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HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 44)

Announcement

Discloseable Transactions: Acquisition of Engine Overhaul Facility and entering into GE Branded Service Agreements

On 31st March 2008, HAECO and TAECO entered into the Acquisition Agreement with GE Pacific and General Electric Company, pursuant to which HAECO and TAECO have agreed to purchase 75.01% and 10% interests respectively in TEXL from GE Pacific for cash consideration of US\$49.6 million and US\$6.6 million respectively. On the same date, TEXL and GE entered into the GE Branded Service Agreements for TEXL to acquire from GE a GE branded service arrangement with the right to maintain GE90 engines for a period of 22 years for cash consideration of US\$45 million and an annual licence fee of US\$300,000. On completion of the Acquisition Agreement and GE Branded Service Agreements, TEXL will become a non-wholly owned subsidiary of HAECO and will be renamed Taikoo Engine Services (Xiamen) Limited.

The Transactions constitute discloseable transactions of the Company under the Listing Rules. A circular containing the information required under the Listing Rules will be dispatched to shareholders as soon as practicable.

Acquisition Agreement dated 31st March 2008

Parties:

- (1) HAECO
- (2) TAECO
- (3) GE Pacific
- (4) General Electric Company

GE Branded Service Agreements dated 31st March 2008

Parties:

- (1) TEXL
- (2) GE



Particulars

Under the Acquisition Agreement, HAECO and TAECO agreed to purchase 75.01% and 10% interests respectively in TEXTL, represented by US\$24.75 million and US\$3.30 million respectively in the registered capital of TEXTL, from GE Pacific for cash consideration of US\$49.6 million and US\$6.6 million respectively.

Under the GE Branded Service Agreements, TEXTL agreed to acquire from GE a GE branded service arrangement with the right to maintain GE90 engines for a period of 22 years for cash consideration of US\$45 million and an annual licence fee of US\$300,000.

Consideration:

The consideration, comprising:

- (1) US\$49.6 million payable by HAECO to GE Pacific for a 75.01% interest in TEXTL;
- (2) US\$6.6 million payable by TAECO to GE Pacific for a 10% interest in TEXTL; and
- (3) US\$45 million and an annual licence fee of US\$300,000 payable by TEXTL to GE Pacific and General Electric Company for a GE branded service arrangement with the right to maintain GE90 engines for a period of 22 years,

were determined after arm's length negotiation between the relevant parties following a GE auction bid process whereby HAECO and TAECO had been selected as the purchasers.

Completion

Completion of the Transactions is conditional upon the parties obtaining all applicable government and/or regulatory approvals. Completion shall take place within seven business days after the last of the above conditions have been satisfied.

On completion of the Acquisition Agreement and Engine Rights Agreement, TEXTL will become a non-wholly owned subsidiary of HAECO and will be renamed Taikoo Engine Services (Xiamen) Limited.

Source of funding:

The Transactions will be funded by commercial bank loans, other debt instruments of the Group and/or cash generated from the Group's business operations.

Information Relating to TEXTL

TEXTL is the owner of the Engine Overhaul Facility comprising an engine shop with a floor area of 3,500 square metres located in Xiamen, PRC and adjoining TAECO's aircraft maintenance facility in Xiamen. The Engine Overhaul Facility includes an advanced engine test cell capable of accommodating the full range of GE90 engines. It was designed and built to GE standards, including environmental, health and safety standards, but has not been utilised since 2003.



As at 31st December 2007, the unaudited net asset value of TEXL under PRC accounting standards was US\$27 million.

For the year ended 31st December 2006, the audited net losses before and after taxation and extraordinary items under PRC accounting standards of TEXL were US\$2 million and US\$2 million respectively.

For the year ended 31st December 2007, the unaudited net losses before and after taxation and extraordinary items under PRC accounting standards of TEXL were US\$3 million and US\$3 million respectively.

Reasons for, and benefits of, the Transaction

The Transactions will enable the Group to provide maintenance services for its customer airlines in respect of the full range of GE90 engines. The Directors consider that the terms of the Transactions are fair and reasonable and in the interests of the shareholders as a whole.

General

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, GE and GE Pacific and their ultimate beneficial owner are third parties independent of and not connected with HAECO or any of its connected persons.

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for the Transactions is more than 5% but less than 25%, the Transactions constitute discloseable transactions, and are therefore not subject to approval by the Company's shareholders under the Listing Rules.

A circular containing the information required under the Listing Rules in relation to the Transactions will be dispatched to shareholders as soon as practicable.

Directors

As at the date of this announcement, the Directors of the Company are:

Executive Directors: C.D. Pratt (Chairman), P.K. Chan, J.C.G. Bremridge, M. Hayman, M.M.S. Low, M.J.A. Sathianathan;

Non-Executive Directors: M. Cubbon, C.P. Gibbs, D.C.Y. Ho, P.A. Johansen, A.N. Tyler, The Hon. Sir Michael Kadoorie (Alternate Director to D.C.L. Tong); and

Independent Non-Executive Directors: R.E. Adams, J.S. Dickson Leach, A.K.Y. Lam, L.K.K. Leong and D.C.L. Tong.

Definitions

“Acquisition Agreement”	The sale and purchase agreement dated 31st March 2008 entered into between HAECO, TAECO, GE Pacific and General Electric Company in respect of the acquisition by HAECO and TAECO of 75.01% and 10% interests respectively in TEXL.
“Directors”	The directors of the Company.
“Engine Overhaul Facility”	The engine overhaul facility comprising an engine shop with a floor area of 3,500 square metres located in Xiamen, PRC and owned by TEXL.
“HAECO” or “Company”	Hong Kong Aircraft Engineering Company Limited, a company incorporated in Hong Kong and listed on the Stock Exchange, the principal activity of which is the provision of overhaul and maintenance services for commercial aircraft.
“GE”	General Electric Company, a company incorporated in the U.S.A., whose principal activities including, amongst others, manufacturing and maintenance of aircraft engines, power generation and financial services and GE Engine Services, Inc., GE Engine Services Distribution, LLC., GEAE Technology, Inc., and GE On Wing Support (Xiamen) Co., Ltd., which are companies in the GE group and are contracting parties to the GE Branded Service Agreements.
“GE Branded Service Agreements”	Agreements entered into by TEXL and GE dated 31st March 2008 relating to the GE branded service arrangement whereby TEXL will acquire from GE a GE branded service arrangement with the right to maintain GE90 engines for a period of 22 years.
“GE Pacific”	GE Pacific Private Limited, a subsidiary of GE incorporated in Singapore, whose principal activity is investment holding.
“Group”	HAECO and its subsidiaries, including TAECO.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange.
“PRC”	The People’s Republic of China.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“TAECO”	Taikoo (Xiamen) Aircraft Engineering Company Limited, a non-wholly owned subsidiary of HAECO incorporated in the PRC, whose principal activity is the provision of overhaul and maintenance services for commercial aircraft.



- “TEXL”** GE Engines Services (Xiamen) Company Limited, a non-wholly owned subsidiary of GE Pacific incorporated in the PRC with registered capital of US\$33 million, whose principal activity is the provision of overhaul, maintenance and test services for aircraft engines.
- “Transactions”**
- (1) The acquisition by HAECO and TAECO of 75.01% and 10% interests respectively in TEXL pursuant to the Acquisition Agreement; and
 - (2) The acquisition by TEXL of a GE branded service arrangement with the right to maintain GE90 engines for a period of 22 years pursuant to the GE Branded Service Agreements.

By Order of the Board
Hong Kong Aircraft Engineering Company Limited
David Fu
Company Secretary
Hong Kong, 31st March 2008