

For immediate release

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### **LOI on setting up a joint venture hangar in Guangzhou**

On 22nd February 2006, Hong Kong Aircraft Engineering Company Limited (“HAECO”), The Guangdong Airport Management Corporation (“GAMC”) and Taikoo (Xiamen) Aircraft Engineering Company Limited (“TAECO”) have signed a Letter of Intent in Singapore to establish a joint venture hangar facility in Guangzhou. The three parties have reached an initial consensus to invest in the joint venture and plan to finish conducting a feasibility study by September 2006, working out the contract details, and finalising the specific details to set up and operate the business. Initial estimate of the investment is approximately USD 50 million. HAECO Group (including TAECO) will have the majority shareholding.

Mr. Chan Ping Kit, Deputy Chairman and Chief Executive Officer of HAECO and Chairman of TAECO, said, “Both HAECO and TAECO are operating to full capacity at present. The new facility in Guangzhou will help us resolve this saturation issue. It will increase our productivity and enhance our services to satisfy our customers’ increasing demand on aircraft maintenance as they plan for their long term business developments in China.”

Mr. Lin Yun Xian, Vice President of GAMC and Chief Commander of Guangzhou Baiyun International Airport Expansion Project Headquarters, said, “The rate of growth of the aviation business at Guangzhou Baiyun International Airport has been significant since it began operation. A second aircraft engineering company will be able to satisfy its growing needs with better services provided to airlines, in particular to Fedex and other foreign airlines which now have offices in Guangzhou. This strong co-operation between The Guangdong Airport Management Corporation and HAECO and TAECO will be of great benefit to the aircraft maintenance industry on the Mainland.”

HAECO is one of the world’s leading aeronautical engineering groups, and is the only full service provider to commercial aircraft transiting Hong Kong International Airport, offering a comprehensive package that includes full technical certification line maintenance, airframe heavy checks, major structural modifications, repair, overhaul, and painting, as well as capability on a wide range of avionics and mechanical components, and Special Freighter conversion on B747-200 Combi aircraft. HAECO’s line maintenance division services around 70 airlines – some 80,000 aircraft movements a year. In 2005, the Airport Authority granted an extension to the Master Franchise under which HAECO provides comprehensive aircraft maintenance services at HKIA from July 2018 to July 2031. HAECO is building a second hangar in Hong Kong International Airport. The hangar is expected to open by the end of 2006. HAECO is publicly listed on the Hong Kong Stock Exchange.

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The Guangdong Airport Management Corporation is one of the largest airport management groups in China. It manages Guangzhou Baiyun International Airport, Shantou Airport, Zhanjiang Airport and Meixian Airport. Guangzhou Baiyun International Airport is a core member airport of the group. In 2005, it handled over 23,390,000 passengers, 211,300 aircraft movements and mail cargo of 601,000 tonnes. These three indicators are in the top three positions amongst airports on the Mainland.

Established in 1993, TAECO is a subsidiary of HAECO with four double-bay hangars. TAECO is building a fifth hangar which is expected to operate in the third quarter of 2007. It is primarily engaged in the business of aircraft overhaul, system upgrade, passenger to freighter conversions, and aircraft parts and component manufacture for airlines and suppliers around the world. The range of aircraft to which the company provides maintenance and conversion services includes B737, B747, B757, B767, B777, MD11 and A330/A340 aircraft. It also provides line maintenance support in international airports at Beijing, Shanghai and Xiamen.

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