

SINO-FOREIGN EXPRESS AIR CARGO JOINT VENTURE

News / Airlines



During the Fourth Annual China Air Finance Development Summit held here, Okay Airlines, ATSG West Limited, Vipshop and others totaling five parties announced the establishment of an express **air cargo joint venture** serving multiple destinations within the Peoples Republic of China (including Hong Kong, Macau and Taiwan) and surrounding countries.

The principal commercial partners in the venture include:

- Okay Airlines, which was established in 2005 as China's first private-sector airline and provides passenger and air cargo services within China from its operating bases at Tianjin Binhai International Airport and Changsha Huanghua International Airport.
- ATSG West Limited, a subsidiary of Air Transport Services Group Inc. (Nasdaq: ATSG), a turn-key provider of mid-range Boeing freighter aircraft, along with leasing and operating solutions, which was founded in 1980 and is based in the United States.

- Vipshop Holdings Ltd. (NYSE:VIPS), a leading online discount retailer for brands in China. Vipshop, founded in 2008, offers high quality and popular branded products to consumers throughout China at a significant discount to retail prices.

Okay Airlines President Mr. LIU Zonghui, ATSG CEO Mr. Joseph HETE, Vipshop Senior VP Mr. TANG Yizhi, Tianjin Dongjiang Investment Company Chairman Mrs. MA Entong, and Bridgewater Developments Ltd. Chairman Mr. LANG Saiqiang will each sign the JV agreement, witnessed by guests and other parties.

The JV company will be named United Star Express Airlines Co. Ltd., registered in Tianjin's free trade zone (Dongjiang Free Trade Port Zone), with registered capital of 400 million RMB (US\$63 million). It will be established pending approval by related government parties and plans to commence flight operations in mid-2016.

Okay Airlines will provide the largest share of the registered capital of United Star Express. Okay Airlines Chairman WANG Shusheng will be the JV company's chairman. The Vice Chairman will be Richard CORRADO, Chief Commercial Officer of Air Transport Services Group and President of its aircraft leasing subsidiary Cargo Aircraft Management, Inc.

Bluepeak Group was the financial consultant for this transaction.

The new airline will principally serve rapidly growing express air cargo demand driven by e-commerce growth in China and surrounding countries. From 2010 through 2014, the express market has been growing at an average of 30% per year.

Express air services in China now rely mostly on excess capacity in the belly of passenger aircraft. Fewer than 120 all-cargo freighters operate within China, and only a small portion of those serve express markets.

The growth rate of China's e-commerce markets exceeds that of the air express market. Therefore, United Star Express will provide third-party express and charter aircraft services that cover the country and surrounding Asia regions to domestic and international express companies.

Gradually, the company will also add medium- and long-distance cross-border express and cargo charter services that cover Europe and the America regions.

United Star Express will be a new company that possesses its own airline operating certificate and will operate independently in accordance with international standards, with its own independent airline insignia, fleet, routes and organization.

Within the first year of its flight operations, United Star Express expects to have six small and midsize freighter aircraft, including Boeing 737, Boeing 757 and Boeing 767 aircraft, to provide safe, high quality, reliable domestic and international air cargo services.

Okay Airlines and the other Sino-foreign parties also will contribute to the joint venture their individual strengths and resources in airline operational management, international management, market development, government resources, and financial support. The signing of the JV agreement today signals the official entry into the preparation phase for United Star Express to commence services in mid-2016.

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