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**JOINT ANNOUNCEMENT
ACQUISITION BY HAECO OF TIMCO AVIATION SERVICES, INC.**



HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00044)

MAJOR TRANSACTION



SWIRE PACIFIC LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Codes: 00019 and 00087)

DISCLOSEABLE TRANSACTION

**FINANCIAL ADVISOR TO
HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED**

J.P.Morgan

SUMMARY

HAECO and Swire Pacific are pleased to announce that the Purchaser has entered into the Acquisition Agreement with the Seller.

On 23rd October 2013, the Purchaser, a wholly-owned subsidiary of HAECO, entered into the Acquisition Agreement with the Seller, pursuant to which the Purchaser conditionally agreed to acquire and the Seller conditionally agreed to sell 100 per cent. of the equity interest in the Target. The Target is a company based in the United States. The principal activity of the Target is the provision of a broad spectrum of aircraft

technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing (including seats).

The consideration payable by the Purchaser under the Acquisition Agreement is US\$388.8 million (equivalent to approximately HK\$3,025 million), subject to certain post-closing adjustments.

HAECO will finance the Acquisition from a combination of its existing cash reserves and debt-financing.

The obligations of the Purchaser under the Acquisition Agreement are guaranteed by HAECO.

Subject to satisfaction of certain conditions precedent, the Acquisition is expected to be completed in the first quarter of 2014.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction of Swire Pacific and a major transaction of HAECO under the Listing Rules. A circular containing the information required under the Listing Rules will be despatched to the shareholders of HAECO as soon as reasonably practicable.

I. THE ACQUISITION

A. PARTICULARS OF THE ACQUISITION

1. Date of the Acquisition Agreement

23rd October 2013

2. Parties to the Acquisition Agreement

- (i) Seller (as the seller)
- (ii) Purchaser (as the purchaser)
- (iii) HAECO (as the guarantor)

3. Target to be acquired

The Purchaser has conditionally agreed to acquire from the Seller all of the outstanding shares in the Target. Further details of the Target are set out in the section headed "Information on the Target" below.

4. Consideration and payment

The consideration for the Acquisition is US\$388.8 million (equivalent to

approximately HK\$3,025 million) (subject to certain post-closing adjustments) and will be payable by the Purchaser at completion of the Acquisition.

The consideration was determined based on arm's length negotiations between the Purchaser and the Seller, taking into account (i) the due diligence review on the Target, (ii) the expected demand for aircraft technical services and (iii) standard valuation methodologies.

The obligations of the Purchaser under the Acquisition Agreement will be guaranteed by HAECO.

HAECO will finance the Acquisition from a combination of its existing cash reserves and debt-financing.

5. Conditions to completion of the Acquisition

Completion of the Acquisition is conditional upon satisfaction of, among other things, the conditions stated in the Acquisition Agreement, including the expiry of all waiting periods under certain anti-trust and foreign ownership laws and regulations of the United States which would apply to the Acquisition and foreign ownership approvals from relevant authorities in the United States.

Subject to satisfaction of such conditions precedent, the Acquisition is expected to be completed in the first quarter of 2014.

If completion of the Acquisition has not occurred on or before the date that is 95 days after the date of the Acquisition Agreement (the "**Long Stop Date**"), either the Seller or the Purchaser may terminate the Acquisition Agreement provided that if by that date, all the conditions to completion (other than the conditions relating to obtaining the necessary anti-trust and foreign ownership approvals from relevant authorities in the United States) under the Acquisition Agreement have been satisfied, the Long Stop Date will be extended to the date that is 150 days after the date of the Acquisition Agreement.

B. REASONS FOR AND BENEFITS OF THE ACQUISITION

The acquisition of the Target will expand HAECO's operations, broaden its sources of revenue and provide it with an opportunity to develop its business in one of the largest aviation markets in the world. The directors of HAECO and the directors of Swire Pacific believe that the business and operations of the Target will fit well strategically with the existing business of HAECO. There is limited overlap between the businesses of the two companies. In combination, they will be able to offer enhanced and expanded aircraft maintenance and cabin modification services to a wider range of customers. Additionally, the combined business will be able to accelerate the development of technical capabilities while catering to an expanded range of products, including for narrow-body aircraft and regional aircraft.

The acquisition of the Target will enable the expanded HAECO group to provide

products and services for aircraft over the major part of their useful lives, including fitting them out, maintaining them in service, designing, certifying and manufacturing cabin products for them, retrofitting them and providing component services. This is expected to be attractive to customers and to give the expanded group a significant competitive advantage.

The directors of HAECO believe that the terms of the Acquisition Agreement are fair and reasonable and in the interests of HAECO and its shareholders as a whole.

The directors of Swire Pacific believe that the terms of the Acquisition Agreement are fair and reasonable and in the interests of Swire Pacific and its shareholders as a whole.

C. INFORMATION ON THE TARGET

The Target is a company based in the United States. The principal activity of the Target is the provision of a broad spectrum of aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing (including seats).

The Target has over 2,700 employees. It has facilities for airframe maintenance at its headquarters in Greensboro, North Carolina and at three other locations in the United States. Its airframe maintenance operations include checks ranging up to heavy maintenance visits and structural modification work. Aircraft types handled include Boeing 737, 757, 767 and 777, Airbus A300/310 and A320 and regional jets. It does line maintenance (including overnight checks, non-routine maintenance and cabin maintenance and refurbishment) at 16 airports in the United States. It has an engine centre at Oscoda in Michigan where it repairs, overhauls and provides on wing support for Pratt & Whitney JT8D engines. The Target's aerosystems business provides design engineering, testing and certification services for and modifies and manufactures cabin interior products, including galleys, lavatories, crew rests and closets. It also manufactures seats.

Airframe maintenance operations, including checks, line maintenance and engine centre, contributed to about 72 per cent. of the Target's revenue in the financial year ended 31st December 2012. Other business contributed to about 28 per cent. of the Target's revenue in the financial year ended 31st December 2012.

The net asset value, revenue, EBITDA, net (loss)/income before income taxes and net (loss)/income (each in millions) of the Target for the financial years ended 31st December 2011 and 2012, as derived from the audited financial statements of the Target prepared in accordance with US GAAP, are as follows:

	2011		2012	
	US\$	HK\$ equivalent	US\$	HK\$ equivalent
Net asset value	57	441	62	484
Revenue	291	2,264	354	2,756
EBITDA	1	11	20	156
Net (loss) / income before income taxes	(12)	(95)	5	42
Net (loss) / income	(12)	(96)	6	43

The net asset value, revenue, EBITDA, net income before income taxes and net income (each in millions) of the Target for the twelve months ended 30th June 2013, as derived from the unaudited management accounts of the Target prepared in accordance with US GAAP, are as follows:

**Twelve months ended 30th June 2013
(unaudited)**

	US\$	HK\$ equivalent
Net asset value	76	593
Revenue	362	2,817
EBITDA	26	204
Net income before income taxes	16	123
Net income	16	122

D. INFORMATION ON THE SELLER

The Seller is controlled by investment vehicles managed by Owl Creek Asset Management, L.P. The principal activity of the Seller is that of an investment holding company.

Owl Creek Asset Management, L.P. is an investment manager. Its principal activity is providing services to pooled investment vehicles catering to individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates or charitable organisations, and corporations.

E. INFORMATION ON HAECO AND THE PURCHASER

The Purchaser is a Delaware corporation and is a wholly-owned subsidiary of HAECO. The Purchaser has not conducted any business operations other than in respect of the Acquisition.

The principal activities of HAECO are commercial aircraft overhaul, modification and maintenance mainly in Hong Kong and Mainland China.

F. INFORMATION ON SWIRE PACIFIC

Swire Pacific is the parent of HAECO and holds approximately 74.99 per cent. of the issued shares in HAECO.

The principal activity of Swire Pacific is that of a holding company with interests in property, aviation, beverages, marine services and other trading and industrial businesses.

II. LISTING RULES IMPLICATIONS OF THE ACQUISITION

In relation to HAECO, as the highest of the applicable percentage ratios in respect of the Acquisition is over 25 per cent. but less than 100 per cent., the Acquisition constitutes a major transaction for HAECO under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to, among others, the publication of an announcement and a circular and the approval of its shareholders.

As (1) no shareholder of HAECO would be required to abstain from voting if HAECO were to hold a general meeting to approve the Acquisition and (2) Swire Pacific, the parent of HAECO (which holds more than 50 per cent. in nominal value of the shares in the capital of HAECO), has approved the Acquisition in writing in accordance with Rule 14.44 of the Listing Rules, such written approval is acceptable under the Listing Rules in lieu of a general meeting to approve the Acquisition. Therefore, no general meeting will be held by HAECO to approve the Acquisition.

As at the date of this announcement, Swire Pacific beneficially owns 124,723,637 shares in HAECO (approximately 74.99 per cent. of the issued shares in HAECO).

In relation to Swire Pacific, as the highest of the applicable percentage ratios in respect of the Acquisition is over 5 per cent. but less than 25 per cent., the Acquisition constitutes a discloseable transaction for Swire Pacific under Chapter 14 of the Listing Rules.

III. GENERAL

A circular containing further details on the Acquisition will be despatched to the shareholders of HAECO as soon as reasonably practicable.

HAECO confirms that, to the best of its directors' knowledge, information and belief having made all reasonable enquiries, the Target, the Seller and the Seller's ultimate beneficial owner are third parties independent of and not connected with HAECO or any of its connected persons.

Swire Pacific confirms that, to the best of its directors' knowledge, information and belief having made all reasonable enquiries, the Target, the Seller and the Seller's ultimate beneficial owner are third parties independent of and not connected with Swire Pacific or any of its connected persons.

The financial figures of the Target set out in this announcement are derived from the Target's financial statements prepared in accordance with US GAAP (and in the case of the Target's unaudited financial information for the twelve months ended 30th June 2013, from the unaudited management accounts of the Target prepared in accordance with US GAAP) while the financial statements published by HAECO and Swire Pacific are prepared under HKFRS. Audited financial information of the Target for each of the three years ended 31st December 2010, 31st December 2011 and 31st December 2012 and for a stub period that complies with the requirements under the Listing Rules, prepared in accordance with HKFRS, will be included in the circular to be despatched to the shareholders of HAECO.

J.P. Morgan Securities (Asia Pacific) Limited is engaged as the financial advisor to HAECO in relation to the Acquisition.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	the acquisition by the Purchaser of all the outstanding shares in the Target pursuant to the terms of the Acquisition Agreement, as further described in this announcement
“Acquisition Agreement”	the stock purchase agreement dated 23rd October 2013 entered into by the Purchaser, HAECO and the Seller in relation to the Acquisition
“connected persons”	has the meaning given to in under Chapter 14A of the Listing Rules
“EBITDA”	earnings before interest expenses, income taxes, depreciation and amortisation expenses

“HAECO”	Hong Kong Aircraft Engineering Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction under Chapter 14 of the Listing Rules
“Purchaser”	HAECO USA Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of HAECO
“Seller”	TAS Management, LLC, a Delaware limited liability company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swire Pacific”	Swire Pacific Limited
“Target”	TIMCO Aviation Services, Inc., a Delaware Corporation
“United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“US GAAP”	Generally accepted accounting principles in the United States

This announcement contains translations between United States dollars and Hong Kong dollars at an assumed rate of US\$1.00 to HK\$7.78.

As at the date of this announcement, the directors of HAECO are:

Executive Directors: C.D. Pratt (Chairman), M. Hayman, F.N.Y. Lung, A.K.W. Tang;
 Non-Executive Directors: C.P. Gibbs, P.A. Johansen, M.B. Swire; and
 Independent Non-Executive Directors: R.E. Adams, L.K.K. Leong, D.C.L. Tong and P.P.W. Tse.

As at the date of this announcement, the directors of Swire Pacific are:

Executive Directors: C.D. Pratt (Chairman), M. Cubbon, P.A. Kilgour, J.B. Rae-Smith, I.S.C. Shiu, J.R. Slosar, A.K.W. Tang;
 Non-Executive Directors: Baroness Dunn, J.W.J. Hughes-Hallett, P.A. Johansen, M.B. Swire; and
 Independent Non-Executive Directors: T.G. Freshwater, C.K.M. Kwok, C. Lee, R.W.M. Lee, M.C.C. Sze and M.M.T. Yang

By Order of the Board
**HONG KONG AIRCRAFT
ENGINEERING COMPANY LIMITED**
David Fu
Company Secretary
Hong Kong, 24th October 2013

By Order of the Board
SWIRE PACIFIC LIMITED
David Fu
Company Secretary
Hong Kong, 24th October 2013