Asia-Pacific

China

In a study on S&P 500 and S&P 600 companies in the U.S. in 2012, Nexa Advisors reports, “Business aircraft can materially improve a company’s ability to create shareholder value and subsequently shareholder returns… This study proves that companies that use business aviation outperform their competitors in key financial and non-financial metrics. Those same companies are leading the nation’s economic growth both in profits and creating jobs.”

Source: Business Aviation: Maintaining Shareholder Value Through Turbulent Times

“A business jet is more about time than luxury. It is about boosting professional and personal mobility and enhancing executive productivity by getting travelers to destinations quickly while keeping them ‘in touch’ during flight. With a business aircraft, the value of time saved and business accomplished can be immense.”

Omar Hosari,
UAS Co-Founder | CEO

Air Travel Required for **Business** in Greater China

Greater China is a promising market for business jets. The region is vast and economically diverse, not to mention far from its main trading partners. Its economy keeps churning out new billionaires. However, there are fewer business jets in the region, slightly over 400, than in smaller emerging markets such as Brazil and Mexico. Growth of this industry has been impeded by governmental regulations, restricted airspace, lack of infrastructure that supports private aviation and a shortage of highly trained professional staff and technical support

However, demand for business aviation is on the rise, and China now seems ready to open its skies and unleash the sector's potential. The country's business and government leaders are realizing the extraordinary benefits that business aircraft can offer to stimulate the economy and sustain growth. Regulators are ready to invest in programs that will free up airspace and provide the required infrastructure to support business aviation. Elimination of security delays, interim stops and plane changes should allow replacement of daylong commercial airline trips with seamless, one-to-two-hour trips in business aircraft equipped to facilitate productivity.

China has lots of room to grow. North America and Europe have historically represented the largest business jet market. They are home to thousands of airports servicing both small communities and major metropolitan areas. The U.S. has 57 airports per million square meters whereas China has just 19.

Globalization of the world economy, steady development of local companies, close economy development between China, Hong Kong and Taiwan, the increasing number of HNWIs and flourishing luxury tourism all actively promote the demand for aircrafts in the Greater China region.

Countries with higher GDP per capita tend to have higher penetration of air travel. According to the IMF, China's GDP growth reached 7.4% at $10.4 trillion USD in 2014. Its strong economic output represents a solid case for optimism in the aviation sector.

Bombardier forecasts that 9,200 business jets will be delivered between 2014 to 2033, with an estimated value $264 billion USD. Of these, 2,225 aircrafts will be delivered to Greater China, representing 24% of the world deliveries. It is believed Greater China will be the third largest business jet market right after North America and Europe, growing at 11% compound annual growth rate CAGR over the next 20 years.

"If business aviation in China is going to prosper, operators will need secondary and tertiary airfields that are removed from the big, more congested airports. They will also need the private jet terminals that go with those fields."

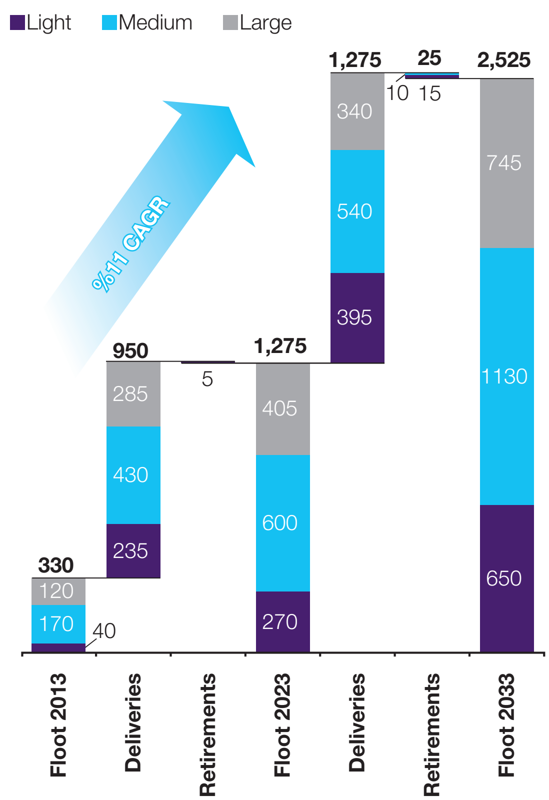
Mohammed Husary,
UAS Co-Founder | Executive President

"In addition to being one of the fastest-growing economies in Asia, China's landmass is around 5,000 kilometers from East to West, or about 9.6 million square kilometers – that's a lot of ground to cover. The geography is also vast and diverse, ranging from forest steppes and the Gobi and Taklamakan deserts in the arid north to subtropical forests in the south. To reach remote and difficult locations, executive travelers will require a level of flight planning experience well above the norm."

Mohammed Husary,
UAS Co-Founder | Executive President

Greater China Fleet Growth Forecast

Units, 2013 - 2033



Source:
Bombardier Business Aircraft Market Forecast 2014 - 2033

Who's Buying: High Net Worth Individuals **"HNWIs"**

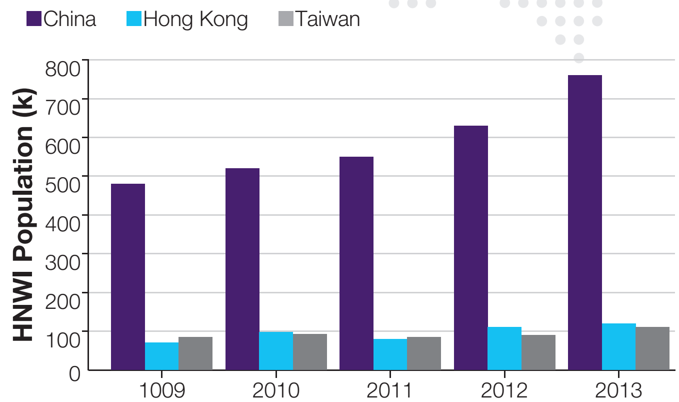
HNWIs are important for the aircraft industry because almost one third of overall deliveries are this group. In 2013, the number of HNWIs grew to 13.7 million, a year on year growth of 32%. While the global economy is still resilient, demand for business jets is expected to be strong.

The Greater China region is one of the world's leading producers of HNWIs. Even during the economic difficulty in 2011, there was a net growth of HNWIs in the region. In 2013, there were 1 million HNWIs in Greater China. Collective net worth soared to $4.8 trillion USD, accounting for 12% of the annual growth internationally.

Hurun Report says there are 358 billionaires in China, second only to the U.S. with 481. Recent studies show that 29% of the HNWIs in China plan to purchase business jets. This is higher than the global rate of 23%. Therefore, the potential of business jets in this region is positive.

HNWIs distribution in Greater China

Source: *The Wealth Reports*



Private Planes Still Face Obstacles to Getting Airborne

While owners and operators are increasingly aware of the flexibility and convenience of using business aircraft for travel, a number of factors have been impeding the growth of business aviation in Greater China.

Infrastructure, resource constraints, and regulations top the list. There are 193 civil airports in service in China; 10 were completed in 2013. The Civil Aviation Administration of China (CAAC) plans to have 244 airports in service by 2020. The latest development includes the fourth runway at the Shanghai Pudong International Airport which was completed in the end of 2014 and is expected to open in early 2015. This is the sixth runway in Shanghai, and the city is also planning to build, or to upgrade an existing local airfield to a business jets base (FBO) with exclusive business jet terminal and ramp. Once this is completed, Shanghai will be the first city in the country to have two FBOs. Beijing is also studying the possibility of building another FBO in the suburban area. Until these facilities are completed, slots available for business jets are limited.

Even with new airports, the country needs a lot more to become comparable to developed markets. Unreliable supply chains and difficult terrain can make availability of parts and fuel uncertain. The enormous amount of restricted airspace and the stringent regulatory environment can hamper attempts to get airborne. Until just recently, over-regulation has made importing jets costly, training pilots locally a complex undertaking, and the filing of flight plans cumbersome.

Hong Kong has only one airport and is used by both commercial aviation and business jets. Since its opening in 1998, volumes of passengers, cargo and aircraft movements have more than doubled. The current two-runway system at the airport is forecasted to reach its maximum capacity between 2019 and 2022. The Hong Kong government suggests building the third runway system and the earliest completion date is expected to be 2023. With passenger and cargo traffic estimated to grow at approximately 5% per annum over the next 20 years, the airport will hit its bottleneck before the third runway is ready.

Changing Government Attitudes Will Help Private Aircraft Gain Altitude

Restrictions imposed on operators of foreign-registered aircraft can be crippling. Business jets registered abroad make up approximately 60% of the China fleet (73% of Greater China), but face a different set of rules than locally registered planes. They must often take non-direct routes, have fewer landing slots, are granted access to fewer airports, and face higher navigation, landing and ground services charges.

The government has sent several signals that it will open the skies to business aviation. The most recent official five-year plan promotes development of general aviation and calls for reforms to improve the efficiency and allocation of airspace, most of which has been reserved exclusively for the air force.

The armed forces, however, have recently given up large blocks of airspace previously reserved for training. They have also handed over about a dozen military airfields for civil aviation. In numerous local trials, regulators are allowing paperwork-free flights at low altitudes. Faku, a county near Shenyang, the capital of Liaoning province, is one of these experimental zones. It aspires to become a "light-air capital", which entails putting 1,000 small planes in service within the next five years.

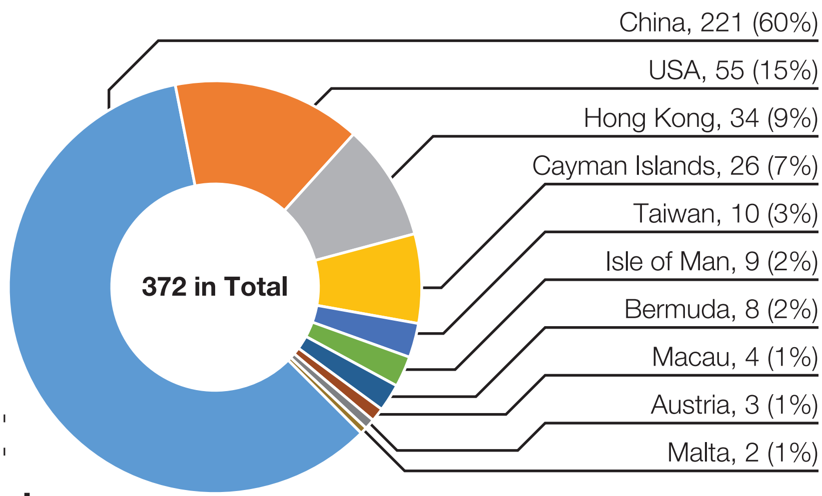
The opening of airspace is considered a boom for the business aviation industry, as it is expected to release enormous demand for executive aircraft in this vast and untapped region.

"I think it's difficult to conceptualize how many large cities in China are going to have major airports built during this decade. We're talking about a country that's going to have 20 to 30 major airports and UAS plans to be there. We understand that it is vital to open offices and continue to grow our local staff and airport supervisory network in China. Currently, we have our regional headquarters in Hong Kong, an office in Beijing, on-site supervisors with ramp access, and a fully-fledged operations center with staff who speak Cantonese, Mandarin, and English. We are ready for the boom."

Omar Hosari,
UAS Co-Founder | CEO

Greater China Fleet Breakdown by Registration

Source:
Asian Sky Group: The Greater China Business Jet Fleet Report 2013



A Clear Gauge of Market Growth:

The Pre-Owned Segment Expands

As Greater China's business aviation market continues to develop and mature, more and more buyers are investing in previously owned jets. Until recently, the purchase of pre-owned planes had a cultural stigma. Yet, sales figures suggest this is rapidly changing. Pre-owned jets now make up nearly half the total fleet operating in Greater China. In 2013, pre-owned aircraft accounted for 47% of deliveries to the region, clearly demonstrating the growing acceptance and understanding of the value of pre-owned aircraft. The demographic profile of buyers has also changed. Traditionally, buyers were mainly HNWIs who rarely flew their own aircraft. Now the majority of buyers are private companies using financing or leasing models, and consequently increasing utilization rates as the jets are put to business use. The combination of pre-owned acceptance and new financing models has led to business innovation as well. Net Jets, for example, dipping its toes into the Chinese market, has started offering fractional ownership of jets in the region. After a two-year effort, Net Jets obtained its CCAR-135 operation certificate from the Civil Aviation Administration of China.

Trip Planning To China

When planning a flight to China, it is important to be mindful of airport slot requirements and peak operating hour limitations, especially at the busier airfields. For example, at Beijing Capital International Airport, authorities allocate only two take-off slots per hour to business jets. This means a local international trip support provider may be required to carry out complex requests, such as peak-hour departure at slot-restricted locations or revision limitations when considering permit changes.

Any trip to China will benefit greatly if you work with a trusted local handler or international trip support provider that understands how things work on the ground to avoid issues that may hinder your travel.

"The markets for pre-owned aircraft in Malaysia, Thailand, the Philippines, and Australia are now about equal to that of Greater China. This expansion has been fueled by the shorter lead times for aircraft delivery, pricing, and taxation. In terms of fleet, Gulfstream is the market leader in China, with nearly 40% of the total inventory. UAS frequently provides services for large-cabin G550 and G450, and we work with our international offices to ensure that all equipment and runway requirements are met. For China, we have clients covered with our local team for domestic arrangements and our global resources team for complex international operations."

Roman Stampoulis,
UAS Regional Director, Asia-Pacific

Essential Guidance for Trip Planning to China:

- **Know your lead time.** The minimum lead time for landing permit requests to AOEs in China is now three business days prior to the estimated time of arrival. (This has recently been reduced from five to three days, which is good news for GA operators.)

- **Know the lead-time exceptions.** The only exceptions to the new three-day permit request policy are for diplomatic and emergency medical flights. There are no specific lead times imposed for those segments, and the CAAC will process permit requests ASAP.

- **Obtain a sponsor letter.** A sponsor letter from a local business contact is required for trips to China – no exceptions. There is a specific format for sponsor letters, so it is advised that your international trip planner or local handler coordinate the sponsor letter to ensure it is acceptable to the CAAC.

- **Prepare all crew and passenger information in advance.** Complete crew and passenger details – full names, passport numbers and expiration dates, nationalities, and dates of birth – must be submitted with the original permit request. Note that crew and passenger information is now also required for China overflight permits.

- **Take steps to minimize revisions.** Once a landing permit has been approved by the CAAC, only two revisions are allowed. More than two revisions will not be accepted, and operators will have to keep to their final approved schedule. (The only exceptions are for diplomatic and medical emergency flights.)

- **More than two revisions will result in an extended wait.** If an operator requires more than two permit revisions, the only option will be to cancel the existing permit and begin a new landing permit application process. Operators will then have to wait another three business days for the permit.

- **Submit revised permits for any change.** Permits for China must be revised if there are changes to the flight schedule (including departure point/destination changes), crew, passenger, local sponsor, operator, or aircraft.