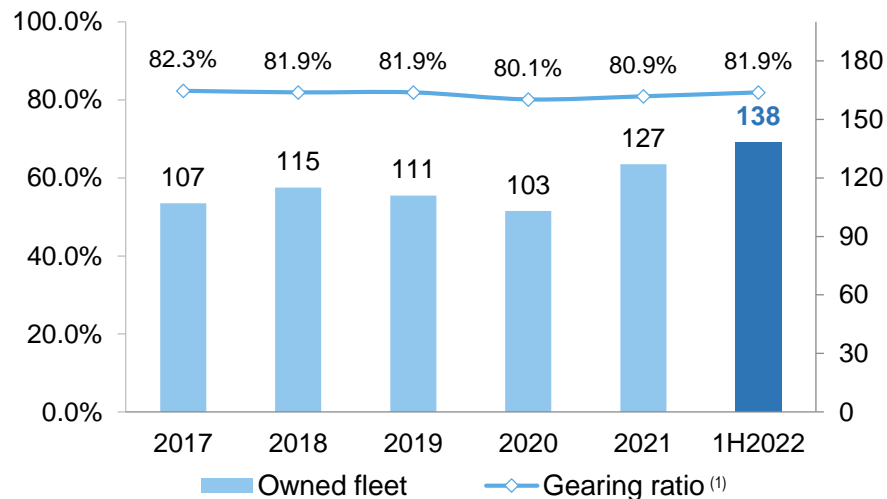
MOODY'S

Ba1 **Stable**
Corporate Family Rating Outlook

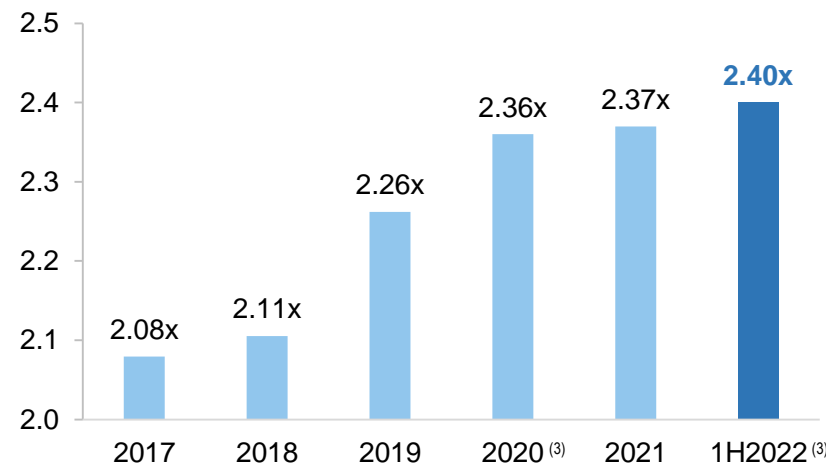
FitchRatings

BB+ **Stable**
Long-term Issuer rating Outlook

✈ Gearing ratio remained steady amid fleet growth



✈ Improving interest coverage ratio⁽²⁾



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

3. 2020 and 1H2022 figures are adjusted after exceptional items

Target International Credit Rating :
Investment Grade

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

Full recovery of global aviation market in 2023

- ✓ Leading institutions generally predict that air passenger traffic will return to 2019 levels in 2023.
- ✓ Compared to June 2021, the air passenger demand in June 2022 has risen sharply by 76.2%, and has recovered to 70.8% of the same period in 2019. Among them, the international market has surged by 229.5% versus June 2021
- ✓ IATA expected improved financial performance for airlines in all regions in 2022 and industry-wide profitability in 2023.

Ongoing supply-chain disruption drives leasing demand

- ✓ Aircraft OEM's production rate fell behind expectations due to supply-chain issues. In July, Airbus lowered its full-year aircraft delivery estimate for 2022 to **700** aircraft and anticipated step-up in the A320 production schedule was also slipping. Boeing also lowered its full-year 737 series delivery estimate to about **400**, down 100 from that at the beginning of the year.
- ✓ It is generally expected in the industry that short-term supply chain disruptions will continue. 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.

Abundant
orderbook of new-
generation
narrowbodies
illuminates CALC's
promising prospect

China will become the world's largest aviation market

- ✓ As a national strategic emerging industry, China attaches great importance to the supporting role of the civil aviation sector in related industries.
- ✓ Since 2022, China has successively enacted a number of policies and measures to boost recovery of the civil aviation sector, involving more than RMB 350 billion funding support.
- ✓ Airbus and Boeing both predict that the world's largest air traffic flow in the next 20 years will be in China's domestic market, with huge potential.
- ✓ China will also become the largest market for aircraft deliveries.

New-generation narrowbody models in shortage

- ✓ Ascend by Cirium data shows that single-aisle aircraft have recovered better than twin-aisle aircraft.
- ✓ Global wave of carbon neutrality coupled with rising fuel prices and continued inflation will encourage airlines to speed up upgrading their fleets to new generation fuel-efficient aircraft.
- ✓ Latest reports of Airbus and Boeing respectively predict 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 are expected to deliver no more than 1,100 narrowbody aircraft in 2022. A rough estimate for the annual shortfall of narrowbody aircraft may reach 400 aircraft.

(Please refer to "Industry Outlook" for details)

Strong shareholder background and strategic support

✓ China Everbright Group (CEG):

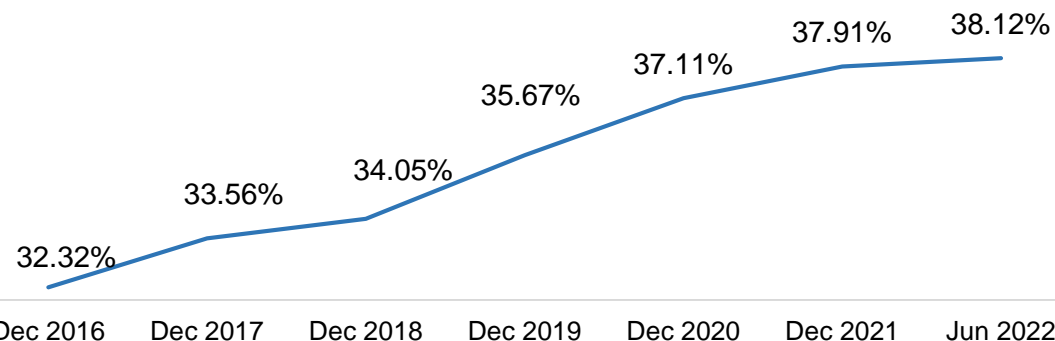
- a central government enterprise owned by The Ministry of Finance of PRC and Central Huijin Investment Ltd.
- ranked among the Fortune Global 500 for seven consecutive years from 2015-2021

✓ Cultivating a world-leading aircraft leasing company is one of the strategic objectives of CEG, and CALC is the flagship company in this business segment:

- CALC is the only company focusing on aircraft leasing among CEG members
- CALC has "indispensable" strategic value for CEG

Continued Increase of Stake by CEL

- In the past 5 years, CEL has purchased shares in the secondary market and began to increase its holdings of CALC since 2019 through scrip dividends scheme. As at 30 June 2022, CEL's shareholding in CALC has gradually increased to 38.12%.



Firm support from CEG and its members since the pandemic



- ✓ Coordinated group internal resources to support CALC during the pandemic
- ✓ CEG signed cooperation memorandum with COMAC and CALC in 2021 to facilitate CALC's cooperation with COMAC in aircraft asset management, MRO and aviation aftermarket services
- ✓ Signed the 2021 Framework Agreement, the annual cap for loan services will increase from the existing HKD18.21bn to a maximum of **HKD 24.96bn** in 2024.



- ✓ Increasing shareholdings over the past years: equity stake at market value is around **HKD 1.5bn**
- ✓ Opted for scrip dividends since 2019, totaling **HKD 262mm** at the issue prices
- ✓ Became the Actual Controlling Party of CALC TJ in 2020 to demonstrate its support to CALC
- ✓ Provided standby revolving credit of **USD 94mn**
- ✓ Assisted with the issuance of **USD 200mm** perpetual bond to CALC
- ✓ Working with CALC to setup aviation investment funds



- ✓ Loans/bond investments valued at over **RMB 4.4 billion** as at 30 June 2022.
- ✓ Provided credit lines quota of **RMB 8 billion**
- ✓ Act as the lead underwriter in CALC (Tianjin)'s issuance of **RMB1.5 billion** medium-term notes in April 2022
- ✓ In June 2022, Hong Kong Branch acted as the lead bank to organize an **USD 270mn** PDP syndicated loan, of which Hong Kong Branch will lend **USD 70mn**



- ✓ Bought **9** aircraft from CALC between 2020 and 2021, further cooperation expected.
- ✓ Collaborated with CALC for the Everbright Leasing Management Centre business



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2.1 1H2022 Results Overview

Despite the impact of the Russia-Ukraine conflict, CALC achieved steady revenue growth in 1H2022.

Excluding the net write-off* of assets involving Russian airlines, adj. profit attributable to shareholders remains stable while EBITDA up significantly

HK\$ mn	1H2022	1H2021	Change	Adjusted*	
				1H2022	Change
Total revenue	1,890.8	1,585.2	19.3%	1,890.8	19.3%
Operating profit	349.8	469.1	(25.4%)	349.8	(25.4%)
(Loss)/Profit attributable to shareholders	(130.2)	302.6	NA	308.8	2.0%
EBITDA	1,379.5	1,407.3	(2.0%)	1,818.5	29.2%
Basic EPS (HK\$)	(0.175)	0.421	NA	0.415	(1.4%)
Interim dividend per share (HK\$)	0.15	0.15	0%	0.15	0%

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 six months ended 30 June 2022. Adjusted results here are calculated by excluding the above mentioned net write-off.

2.2 Steady revenue growth

<i>HK\$ mn</i>	For the six months ended 30 June		
	2022	2021	Change
Total lease income	1,653.8	1,156.0	43.1%
Financial Leasing income (1H2022: 49 aircraft vs. 1H2021: 49 aircraft)	284.4	265.3	7.2%
Operating leasing income (1H2022: 87 aircraft vs. 1H2021: 55 aircraft)	1,369.4	890.7	53.7%
Net income from aircraft transactions and aircraft components trading (1H2022: 2 aircraft vs. 1H2021: 4 aircraft)	66.5	177.9	(62.6%)
Government grants (1H2022: 85 aircraft vs. 1H2021: 79 aircraft)	94.9	88.6	7.1%
Interest income from loans to associates and joint ventures	52.7	48.8	8.0%
Asset management service fees income from CAG	8.4	8.4	0.0%
Other income	14.5	105.5	(86.3%)
Total revenue	1,890.8	1,585.2	19.3%

2.3 Total operating expenses

HK\$ mn	For the six months ended 30 June		
	2022	2021	Change
Interest expenses (Total interest-bearing debts at 30 June 2022 reached HK\$44.2 billion, an increase of 23% from HK\$36.0 billion at 30 June 2021; Avg. 3-month LIBOR 1H2022: 1.18% vs. 1H2021: 0.14%)	(757.9)	(577.1)	31.3%
Depreciation (1H2022: 87 aircraft vs. 1H2021: 55 aircraft)	(590.7)	(375.9)	57.1%
Other operating expenses	(192.4)	(163.1)	18.0%
Total operating expenses	(1,541.0)	(1,116.1)	38.1%

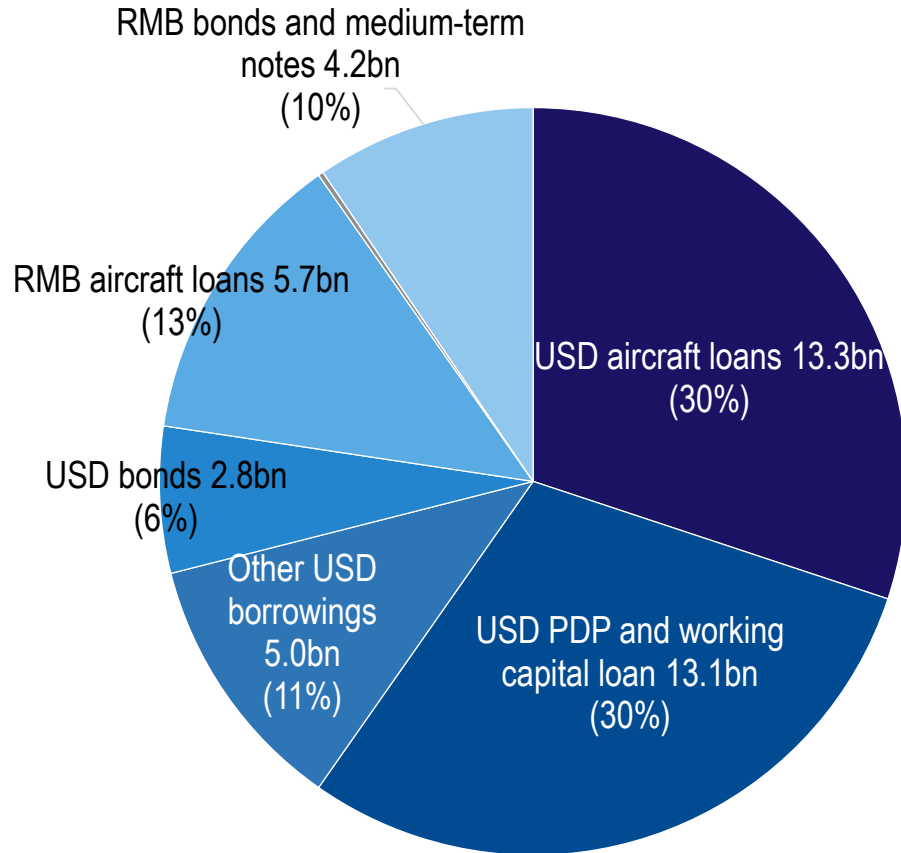
2.4 Diversified financing channels ensure sufficient liquidity

CALC

Interest-bearing debts totaled HK\$44.2 billion

(as at 30 June 2022)

(in HK\$)



✓ New/renewed facilities obtained in 1H2022

✓ Newly issued RMB bonds

> HK\$ **14**bn

RMB 1.2bn

Corporate bonds
(February 2022)

RMB 1.5bn

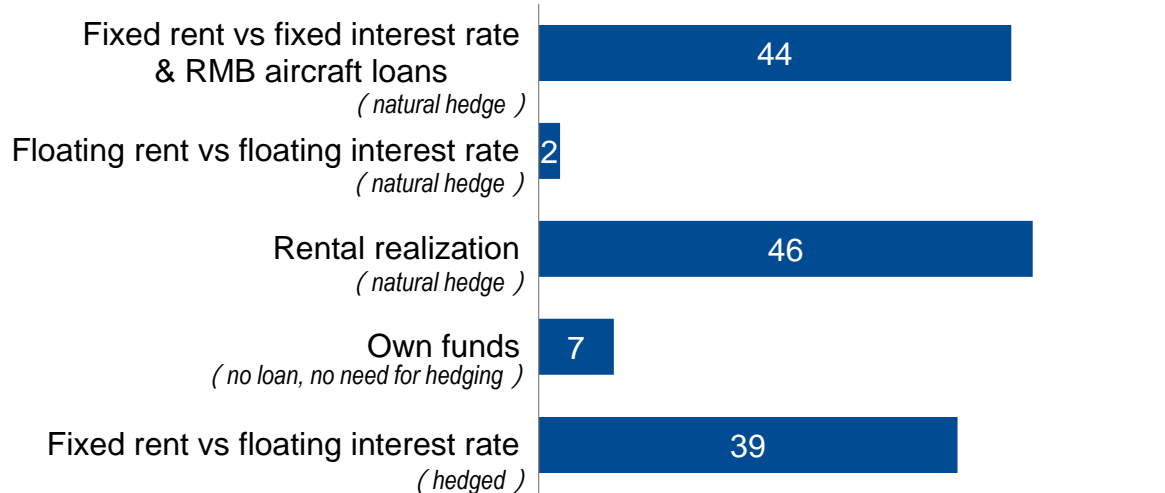
Medium-term notes
(April 2022)

✓ **Abundant Liquidity**

HK\$ mn	As at 30 Jun 2022	As at 31 Dec 2021	change
Cash and bank balances	4,879.7	5,013.6	(2.7%)
Undrawn borrowing facilities	6,168.4	3,117.0	97.9%
Total	11,048.1	8,130.6	35.9%

2.5 Interest rate and exchange rate risk management

Interest rate risk management



The total of 138 aircraft have all been hedged (as at 30 June 2022)

USD interest rate risk sensitivity test

Profit (HK\$ mn)	30 Jun 2022
If interest rate up 1%	(48.0)
If interest rate down 1%	48.0

Exchange rate risk management

- ✓ Effectively control currency risk exposure with hedging arrangements

(RMB mn)	30 Jun 2022
Unhedged RMB liabilities	1,205.5

Foreign exchange rate risk sensitivity test

Profit (HK\$ mn)	30 Jun 2022
RMB appreciates against USD by 1%	(14.1)
RMB depreciates against USD by 1%	14.1

2.6 Russia-Ukraine conflict have no material impact on our operations and credit profile **CALC**

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

- ✓ CALC has lower exposure to Russian airlines than other major lessors: only two owned aircraft were leased to Russian lessees, representing less than 2% of its 138 owned aircraft as at 30 Jun 2022, and no new aircraft in its order book is to be leased to Russian airlines.

	Russia-related write-off (# of aircraft)	# of aircraft written off as % of owned fleet ²	Net write-off (HK\$ bn)	Net write-off as % of total assets ³
CALC	2	1.4%	0.44	0.8%
Peers ¹	17~113	4%~7%	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 30 Jun 2022;

3. For peer comparison, the calculation formula here is unified as net write-off / (net write-off + total assets as at 30 Jun 2022).

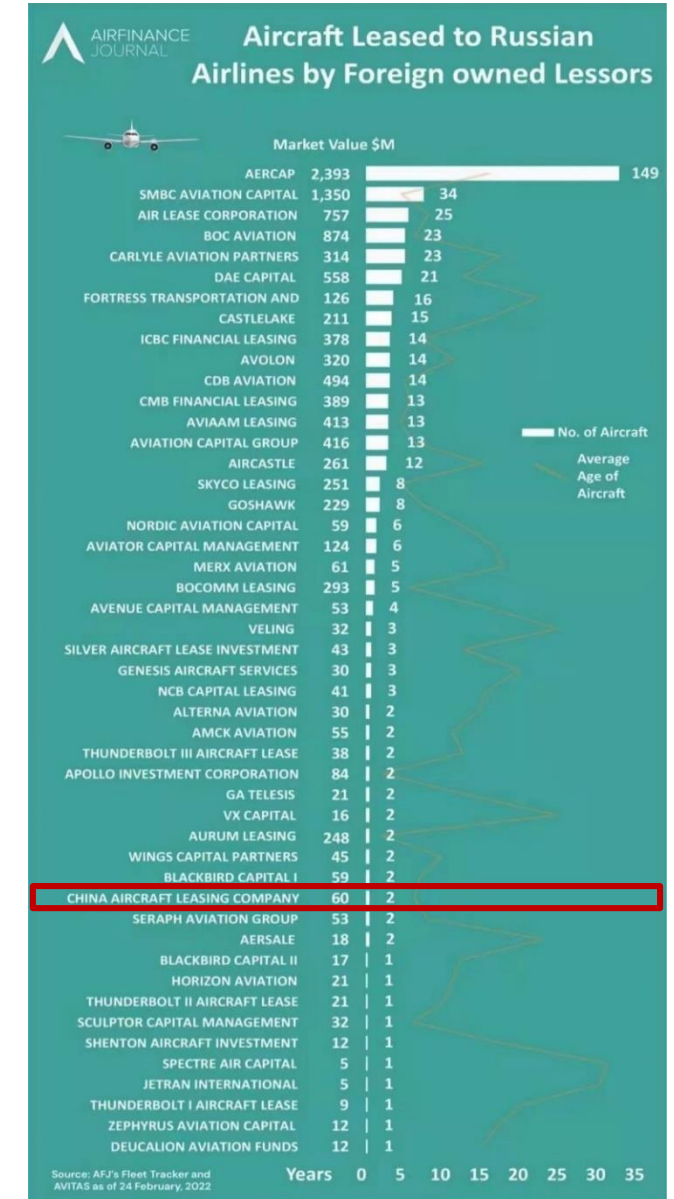
Source: financial reports of the companies, as at 30 Jun 2022.

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

- ✓ In its rating report released in June, Moody's pointed out that 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.
- ✓ In its rating report issued in August, Fitch mentioned they did 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.

CALC will closely monitor the situation and strive to repossess the assets/get compensation

- ✓ CALC will continue to proactively approach and negotiate with the Russian lessees, requesting them to return the aircraft or make compensation. At the same time, we will also follow up the insurance claims that have been filed. 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.





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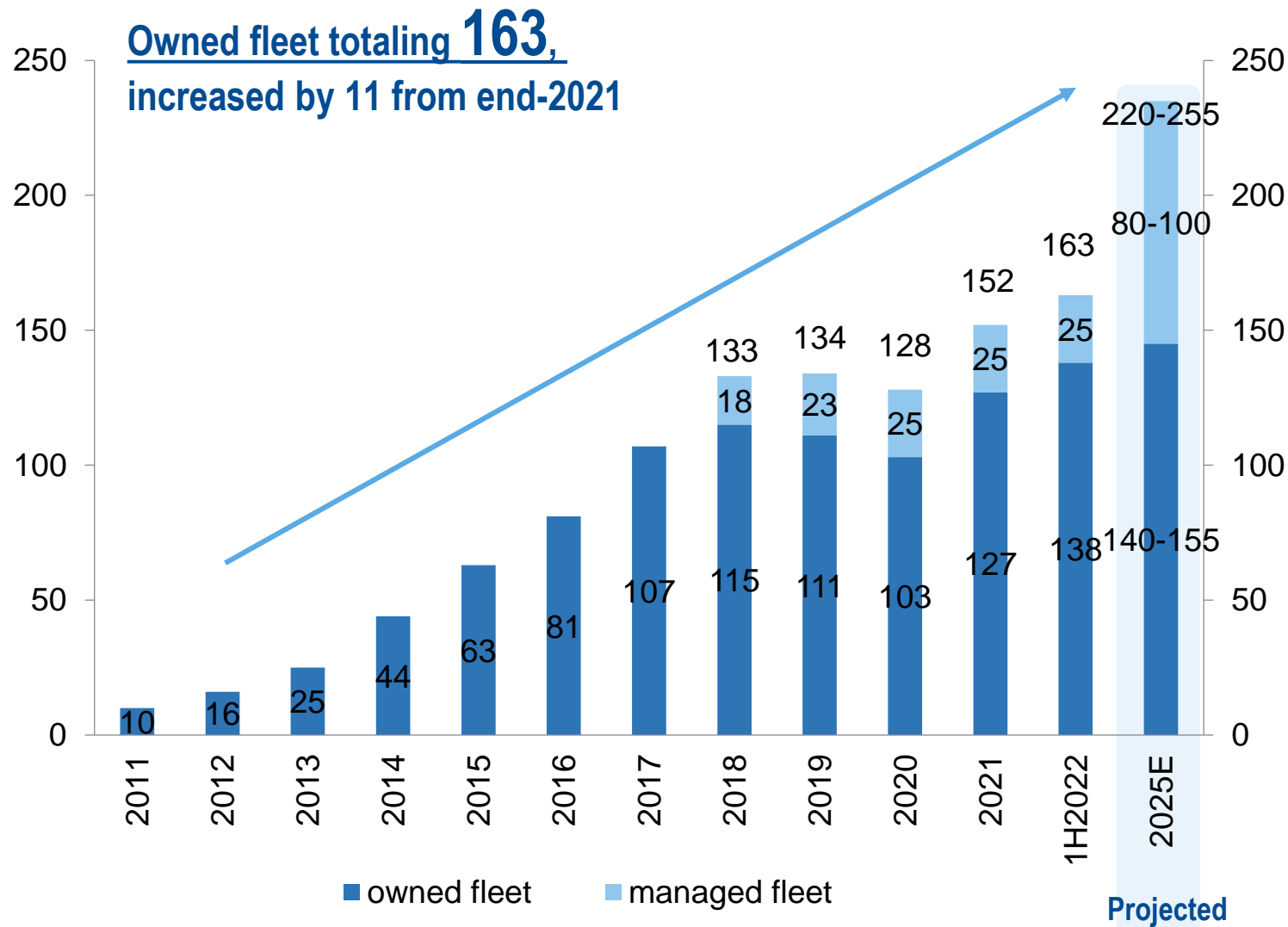
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3.1 Steady growth in owned fleet while target to expand managed fleet



1H2022 :

13 aircraft

Delivered

(3 from orderbook + 10 PLB)

2 aircraft

Disposed

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

2H2022 :

22 aircraft

Scheduled delivery

(from orderbook)

≈10 aircraft

Projected disposals

(aircraft transactions expected to be accelerated in 2H2022)

Number of aircraft to be sold each year will be comparable to the of aircraft acquired in that year, maintaining a small growth in owned fleet while strive to boost managed fleet growth.

3.2 Strong orderbook dominant by new-generation fuel-efficient narrowbodies **CALC**

Third largest orderbook among global lessors

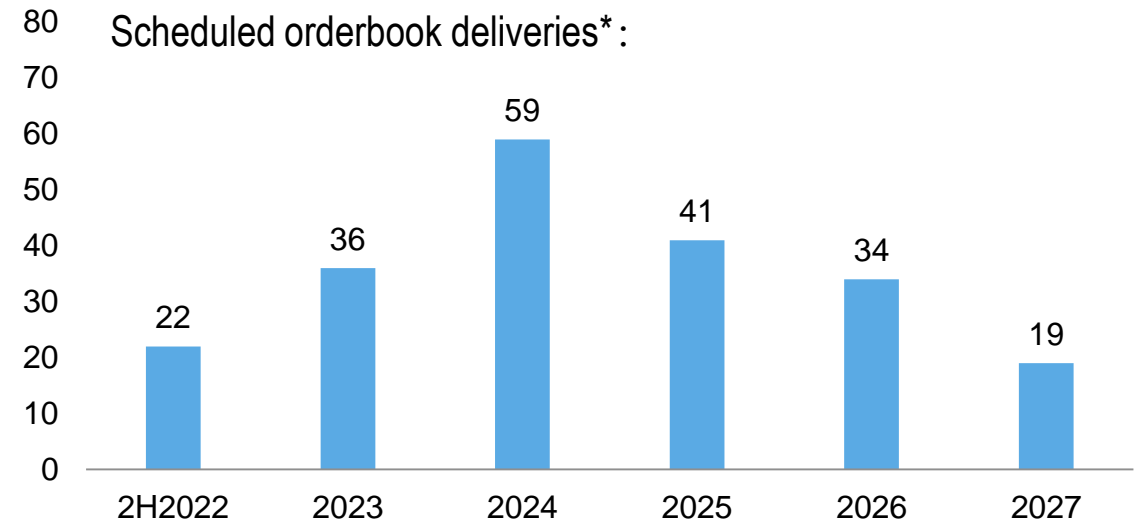
Rank	Lessor/asset manager	Orderbook
1	AerCap [#]	461
2	Air Lease Corporation [#]	430
3	CALC[#]	241
4	Avolon	221
5	SMBC Aviation Capital	188
6	BOC Aviation [#]	181
7	CDB Aviation	128
8	Aviation Capital Group	105
9	ICBC Leasing	94
10	Aviakapital-Servis	85

Source: Cirium Fleet Analyzer, as of 30 Jun 2022. Data for the listed lessors (marked #) are revised according to their financial reports/announcements issued, except that CDB Financial Leasing have not announced their 2022 interim results yet.

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



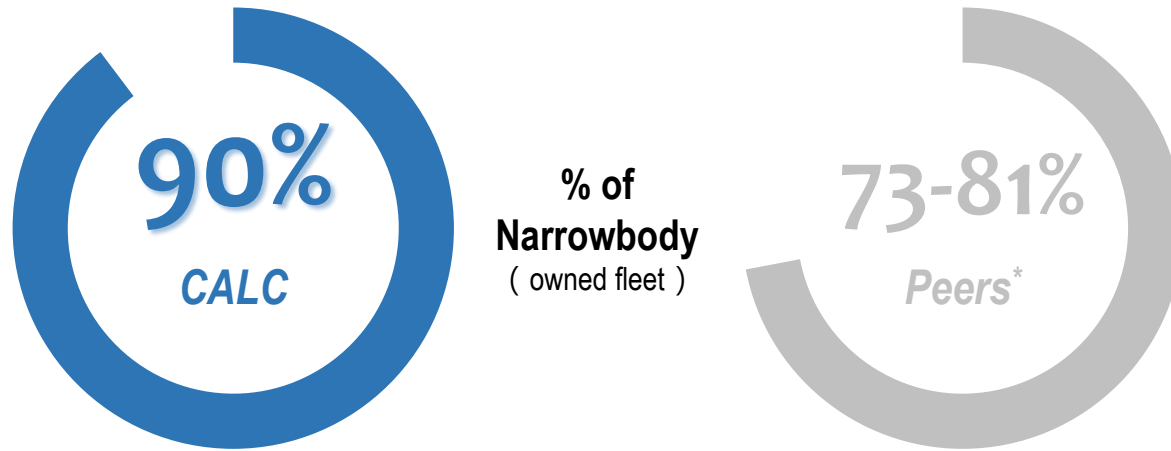
Bulk delivery from 2023 onwards, tapping the opportunities emerged from full recovery of aviation market



Note: CALC will closely monitor market dynamics to adjust delivery schedules accordingly. The scheduled deliveries does not include ARJ21 of which deliveries yet to be confirmed.

3.3 Highly liquid and popular aircraft portfolio

Highly liquid narrowbody-dominant fleet with stable value



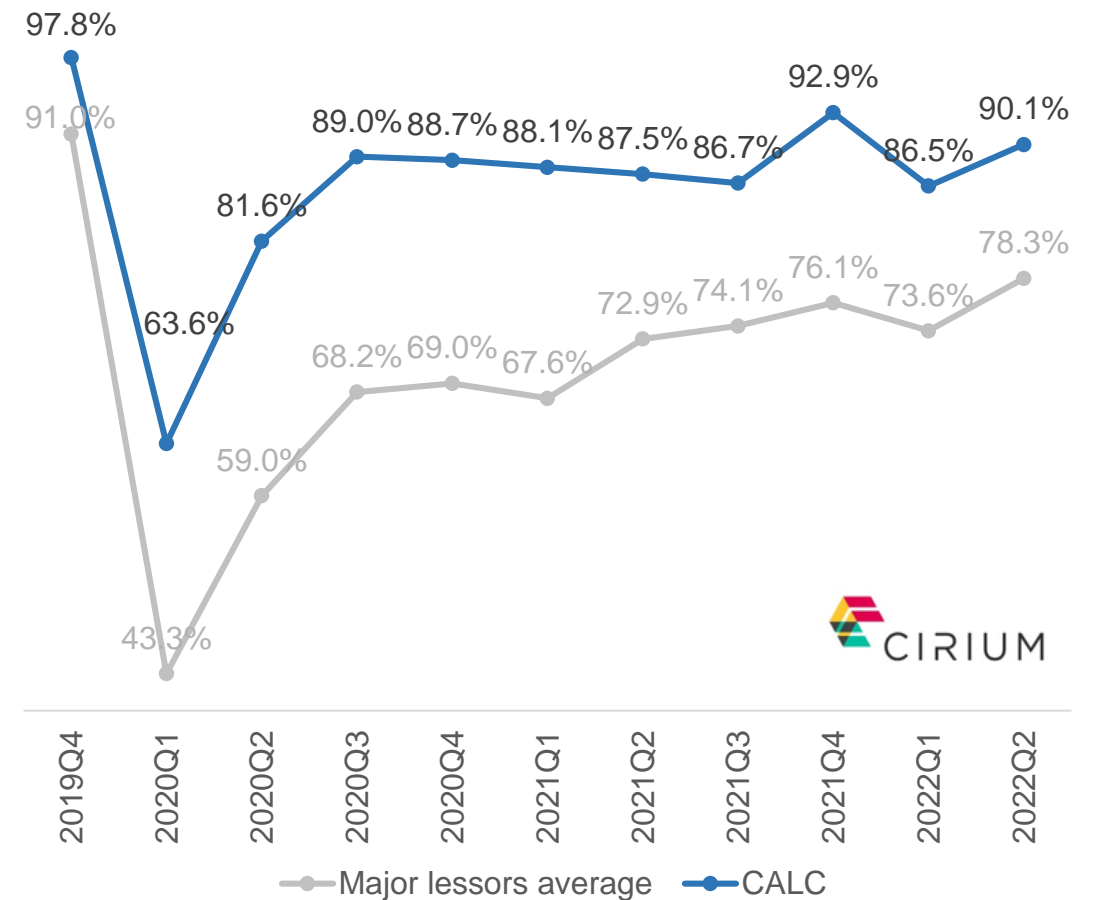
Fleet breakdown (as at 30 Jun 2022)

	Series	Type	Owned#	Managed	Orderbook
Airbus	A320	NB	101	21	145
	A330	WB	13	1	-
Boeing	B737	NB	23	2	66
	B787	WB	1	1	-
COMAC	ARJ21	Reginal	-	-	30
Total			138	25	241

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 that involving Russian airlines.

In-service ratio of fleet significantly above average of major lessors^ throughout the pandemic



Note: ^ Major lessors are those grouped as operating lessors by Cirium whose owned and managed fleet exceeds 100 aircraft.

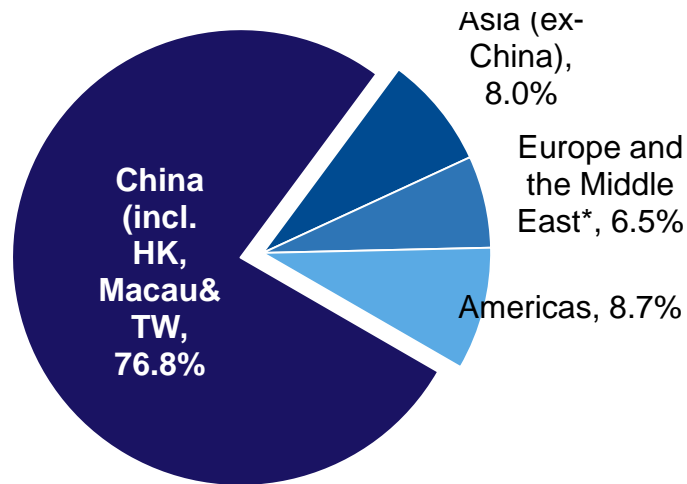
In-service ratio of fleet = number of aircraft in service / (number of aircraft in service + number of aircraft in storage).

End-of-quarter data as at 30 June 2022.

3.4 Outstanding placement capability to accelerate global expansion

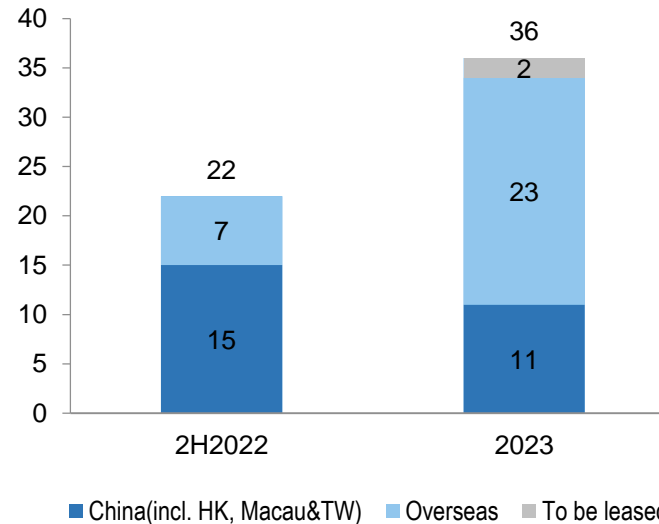
- ✓ China is our home market, which took up 76.8% of our own fleet.
- ✓ Riding on the strong rebound of the overseas market since the beginning of the year, CALC has accelerated its global expansion accordingly, and **the proportion of overseas clients has increased significantly** in terms of orderbook 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



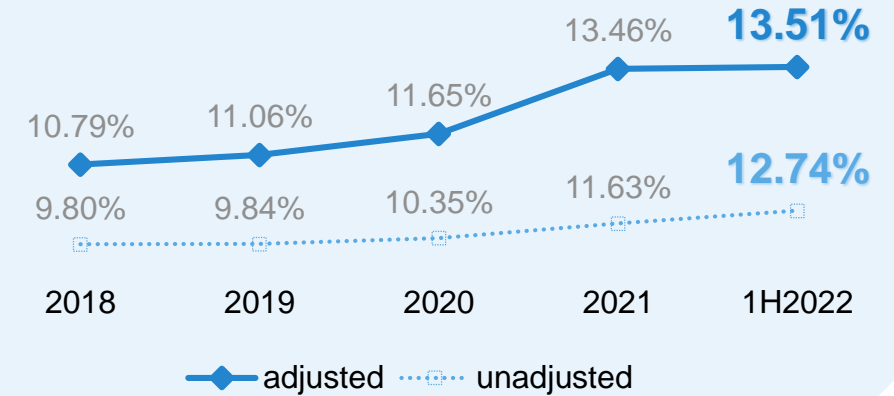
Note: *Includes 2 aircraft involving Russian airlines
As a percentage of owned aircraft, as at 30 Jun 2022

Increasing overseas clients in orderbook placement



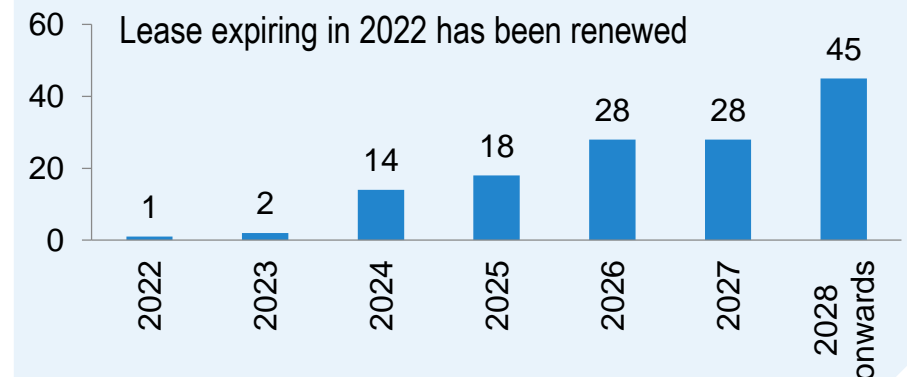
- All aircraft to be delivered in the next 16 months have been mandated for lease
- More than half of the aircraft to be delivered in 2H2022 and 2023 will be leased to overseas airline customers

Improving average rental yield*



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.

No lease expires in near term





Expanding MRO business scope further

FL ARI Aircraft Maintenance & Engineering Company Ltd (“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. FL ARI plans to apply for the base maintenance certification by European Union Aviation Safety Agency (EASA) in addition to line maintenance approval already received, so as to carry out base maintenance for overseas clients to further expand its service scope.

CAAM First cooperation with Air China in aged aircraft Entering “P2F” market

CAAM has reached agreement with Air China to acquire five 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.

CAAM had signed a contract with Aeronautical Engineers, Inc. (AEI) in July for its first AEI B737-800SF freighter conversion from one of the above mentioned aircraft, which is expected to be redelivered to CAAM in October 2022.



Enhancing leadership in aircraft disassembly, recycling and components sales

The FIRST diamond-status aircraft recycling company

Universal Asset Management, Inc. (UAM) in April became the first organization to have achieved Diamond Status (the highest level) in the voluntary KPI (Key Performance Indicator) recognition program which Aircraft Fleet Recycling Association (AFRA) recently added to its Best Management Practices (BMP), suggesting UAM has meet all requirements for the seven KPIs, including the number of parts reused, recyclability rate, total waste, total hazardous waste, core disposal rate, reusability rate, and energy recoverability rate.

First cooperation with LATAM

Purchased 6 A320 airframes from LATAM Airlines Group S.A, to be delivered in batches between June 2022 and Q1 of 2023.

Signed another multi-year component agreement

Entered into a multi-year component “first right of refusal” agreement with one OEM, which will create a long-term supply chain pipeline to support the OEM with aftermarket components.



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4.1 The aviation industry will return to pre-pandemic levels in 2023

Institutions	Forecasts	Release date
	<p><u>IATA</u></p> <ul style="list-style-type: none">• The International Air Transport Association (IATA) said the recovery in air passenger traffic was accelerating and, on average, the industry could now return to pre-pandemic figures in 2023, a year earlier than its previously forecast.• It also expected improved financial performance for airlines in all regions in 2022 and industry-wide profitability in 2023	2022.06
	<p><u>ACI</u></p> <ul style="list-style-type: none">• According to its latest forecast, given the lower-than-expected recovery of the aviation industry in the fourth quarter of 2021 and the outbreak of the Omicron wave, global domestic passenger traffic is expected to reach 2019 levels in the second half of 2023, while the global international passenger traffic is expected to recover to 2019 levels in 2024.	2022.07
AIRBUS	<p><u>Airbus</u></p> <ul style="list-style-type: none">• Global air traffic is expected to return to pre-pandemic levels as early as Q2 2023	2022.07

Source: IATA June 2022 _Air Passenger Market Analysis, ACI, Airbus Global Market Forecast 2022-2041

4.2 Strong global air traffic recovery persists YTD

- ✓ The latest monthly Air Passenger Market Analysis released by IATA in June 2022 shows that global air passenger demand continued its strong recovery, with revenue passenger kilometers (RPKs) rising by **76.2%** in year-on-year (YoY) terms in June. It was mainly driven by growth in international air passenger demand, which has now recovered to **70.8%** of the same period in 2019.
- ✓ International RPK surged, up by **229.5%** year-on-year in June. Airlines based in Asia Pacific recorded the strongest YoY growth rates for international RPKs in June 2022, at **492.0%**. In terms of domestic markets, most markets performed well, with domestic markets such as Australia, Brazil, India, and the United States almost fully recovered, having only a single-digit gap (in percentage terms) below the RPKs levels in June 2019. Domestic passenger traffic in June 2022 has recovered to 81.4% of the June 2019 level.
- ✓ According to IATA's earlier forecast, compared with the same period in 2019, it is expected that overall traveler numbers will recover to **83%** of the pre-pandemic level in 2022. Meanwhile, the number of airlines seats available has been infinitely close to the pre-pandemic level.

Air passenger demand in June 2022

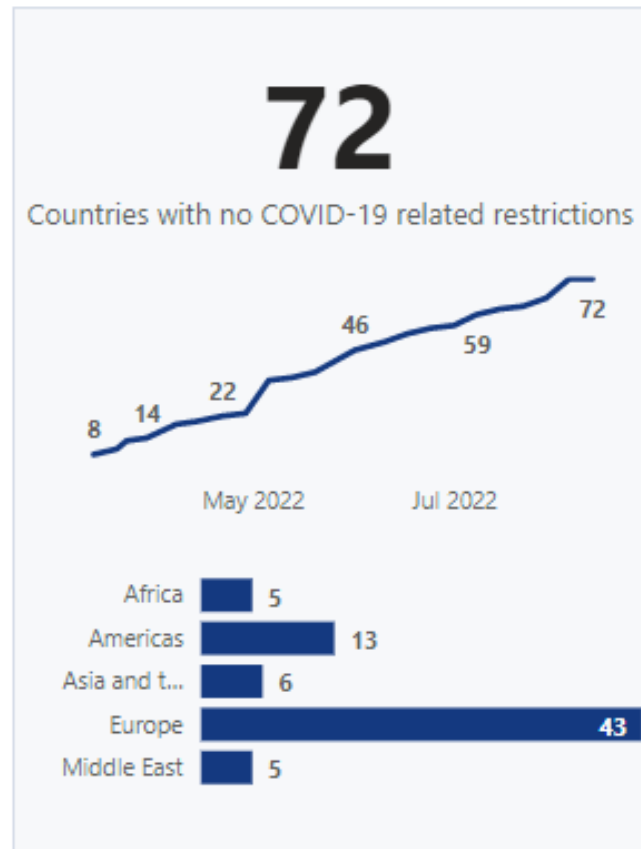
	June 2021 (% year-on-year)		% change vs the same month in 2019	
	RPK	ASK	RPK	ASK
Total market	76.20%	48.50%	-29.20%	-27.50%
International	229.50%	118.40%	-35.00%	-34.80%
Domestic	5.20%	2.30%	-18.60%	-13.90%
Africa	97.10%	62.00%	-31.40%	-34.70%
Asia-Pacific	33.70%	18.90%	-54.60%	-48.40%
Europe	155.10%	96.10%	-18.70%	-17.30%
Latin America	74.00%	67.20%	-13.80%	-12.10%
The Middle East	216.80%	89.30%	-25.50%	-26.20%
North America	39.20%	26.40%	-11.20%	-11.40%

Source: IATA June 2022 _Air Passenger Market Analysis

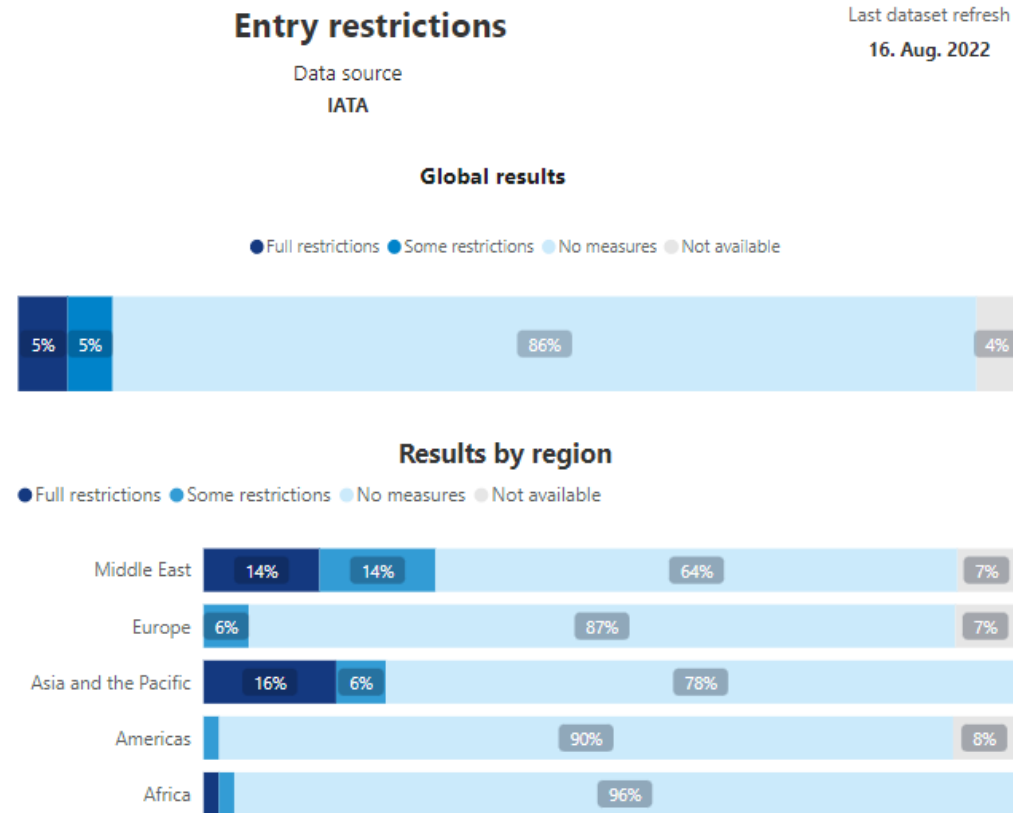
4.3 Border re-opening drives aviation demand recovery

As more countries/regions consider relaxing border restrictions, the world has gradually entered a stage of further border opening.

- ✓ As at 12 Aug 2022, a total of **72** countries globally are completely free of any Covid-19 related border restrictions.
- ✓ As at 16 Aug 2022, **86%** of the countries or regions globally have lifted COVID-19-related entry restrictions.



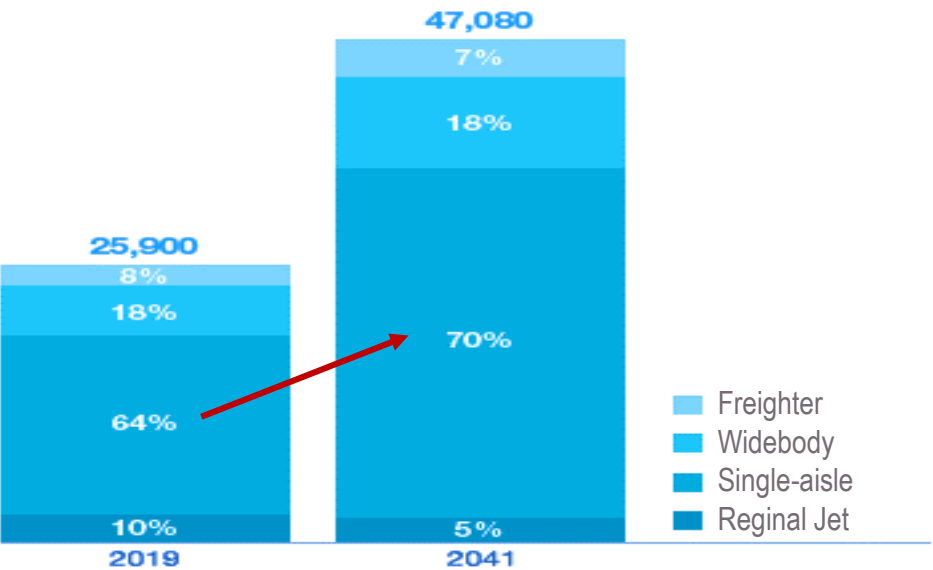
Source: UNWTO, IATA



Narrowbody recovers faster, rising market share expected

- ✓ Ascend by Cirium reported in June that the number of single-aisle aircraft tracked has increased again and has recovered to **88%** of 2019 levels, while the number of tracked twin-aisle aircraft has recovered to about 70% of 2019 levels, reflecting relatively faster pace of recovery in single-aisle market.
- ✓ In its "Commercial Market Outlook 2022-2041", Boeing predicts that the global in-service fleet will increase from 25,900 in 2019 to 47,080 in 2041, of which in-service single-aisle fleet will grow from 16,530 in 2019 to **32,770** by 2041, accounting for **70%** of 2041 fleet as compared with 64% in 2019.

Growing share of single-aisle in global fleet

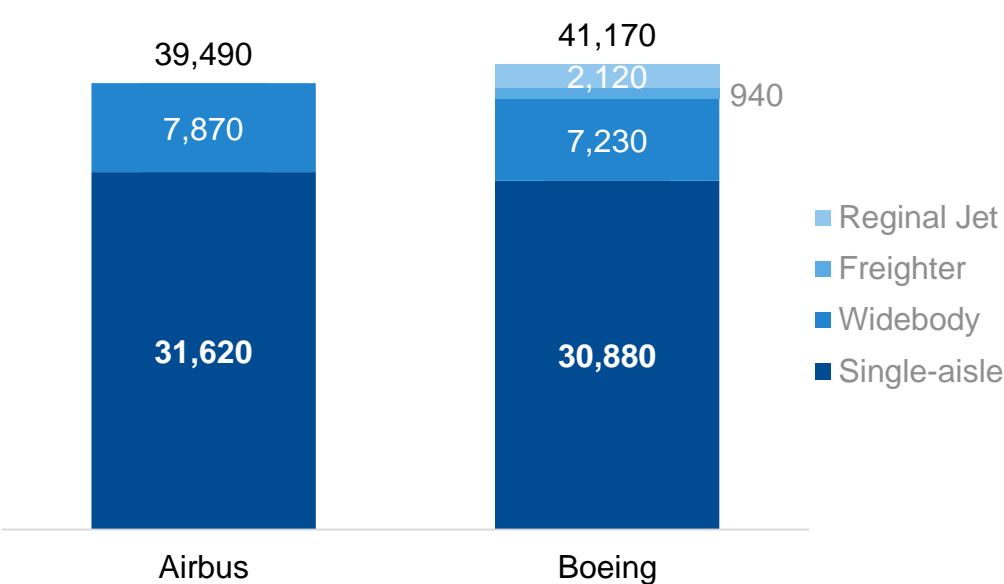


Source: Boeing "Commercial Market Outlook 2022-2041", Airbus "Global Market Forecast 2022".

Impending narrowbody shortage

- ✓ Airbus predicts in the "Global Market Forecast 2022" that the world will need **31,620** new single-aisle aircraft in the next 20 years, accounting for 80% of global new aircraft demand, similar to Boeing's forecast in "Commercial Market Outlook 2022-2041".
- ✓ With ongoing supply chain disruptions, Airbus **cut** its 2022 annual delivery target to 700 aircraft in July, and **pushed back** its interim production capacity goal of 65 A320-family narrowbody jets a month from the summer of 2023 to early 2024. Boeing also **lowered** its full-year 737-series deliveries forecast to about low-400s for 2022, 100 fewer than planned in the beginning of the year.
- ✓ **With strong demand recovery and limited production capacity of aircraft OEMs, it is expected to be a shortage of new-generation narrow-body models, which will further push up their market values.**

Global demand for new aircraft 2022-2041



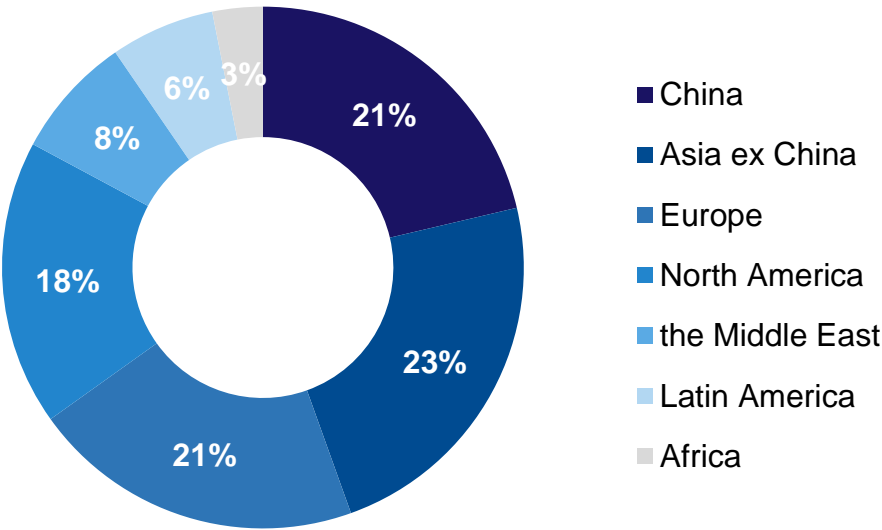
4.5 China will become the world's largest aviation market

- ✓ China attaches great importance to the supporting role of the civil aviation sector. In 1H2022, a number of policies and measures were successively enacted to support the recovery of the civil aviation sector, including provision of **RMB 150 billion** of emergency loans, support for the aviation industry to issue corporate bonds worth **RMB 200 billion**, and orderly increase in domestic and international flights.
- ✓ In July, China’s Big Three airlines announced bulk orders for Airbus A320neo, a positive signal for the strong long-term demand in China’s aviation market, especially the huge demand for new generation fuel-efficient narrowbody models.
- ✓ Since July, the number of daily flights has maintained above 10,000, comparable to that of the same period in 2021. Passenger number has also **rebounded for three consecutive months** in July, reaching 33.996 million industry-wide, representing a month-on-month increase of 54.5%.

China will be the largest country for aircraft deliveries

- ✓ Airbus and Boeing both predict that more than **8,400** aircraft will be delivered to the China market in the next 20 years, accounting for 21% of global new deliveries between 2022 and 2041. Airbus also expects 84% of them to be single-aisle aircraft.

New deliveries between 2022-2041

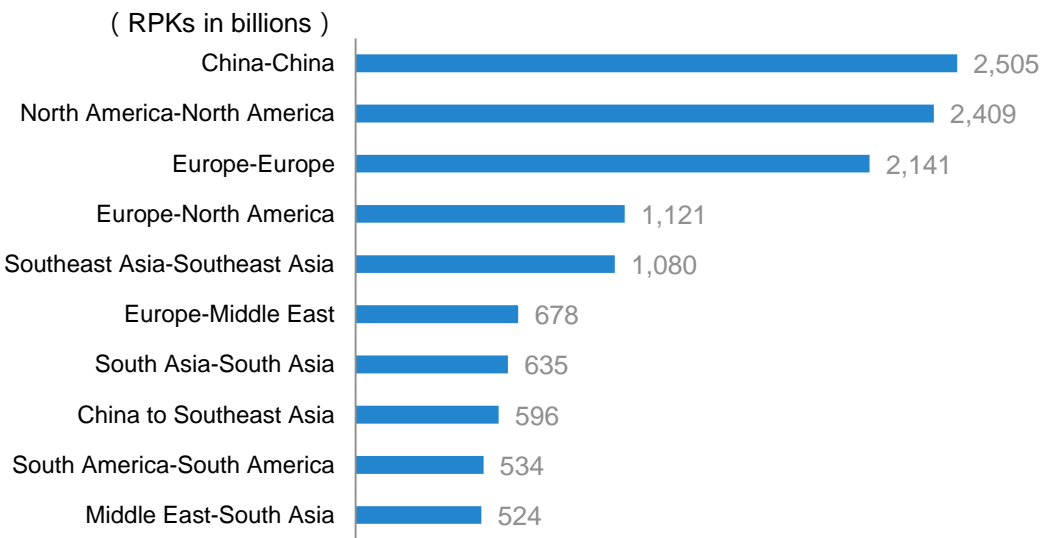


Source: Airbus Global Market Forecast 2022.

Domestic PRC to have the world’s largest traffic flow

- ✓ Both Airbus and Boeing predict that the world's largest traffic flow in the next 20 years will be in **domestic PRC** market, with CAGR over 5%.

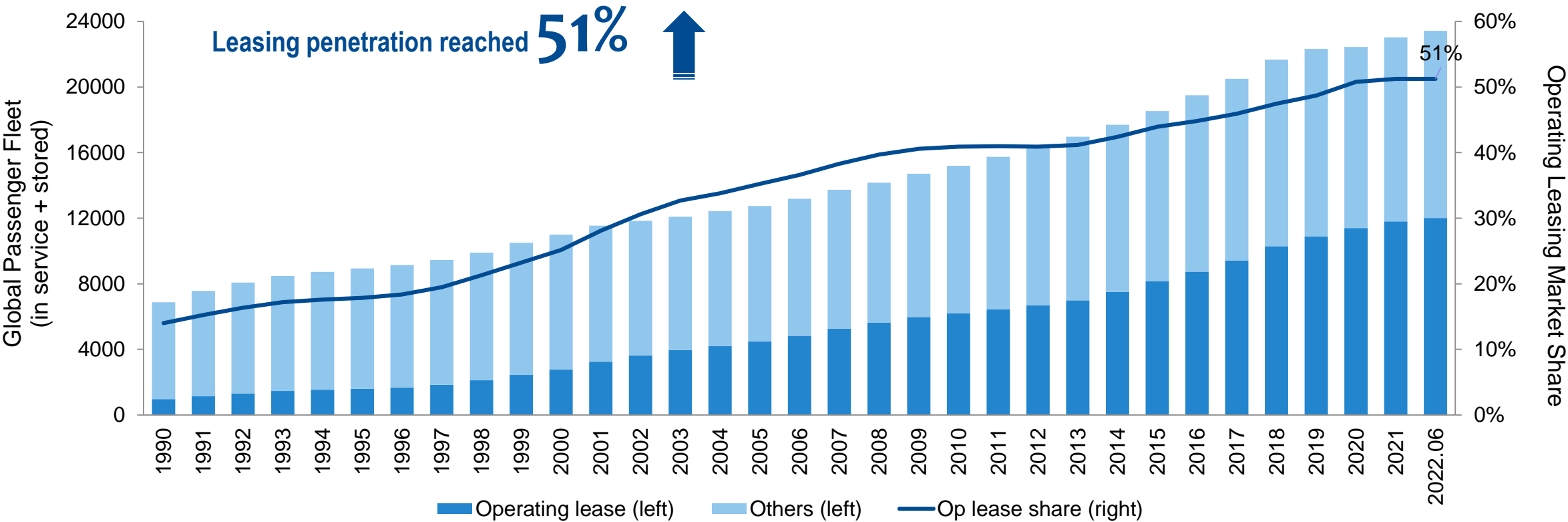
Top 10 traffic flows in 2041



Source: Boeing Commercial Market Outlook 2022-2041.

4.6 Continuous increase in leasing penetration

- ✓ As the production of aircraft manufacturers is still limited in the short term, it is expected that airlines will use lessors to meet the needs of capacity expansion and fleet renewal for improving their balance sheets, and lessor market share is expected to further increase.
- ✓ According to the latest report from RESEARCH AND MARKETS, the global aircraft leasing market is expected to grow by USD 15.5 billion at a CAGR of 8.66% between 2022-2026.



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

Thank You



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