



Media Information

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For immediate release

Pemco Aviation Group and TAECO announce Cargo Conversion Partnership

Jinan, China (10th January , 2005) – On 7th January, 2005, an agreement between Pemco Aviation Group, Taikoo (Xiamen) Aircraft Engineering Company (TAECO), and Taikoo (Shandong) Aircraft Engineering Company (STAECO) has been signed in Jinan establishing a cargo conversion partnership for China and the Asia Pacific region. Under the agreement, the companies will jointly market freighter conversions and perform conversions at TAECO / STAECO's facilities in China.

The alliance will focus initially on B737-300 aircraft, and plans to co-operate on other aircraft models, both those for which Pemco currently holds Supplemental Type Certificates (STCs) and other models as markets develop. Pemco will provide technical, operational and quality oversight and guidance while TAECO / STAECO will provide Mainland-based production facilities, a seasoned workforce, and draw on their relationships with aircraft operators in the region.

Mr. Ron Aramini, President and Chief Executive Officer of Pemco Aviation Group, explained the significance of the agreement. "The air cargo market in China is experiencing the fastest growth in the world, with more than 20% annual growth over the past five years and projected growth exceeding 10% annually. In order to effectively pursue this market and support our current and future customers, Pemco felt it important to have a strong Chinese partner. Through this alliance with TAECO / STAECO, we now have a partner that will provide excellent customer relationships and extensive experience in freighter conversion programs and aircraft maintenance."

Mr. P.K Chan, Chairman of TAECO stated, "This partnership is very beneficial for both parties. It allows us to offer our customers an expanded spectrum of cargo conversions. Pemco's B737-300 freighter conversion and QC (Quick Change - a special type of aircraft configuration that is capable of switching a passenger aircraft to freighter or vice versa in a short period of time by converting the main deck) are the only B737 conversions currently approved by the CAAC and we are pleased to be able to provide this program to our customers."

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Aramini added, "This partnership firmly establishes Pemco's presence and commitment to China and the rest of the Asia Pacific region. It is an important step in our strategy to significantly expand our cargo conversion business in 2005. We look forward to working with our new partners, TAECO / STAECO." The companies plan to begin conversions in China this year.

Pemco Aviation Group, Inc., with executive offices in Birmingham, Alabama, and facilities in Alabama, Florida, and California, performs maintenance and modification of aircraft for the U.S. Government and foreign and domestic commercial customers. The company also provides aircraft parts and support, engineering services, and full service overhaul and repair for a wide range of aircraft. Pemco Aviation Group also develops and manufactures aircraft cargo systems, rocket vehicles and control systems, and precision components for the aviation industry.

TAECO operates three hangars in Xiamen and is the premier independent maintenance and modification organization in Mainland China. Formed in 1993, its shareholders are Hong Kong Aircraft Engineering Co. Ltd. (HAECO), Xiamen Aviation Industries Co. Ltd., Cathay Pacific Airways Ltd., Japan Airlines Co. Ltd., Boeing Commercial Airplane Group and Beijing Kai Lan Technology Development Services Co. Ltd. The company provides maintenance and modification services to commercial airlines and performs passenger to freighter conversions. STAECO, a joint venture between Shandong Aviation Group, HAECO, Shandong Airlines, TAECO, and Zhong Kai Aviation Engineering Consulting Services, performs maintenance and modification services at the company's facilities in Jinan, China.

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