Mr. David Peng, General Manager, Kings Aviation

Set Up an AOC and Operating Helicopters in China
Kings Aviation Ltd.

- Kings Aviation is an operator primarily servicing the general aviation industry in Mainland China.
- Kings Aviation has obtained an Air Operator Certificate (AOC) and a China Civil Aviation Regulation (CCAR) Part 91 certificate.
- Kings Aviation offers a wide range of general aviation services including aircraft management, aerial crane, aerial survey, aerial advertising, filming and photography, emergency medical service, and forest protection.
- Kings Aviation currently owns a fleet of two (2) Schweizer aircraft and manages one (1) MD902 helicopter.
- Kings Aviation is headquartered in Shenzhen and has an operating base in Zhuhai.
- Kings Aviation employs over 15 staff, including 3 standing pilots and 3 standing mechanics and technicians.
Submitted an application for establishment to CAAC Central and Southern Regional Administration

Obtained an approval letter from CAAC Central and Southern Regional Administration

Obtained a Business License

Completed review of the required manuals and documents

Completed demonstration and inspection phase

Obtained an Air Operator Certificate

Business Establishment
Procedures for Establishing & Obtaining an AOC

Touch up on some light reading re: laws, regulations and provisions:

"Provisions on Foreign investment in civil aviation" (Civil Aviation Administration of China, Foreign Trade and Economic Cooperation, the State Development Planning Commission to make [2002] No. 110)
"Catalog for the Guidance of Foreign Investment Industries" (2007 Amendment)
"The interim Measures for the Administration of Examining and Approving Foreign Investment Projects" (National Development and Reform Commission to make [2004] No. 22)
"Law of the People's Republic on Sino-Foreign Equity Joint Venture" (People's Republic of China Decree No. 48th)
"Regulations for the implementation of the law on Sino-Foreign Equity Joint Ventures " (2001 Amendment)

Then settle in for the long haul:

Approval and Registration Process – 16 months to complete.
Procedures for Establishing & Obtaining an AOC

1. Project examination and approval - 1 Month
2. AOC Preparatory permission - 1 Month
3. Joint contract and charter approval - 3 Months
4. Specific works to be performed after receiving preparatory permission - 8 Months
5. Applying for AOC – 1 Month
6. Commercial registration - 1 Month
7. Operation inspection - 1 Month
Procedures for Establishing & Obtaining an AOC

1. Project examination and approval - 1 Month

Authority: Planning and Development Dept of CAAC

Application materials include:

- Project proposal
- Feasibility study
- Joint Venture Contract
- Company Charter
- Intent letter of investment
- Identifications of Chinese and Foreign investors
- After getting the approval, joint parties should apply for the name registration of the enterprise to the local Administration of Commerce.
Procedures for Establishing & Obtaining an AOC

2. AOC Preparatory permission - 1 Month

Authority: CAAC Regional Administration

Application materials

- Company name
- Application letter
- Feasibility study
- Available personnel resources especially all technical and professional personnel
- Qualifications of personnel and training methods
- CV and ID of specific persons in charge of key company functions: CEO, COO, Chief Pilot, Dir of Maintenance, Dir of Safety.

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Procedures for Establishing & Obtaining an AOC

3. Joint contract and charter approval - 3 Months

Authorities: Local Dept of Trade and Industry, Ministry of Commerce

After the project is approved, the Chinese investor needs to submit the joint contract, company charter and other legal documents to the Commerce Administration for examination and approval.

The local Dept of Trade and Industry will give the initial opinion and then the Ministry of Commerce will examine the joint venture contract and company charter and make the final determination.

After approving the joint contract and charter, the Commerce Authority will issue the approval certificate for the foreign-investment enterprise.
Procedures for Establishing & Obtaining an AOC

4. Specific works to be performed after receiving preparatory permission - 8 Months

- Procurement of at least two aircraft
- Registration of the aircraft, C of A, C of R and company logo
- Aircrew and ground crew license applications and filings
- Application for radio license
- Third party liability insurance
- Preparation of commercial contracts and pricing
- Set up of an operating base
- Ground handling, weather, ATC and other related 3rd party service agreements
- Manuals: operations, maintenance, safety, security and other required procedural manuals by CAAC - over 20 manuals

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Procedures for Establishing & Obtaining an AOC

5. Applying for AOC – 1 Month

Authority: Central Southern Bureau of CAAC

- General AOC Application and Preparatory Completion Report
- Copy of business license issued by local Department of Commerce
- CAAC approved company logo and approval document
- Company charter
- Approved aircraft procurement document
Procedures for Establishing & Obtaining an AOC

6. Commercial registration - 1 Month

Authority: Local Administration of Business and Commerce

(1) Commercial Registration

The joint parties should finished all the commercial registration procedures with the Commercial Administration and receive their business license within 30 days after receiving the approval certificate for a foreign-investment enterprise.

(2) Other necessary registration

The foreign investment enterprise should completed all the other necessary registration procedures within 30 days upon the receipt of the Business License i.e. opening RMB and foreign exchange accounts with Banks, tax registration, customs registration, foreign exchange registration, labor and recruitment procedures, overseas employment procedures etc.
Procedures for Establishing & Obtaining an AOC

7. Operation inspection - 1 Month

Authority: CAAC

- 25 hours of actual flying, both domestically & internationally accompanied by a team from CAAC
- All the manuals inspected
Challenges of operating helicopters in China

- Restricted ATC
- Lack of the professional pilots, mechanics, safety and qualified managers
- High and climbing labor cost
- Revenue channels are still narrow
- Few specific General Aviation airport and heliport
Market Opportunities in China

- Over a hundred of companies have already obtained the AOC Preparatory Permission
- Number of training schools are increased
- Flight hours are rising fast
- Fleet size is increased – 30%-50% over the past three years.
- Total industry revenues are increasing
How to import helicopters into China?

- Brand-new helicopters
  AOC companies or institutions that have already obtain their Preparatory Permission need to obtain two other documents:
  - Certificate of introducing Aircraft – with Regional Admin of CAAC
  - Import License of PRC. China – with CAAC and Ministry of Commerce

- Pre-owned helicopters
  Besides the forgoing two documents, need an pre-inspection report

- Taxation
  - Customs duty: 2%
  - VAT: 17%

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How to recruit pilots and mechanics?

- **Pilots**
  - Pay the transfer fees to the previous employer
    - NB: CAAC has specific regulation to govern such transfers
  - New hire trained through local or overseas flight academies.

- **Mechanics**
  - No transfer fees.
Financing helicopters in China

- Few financing providers for helicopters due to:
  - low aircraft value
  - unstable revenue
  - operation risks.

- Solutions: Typically parent companies have to provide a guarantee or mortgage or long term job contracts
- Terms: 5-7 years
- Rate: 8-10%.
Applying for flight permits

Step 1.
Applying for the mission permit, air routes and the landing point with the Air Force
Normally 7 working days

Step 2.
Applying for mission permit and air routes with local civil ATC
Normally 3 working days

Final Step
On the day, advise the ATC supervisory agency in advance of the flight departure
Applications / Missions in China

- Provide transportation services for offshore oil and gas exploration
- Power lines operation
- Agriculture
- Aerial survey (mining)
- Pipeline patrolling (oil and gas)
- Tourism
- Training
- Corporate flying / Management:
  - Piston: RMB 400,000/y
  - Single: RMB 2M/y
  - Twin: RMB 4.5M/y
  - Medium and above: RMB10M/y
- Personal enjoyment