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China Aviation In summary

China's Aviation Industry Overview

Ø Highest Growth Rate in the World @ 9% (As of Oct 2009)

Ø Largest commercial aircraft market behind U.S.A. over next 20 years

Ø 2006 Aviation Key Performance Indicators (Source: China's Industrial Base of Civil Aviation -IBCA)

Ø Aviation Transportation Turnover grew 15.3% to 30.2 billion tons/km

Ø Passenger Traffic grew 15.5% to 160 million

Ø Cargo Traffic grew 13.8% to 3.42 million tons

Ø Air traffic grew at 1.8 x GDP

Ø From 2000 to 2006, number of commercial aircraft grew by 480 to over 1000

Ø “About 4100 planes, one third of the Boeing planes in service in the world, use China-made components” according to Scott Carson, CEO of Boeing Commercial Airplanes.

Ø Aviation maintenance market was RMB 11.5 billion, RMB 11.3 billion, and RMB 11.6 billion during 2000—2002 respectively. Technical service cost accounts for 25% while 75% goes to equipment repair, with most equipment imported.

Drivers of China's Air Transportation Growth

Ø Strong economic growth (8% over next 10 years)

Ø Progressive market liberalization in China

Ø Rapid growth in household spending on transportation

Ø Addressable market for air traffic to reach 650 million consumers by 2015

Ø Large Chinese outbound tourism wave coming

Ø China becoming a major tourism/business destination

Ø Increased export of high value manufacturing goods and emergence of a domestic express market

Ø China's aviation industry is pre-mature:

Ø The aviation industry in China is not developed as aircraft and its service parts imports account for over 90% of the total volume

Ø China Aviation Industry Corporation (“AVIC”) I and AVIC II control China’s commercial aircraft and defense industry.

Opportunities – High Market Demand

Ø China will need more than 3,000 passenger aircraft and freighters from 2006 to 2025, including 2,050 single aisle aircraft, 600 small twin-aisle aircraft, over 200 intermediate twin-aisle aircraft and 180 very large aircraft

Ø Some 2,650 passenger aircraft will be required on the Chinese Mainland with a total value of \$289 billion USD

Ø The Chinese passenger fleet will triple over the next 20 years, from 760 at the end of 2005, to 2,700 in 2025

Ø Freighter traffic in China is expected to grow six-fold and will need close to 400 freighter aircraft over the next 20 years

Ø China’s freighter traffic will remain at a high level with an average annual domestic market growth rate of 10.9% and an average international market growth rate of 8.9%

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