

## 2010 in Review

2010 was an eventful year for the Group. It celebrated its 60th anniversary, expanded capacity and the services which it offered and it became a subsidiary company of Swire Pacific Limited (“Swire Pacific”).



### Shareholdings in HAECO

In June 2010, Swire Pacific acquired the remaining 15 % interest which Cathay Pacific Airways Limited (“Cathay Pacific”) had in HAECO. As a result, Swire Pacific’s interest in HAECO increased from 45.96 % to 60.96 %, giving Swire Pacific majority control of HAECO. In accordance with the Hong Kong Code on Takeovers and Mergers, Swire Pacific subsequently made a mandatory unconditional general offer for the shares in HAECO which it did not own, at the same price per share (HK\$105) as that at which Cathay Pacific’s remaining interest in HAECO was acquired. Shareholders holding 14.89 % of the issued share capital of HAECO accepted the general offer, with

the result that, at the close of the general offer, Swire Pacific held 75.85 % of the issued share capital of HAECO. Following the close of the general offer, Swire Pacific disposed of shares amounting to 0.86 % of the issued share capital of HAECO, so reducing Swire Pacific’s percentage holding of such share capital to 74.99 %. This disposal was made in the light of the requirement under the Hong Kong Stock Exchange Listing Rules that not less than 25 % of the issued share capital of HAECO must be in public hands.

## Technical Training

**HAECO** and **TAECO** continued to provide extensive training services to their own staff and to airline customers at the training centres in Hong Kong and Xiamen.

In 2010, **HAECO** established the ability to provide training in the maintenance and repair of Boeing 747-8 aircraft, in order to meet the operational needs of Cargolux, Cathay Pacific and Global Supply Systems, and of Airbus A380 aircraft in order to meet the operational needs of Emirates. HAECO also provided training for Jetstar and Metrojet.



In 2010, **TAECO** trained over 1,000 individuals from airlines and maintenance and repair organisations in Mainland China, Malaysia, Sri Lanka, Bahrain and Pakistan.



**HAECO** provides a centre in Hong Kong for conducting examinations leading to the obtaining of Hong Kong Aircraft Maintenance Licences and has done so for more than four years. **TAECO** is an approved organisation for carrying out basic aircraft maintenance licence examinations for civil aviation authorities in Mainland China and Europe.



## Competency and Technology



**The Group** is well known in the aviation industry for its extensive capability in providing comprehensive maintenance services and has continued to develop its maintenance and related capabilities.



**TAECO** has recently been approved by Airbus as a cabin completion centre for its executive and business jets. TAECO's Airbus narrow body VIP mock-up was completed in November 2010.



**TAECO** was approved as a design organisation by the civil aviation authority of Mainland China in December 2010. The company intends to obtain approval from the Japanese civil aviation authority to do work on Boeing 777 aircraft in 2011.

**HAESL** developed 23 Rolls-Royce component repair schemes in 2010.

**Singapore HAECO Pte. Limited ("SHAECO")** received approvals from the civil aviation authorities of Australia, the Philippines, Thailand, Malaysia and Indonesia to perform line maintenance work on Airbus A320 aircraft in all these jurisdictions and on Boeing 737-300 aircraft in Indonesia.

**Taikoo Engine Services (Xiamen) Company Limited ("TEXL")** received approvals from the civil aviation authorities of Mainland China, the European Union and the United States to undertake work (including strip and build, performing minor repairs and testing) on the GE90 series of engines.

**Taikoo (Xiamen) Landing Gear Services Company Limited ("TALSCO")** was permitted to undertake aircraft maintenance work by the Malaysian and Indonesian civil aviation authorities. TALSCO already has corresponding permissions from the relevant authorities in Mainland China, the United States and the European Union and intends to obtain a corresponding permission from the Japanese authorities shortly.

**Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited ("Dunlop Taikoo")** received approvals from the civil aviation authorities of Indonesia and Mainland China to retread aircraft tyres made by the Dunlop company. Dunlop Taikoo also received approvals from the civil aviation authorities of the European Union to retread certain tyres produced by the Bridgestone and Goodyear companies.

**Honeywell TAECO Aerospace (Xiamen) Company Limited ("Honeywell TAECO")** has expanded its capability for repairing mechanical components.

The Korean civil aviation authority has approved **Taikoo (Shandong) Aircraft Engineering Company Limited ("STAECO")** as a provider of base maintenance services.

**Taikoo Sichuan** received approval from the civil aviation authority of Mainland China to perform maintenance on Airbus A320 aircraft. Taikoo Sichuan expects to receive further approvals in 2011.

**Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited ("Taikoo Spirit")** received approvals from civil aviation authorities in the United States and Mainland China to overhaul thrust reversers. Cathay Pacific and Hainan Airlines are customers.

## Investment and Development

In April 2010, **HAECO** signed a letter of intent with Cathay Pacific in relation to the provision of inventory management services for Cathay Pacific's new Boeing 747-8 Freighters, which are to be delivered between 2011 and 2013.

**TAECO** is constructing its sixth double bay wide body hangar. It is due to open in mid 2011. In September 2010, TAECO entered into a maintenance agreement with Lufthansa Cargo to provide airframe heavy maintenance services for its MD-11 fleet from 2010 to 2013.



**Taikoo Sichuan** opened its first hangar in August 2010. Construction of a second hangar will start shortly, with opening scheduled in mid 2012.

**SHAECO** entered into a line maintenance contract with Jetstar in June 2010. SHAECO has invested in facilities, equipment and people to enable it to provide full line maintenance services for Jetstar Asia and Jetstar Australia in Singapore.

**HAESL** is constructing a 13,500 square metre extension to its existing component repair facilities. The extension is expected to commence operations in mid 2011.





**TEXL** completed work on its first GE90-115B engine for Cathay Pacific in July 2010. The company is investing in the buildings and equipment necessary to enable it to overhaul and repair GE90-11XB engines. This investment should be completed in the second quarter of 2011.



**TALSCO** entered into contracts with the Boeing Company and Cathay Pacific for the overhaul of landing gear on Boeing 747-400 aircraft.



In 2010 **Dunlop Taikoo** started to deliver retreads to customers in Asia (outside Mainland China) and Australia and in January 2011 started to deliver retreads to European operators under sub-contracting arrangements with the Dunlop company. Dunlop Taikoo's retreads are being tested by airlines in Mainland China.

**Honeywell TAECO** has undertaken its first 131-9A series auxiliary power unit repair.

**Taikoo Spirit** invested US\$1.6 million in thrust reverser capability in 2010 and entered into an agreement with Hainan Airlines relating to CFM567-7 thrust reversers in December 2010.