



HONG KONG EXPRESS AIRWAYS LIMITED

20 January 2005

1. Hong Kong Express Airways ("HKE")'s main business is the Hong Kong v.v. Macau and the Macau v.v. Shenzhen helicopter shuttle service. In Hong Kong, the shuttle operates out of the heliport at the Macau Ferry Terminal ("MFT"), with 27 departures per day from 0930 hours to 2259 hours. Average daily passenger is in excess of 300. HKE operates a fleet of 5 Sikorsky S76 twin-engined helicopters with seating capacity of 12 for this service.
2. As an extension of this shuttle operation, HKE introduced two single-engined helicopters in 2003. Basing at the former Kai Tak airport and operating out of the temporary heliport at West Kowloon, these helicopters are used for aerial lifting and ad hoc charters with local sightseeing tours being the primary use. So far, this part of the business has yet to produce a profit.
3. With the relocation of the heliport from Central to West Kowloon, the sightseeing helicopter tour is becoming an icon of Hong Kong tourism industry. The product has experienced a 41% growth in 2004. A night flight operation over the harbour was launched in November 2004 and has generated incremental demand for the service. Last year, the average number of daily movements was 13. During the week, the number of movement can range from zero per day to 68 per day. The highest number of movements per hour can reach a high of 14.

4. Sightsceing flights require an infrastructure that:-
 - a. Provide ample parking facilities (both tour bus and private car)
 - b. Conveniently located within the city
 - c. With good access to public transport
 - d. Environmentally acceptable for high frequency of flights. (most sightsceing flights are about 12 minutes cach)
 - e. The heliport at West Kowloon meets most of these requirments.

5. If both the Convention and Exhibition Centre (“CEC”) and the Sheung Wan sites are available and everything being equal, the CEC site is the preferred choice.

6. Helicopter business is a capital intensive and low profit-margin business. In Hong Kong, this is a small industry with only two commercial and a handful of private operators and the GFS. Unique to Hong Kong, we are faced with:-
 - a. High operating costs due to lack of locally trained pilots and engineers.
 - b. Expensive fuel because of the hydrocarbon duty on helicopter spirit.
 - c. The Government Flying Service monopolized on certain non-emergency flights that could be carried out by the commercial operators.

- d. Expensive rental for infrastructure such as maintenance bases and heliports.

7. In 2003, with the closure of the Central Heliport, government decided to have a separate temporary heliport at West Kowloon be developed and managed by the private sector. HIKE won the bid and launched the sightseeing product. So far, the product has attracted popularity but the utilization is low and the investment in the heliport has yet to produce a return.

8. Our company's view is that the future permanent domestic heliport could only be financially viable if it is a government-cum-commercial heliport.

9. In early 2004, LegCo endorsed the government proposal to expand the MFT Heliport for cross-boundary flights as a private-sector project. Government should ensure that the future permanent domestic heliport would not compete with the MFT Heliport in this regard.

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