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HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

香港飛機工程有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00044)

Announcement Profit Warning

2016 Annual Report

This is what was said about prospects in the 2016 Annual Report of Hong Kong Aircraft Engineering Company Limited (“**HAECO**” or the “**Company**”) dated 14th March 2017:

“The prospects for the Group’s different businesses in 2017 are mixed. HAECO Hong Kong expects its results to be affected again by deferral of airframe services work by some customers. Demand for line services in Hong Kong is expected to be firm. The component and avionics overhaul business is expected to improve gradually with the development of new capabilities. Demand for HAECO Americas airframe services is expected to increase in 2017. However, its airframe services results will depend on the outcome of efforts to improve efficiency and work flow. The number of seats sold is expected to grow, sales of the new Vector seats are expected to remain modest. Forward bookings for cabin integration work are weak. Less Panasonic communication equipment installation kits are expected. Demand for HAECO Xiamen’s airframe services is expected to improve. Demand for TEXL’s overhaul services is expected to be stable in 2017. HAESL is expected to have a similar level of workload in 2017 to that in 2016. But its results will be adversely affected by higher depreciation and training costs associated with developing the capability to overhaul Trent XWB engines from 2018. HAECO Landing Gear Services is expected to do more work in 2017, but to continue to make losses.”

Profit Warning

The trading outlook for most of the Company’s individual businesses remains broadly the same. However, significantly higher losses are now expected at HAECO USA Holdings, Inc. (“**HAECO Americas**”) in 2017 than in 2016 (when the HAECO Americas loss was HK\$238 million, excluding impairment charges). This reflects the loss (with effect from August 2017) of significant US work from a major customer.



Deferred tax assets which would otherwise have been recognised will not be recognised. The results of HAECO Americas have also been adversely affected by lower than expected contributions from certain programmes. The effect of all this is that the Company's financial results before exceptional items for 2017 are expected to be worse than in 2016.

General

It is considered that the information in this announcement may constitute inside information. This announcement is accordingly being made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Shareholders and potential investors are advised to exercise caution in dealing in shares of HAECO.

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

Executive Directors: J.R. Slosar (Chairman), W.E.J. Barrington, C.P. Gibbs, F.N.Y. Lung, A.K.W. Tang;

Non-Executive Directors: G.T.F. Hughes, M.B. Swire; and

Independent Non-Executive Directors: B.Y.C. Cha, Y.K. Leung, J.L. Lewis and P.P.W. Tse.

By Order of the Board

Hong Kong Aircraft Engineering Company Limited

香港飛機工程有限公司

David Fu

Company Secretary

Hong Kong, 18th July 2017