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HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00044)

2010 FINAL RESULTS

FINANCIAL HIGHLIGHTS

		2010	2009	Change
Results				
Turnover	<i>HK\$ Million</i>	4,266	4,045	+5.5%
Net operating profit	<i>HK\$ Million</i>	389	380	+2.4%
Share of after-tax results of jointly controlled companies				
- Hong Kong Aero Engine Services Limited and Singapore Aero Engine Services Pte. Limited	<i>HK\$ Million</i>	380	363	+4.7%
- Other jointly controlled companies	<i>HK\$ Million</i>	27	57	-52.6%
Profit attributable to the Company's shareholders	<i>HK\$ Million</i>	701	688	+1.9%
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	<i>HK\$</i>	4.21	4.14	+1.9%
Interim and final dividends per share	<i>HK\$</i>	2.10	2.00	+5.0%
Financial Position				
Net borrowings	<i>HK\$ Million</i>	176	143	+23.1%
Gearing ratio	<i>%</i>	2.7	2.3	+0.4%pt
Total equity	<i>HK\$ Million</i>	6,484	6,141	+5.6%
Equity attributable to the Company's shareholders per share	<i>HK\$</i>	33.45	31.13	+7.5%
Cash Flows				
Net cash generated from operating activities	<i>HK\$ Million</i>	481	729	-34.0%
Net cash inflow before financing activities	<i>HK\$ Million</i>	307	39	+687.2%

Note: The average number of shares in issue is 166,324,850 in 2010 (2009: 166,324,850).

CHAIRMAN'S LETTER

The HAECO Group reported an attributable profit of HK\$701 million in 2010, 2% higher than the attributable profit of HK\$688 million reported in 2009. Your Directors have recommended a final dividend for the year of HK\$1.65 per share which, together with the interim dividend of HK\$0.45 per share paid on 21st September 2010, results in a total distribution for the year of HK\$2.10 per share, compared to total dividends of HK\$2.00 per share in 2009.

As expected, 2010 was a mixed and challenging year for the Group. The results of Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") were adversely affected by reductions in demand for Boeing 747 passenger to freighter conversions and for airframe heavy maintenance. These factors were reflected in reduced utilisation of TAECO's hangars, a 15% reduction in TAECO's manhours sold. The new joint ventures in Mainland China suffered from start-up losses as expected. On the other hand, demand for line and heavy maintenance services in Hong Kong was strong, reflecting the general recovery in the aviation business. HAECO handled 12% more aircraft movements in Hong Kong in 2010 than in 2009 and sold 15% more manhours for airframe heavy maintenance. The results of the Group's engine overhaul jointly controlled companies (Hong Kong Aero Engine Services Limited ("HAESL") and Singapore Aero Engine Services Pte. Limited ("SAESL")) benefited from a stronger than expected recovery in demand for engine overhaul services, especially in the second half of the year.

The Group continued to invest in both Hong Kong and Mainland China in order to expand its facilities and technical capabilities and to improve and widen the range of services it can offer to customers. Total capital expenditure for 2010 was HK\$432 million. Committed capital expenditure at the end of the year was HK\$934 million. Taikoo Sichuan Aircraft Engineering Services Company Limited, in which the Group holds a 45.27% effective interest, opened its first hangar in Chengdu in August.

In September, the Company acquired an additional 2% shareholding in TAECO for HK\$62 million. The Company now owns 58.55% of TAECO.

The prospects for the Group in 2011 remain mixed. Assuming continued strength in the aviation industry generally, demand for HAECO's heavy and line maintenance services in Hong Kong is expected to remain strong in 2011. HAESL is also expected to perform well. TAECO's base maintenance operations are expected to recover modestly. The joint ventures in Mainland China are expected to be adversely affected by continued start up losses and by inflation and increased competition.

CHAIRMAN'S LETTER (cont'd)

In 2010, HAECO celebrated the 60th anniversary of its commencement of operations in Hong Kong. During the year, HAECO organised a number of events and activities to communicate its past successes to staff and customers. These successes were largely due to the commitment and reliability of HAECO's professional work force. HAECO will continue to spend significant amounts on training and systems with a view to improving operational efficiency. On behalf of the shareholders, I would like to thank all staff for their hard work and continuing support.

Christopher Pratt*Chairman*

Hong Kong, 8th March 2011

REVIEW OF OPERATIONS

The profit attributable to the Company's shareholders comprises:

	2010	2009	Change
	HK\$M	HK\$M	
HAECO	327	227	+44%
Share of:			
TAECO	53	106	-50%
HAESL and SAESL	380	363	+5%
Other subsidiary and jointly controlled companies	(59)	(8)	-638%
	701	688	+2%

HAECO

The Company's Hong Kong operations comprise airframe heavy maintenance in its hangars, line maintenance at the passenger and cargo terminals at Hong Kong International Airport ("HKIA"), component overhaul at Tseung Kwan O, inventory technical management and fleet technical management services.

Airframe Maintenance

The airframe heavy maintenance division does scheduled maintenance checks, modifications and overhaul work on a wide variety of aircraft types. HAECO competes on turnaround time and quality of workmanship with other maintenance, repair and overhaul facilities worldwide. Manhours sold increased from 2.39 million in 2009 to 2.74 million in 2010. The increase reflected robust demand for airframe heavy maintenance services following the recovery of the aviation industry. HAECO was able to meet this increase in demand partly as a result of the opening of a third hangar at HKIA in September 2009. Approximately 67% of airframe heavy maintenance work was for airlines based outside Hong Kong.

Line Maintenance

The line maintenance division provides technical and non-technical line maintenance services to airlines operating at HKIA. There was an increase in aircraft movements at HKIA in 2010 as the demand for cargo and passenger services grew. The average number of movements handled by HAECO was 278 per day in 2010, a 12% increase from 2009.

Component Overhaul

The component overhaul division occupies 7,000 square metres of workshop space at Tseung Kwan O. Despite competition from the equipment manufacturers, who are engaging more in the component overhaul business as part of their after sales service, HAECO has continued to invest with a view to enhancing its capabilities in this business. Manhours sold for component overhaul activities were 0.27 million in 2010, a 3% reduction from 2009. Utilisation of the component overhaul facilities during the year was reasonable.

REVIEW OF OPERATIONS (cont'd)

Inventory Technical Management and Fleet Technical Management

HAECO provides inventory technical management services for rotatable spares for Airbus A300-600F, A319, A320 and A330 aircraft and for Boeing 747-200F aircraft. The Company also provides fleet technical management services. Such services are provided for Airbus A319 and A320 aircraft and for Boeing 747-400F and 747-200F aircraft.

Total headcount for the Hong Kong operations increased by 7% during the year to 4,967 at the end of 2010.

TAECO

TAECO performs airframe heavy maintenance and passenger to freighter conversions using five wide body double bay hangars at Xiamen Gaoqi International Airport, with a sixth wide body double bay hangar due to open in mid 2011. TAECO also performs line maintenance operations in Beijing, Tianjin, Shanghai and Xiamen, handling an average of 48 aircraft movements per day in 2010.

TAECO reported a significant reduction in profitability in 2010, with profit attributable to the Company's shareholders down by 50% to HK\$53 million. Its facilities were severely under-utilised during the year; the passenger to freighter conversion business remained weak, with only three Boeing 747-400 aircraft being converted, and major customers for other airframe heavy maintenance required less work because of capacity reductions. Manhours sold decreased by 15% from 2.98 million in 2009 to 2.52 million in 2010. Despite measures taken to contain costs, the fact that a significant proportion of costs are fixed meant that profit fell substantially.

At the end of 2010, TAECO's headcount totalled 4,739, a 7% reduction compared to 5,094 at the end of 2009.

HAESL

HAESL (45% owned) repairs and overhauls Rolls-Royce engines and engine components at its facility at Tseung Kwan O. HAESL recorded a 1% increase in profit attributable to the Company's shareholders to HK\$320 million. A small reduction in volume was offset by a favourable work mix and by measures taken to control costs. The return to service of parked Cathay Pacific Boeing 747-400 aircraft resulted in increased work in the second half of 2010 and the increase is expected to continue in 2011.

SAESL, in which HAESL has a 20% interest, reported a strong profit growth in 2010, assisted by a faster than expected recovery in regional airline activity. A 12,000 square metre extension of SAESL's facilities was opened in February 2010.

The Group's share of the after-tax profit of HAESL, including its interest in SAESL, increased by 5% in 2010 to HK\$380 million.

FINANCIAL REVIEW

Turnover

Turnover increased by 6% to HK\$4,266 million, with an 8% increase in HAECO's turnover in Hong Kong being partly offset by a 7% decrease in that of TAECO.

	2010	2009	Change
	HK\$M	HK\$M	
HAECO	2,966	2,750	+8%
TAECO	1,177	1,260	-7%
Others	123	35	+251%
	4,266	4,045	+6%

Operating Expenses

Operating expenses increased by 5% to HK\$3,890 million in line with the business growth.

	2010	2009	Change
	HK\$M	HK\$M	
Staff remuneration and benefits	1,963	1,980	-1%
Cost of direct material and job expenses	1,048	921	+14%
Depreciation, amortisation and impairment	381	358	+6%
Other operating expenses	498	441	+13%
	3,890	3,700	+5%

FINANCIAL REVIEW (cont'd)

Profit

The change in profit attributable to the Company's shareholders can be analysed as follows:

	HK\$M	
2009 profit	688	
Turnover		
HAECO	216	The increase principally reflects increased airframe heavy maintenance (with 15% more manhours sold) and increased line maintenance (with 12% more aircraft movements). The increases in maintenance reflect the general recovery in the aviation industry.
TAECO	(83)	The decrease principally reflects reduced airframe heavy maintenance (with 15% fewer manhours sold). The reduction reflects fewer Boeing passenger to freighter conversions and capacity reductions by major customers.
Others	88	The increase principally reflects more landing gears overhauled in Taikoo (Xiamen) Landing Gear Services Company Limited, a new Jetstar line maintenance contract in Singapore HAECO Pte. Limited and the commencement of engine repair in Taikoo Engine Services (Xiamen) Company Limited ("TEXL").
Staff remuneration and benefits	17	The decrease principally reflects a decrease in retirement benefit expenses of the two retirement benefits schemes.
Cost of direct material and job expenses	(127)	The increase reflects an increase in business volume.
Depreciation, amortisation and impairment	(23)	The increase principally reflects the bringing into use of a new hangar.
Other operating expenses	(57)	
Share of after-tax results of jointly controlled companies	(13)	The decrease reflects start up losses at the new joint ventures in Mainland China.
Taxation	(33)	The increase reflects higher profits.
Other items	(22)	
Non-controlling interests	50	The increase reflects a lower profit of TAECO.
2010 profit	<u>701</u>	

Assets

Total assets as at 31st December 2010 were HK\$9,337 million. During the year, additions to fixed assets were HK\$362 million. Included in this amount was HK\$162 million spent on plant, machinery and tools and HK\$197 million spent on assets under construction (principally TAECO's sixth hangar and TEXL's engine overhaul facilities).

FINANCIAL REVIEW (cont'd)

Borrowings and Financing

At 31st December 2010, the Group had net borrowings of HK\$176 million and a gearing ratio of 2.7%. Net borrowings consisted of short-term loans of HK\$223 million and long-term loans of HK\$1,205 million, net of bank balances and short-term deposits of HK\$1,252 million. Borrowings are mainly denominated in US dollars and HK dollars, and are fully repayable by 2012. The increase in net borrowings was mainly due to additional borrowing by subsidiary companies to finance capital expenditure. Committed loan facilities amounted to HK\$2,264 million at 31st December 2010, of which HK\$963 million were undrawn. In addition, there were uncommitted facilities of HK\$423 million at the same date, of which HK\$294 million were undrawn.

Currency Hedging

The Group's income is primarily in HK and US dollars and is matched by expenditure in the same currencies. The exception to this is TAECO which has substantial Renminbi expenditure. TAECO reduces its exposure to changes in the exchange rate of the Renminbi against the US dollar by retaining surplus funds in Renminbi and by selling US dollars and HK dollars forward for Renminbi. At 31st December 2010, TAECO had sold forward a total of US\$27 million to fund part of its Renminbi requirement for 2011 and 2012.

Corporate Governance

The Board is committed to a high standard of corporate governance and has adopted the Code on Corporate Governance Practices (the "Code") promulgated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It has complied throughout the year with all the mandatory code provisions and with all the recommended best practices with the following exceptions:

- Independent Non-Executive Directors representing one-third of the Board (Section A.3.2 of the Code).
- quarterly reporting (Section C.1.4 of the Code) which the Board considers would provide little information of additional value to shareholders while increasing administrative costs and pressure to focus on short-term results rather than long-term value creation.
- establishing a nomination committee (Section A.4.4 of the Code) as the Board considers it is in the best interest of the Company and potential new appointees that they collectively review and approve the appointment of new directors.

Details of the Company's corporate governance principles and processes will be available in the 2010 annual report.

The annual results for the year have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2010

	Note	<u>2010</u> HK\$M	<u>2009</u> HK\$M
Turnover	2	4,266	4,045
Operating expenses:			
Staff remuneration and benefits		(1,963)	(1,980)
Cost of direct material and job expenses		(1,048)	(921)
Depreciation, amortisation and impairment		(381)	(358)
Insurance and utilities		(118)	(103)
Operating lease rentals - land and buildings		(136)	(129)
Repairs and maintenance		(123)	(121)
Other		(121)	(88)
		(3,890)	(3,700)
Other net gains	3	<u>21</u>	<u>40</u>
Operating profit		397	385
Net finance charges	4	<u>(8)</u>	<u>(5)</u>
Net operating profit		389	380
Share of after-tax results of jointly controlled companies		<u>407</u>	<u>420</u>
Profit before taxation		796	800
Taxation	5	<u>(73)</u>	<u>(40)</u>
Profit for the year		<u>723</u>	<u>760</u>
Profit attributable to:			
The Company's shareholders		701	688
Non-controlling interests		22	72
		<u>723</u>	<u>760</u>
Dividends			
Interim - paid		75	83
Final - proposed/paid		274	249
	6	<u>349</u>	<u>332</u>
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	7	<u>HK\$4.21</u>	<u>HK\$4.14</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2010

	<u>2010</u> HK\$M	<u>2009</u> HK\$M
Profit for the year	723	760
Other comprehensive income/(loss):		
Changes in cash flow hedges		
- recognised during the year	5	11
- deferred tax	-	7
- transferred to other net gains	-	(47)
Net translation differences on foreign operations	<u>34</u>	<u>1</u>
Other comprehensive income/(loss) for the year, net of tax	<u>39</u>	<u>(28)</u>
Total comprehensive income for the year	<u>762</u>	<u>732</u>
Total comprehensive income attributable to:		
The Company's shareholders	731	673
Non-controlling interests	<u>31</u>	<u>59</u>
	<u>762</u>	<u>732</u>

Note: Other than cash flow hedges as highlighted above, the item shown within other comprehensive income has no tax effect.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2010

	Note	<u>2010</u> HK\$M	<u>2009</u> HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,615	4,618
Leasehold land and land use rights		312	317
Intangible assets		570	551
Jointly controlled companies		1,064	988
Derivative financial instruments		1	4
Deferred tax assets		39	39
Retirement benefit assets		301	272
		<u>6,902</u>	<u>6,789</u>
Current assets			
Stocks of aircraft parts		289	221
Work in progress		147	111
Trade and other receivables	8	740	536
Taxation recoverable		-	8
Derivative financial instruments		7	13
Cash and cash equivalents		1,098	844
Short-term deposits		154	139
		<u>2,435</u>	<u>1,872</u>
Current liabilities			
Trade and other payables	9	972	989
Taxation payable		65	-
Derivative financial instruments		-	15
Short-term loans		223	425
Long-term loans due within one year		639	106
		<u>1,899</u>	<u>1,535</u>
Net current assets		<u>536</u>	<u>337</u>
Total assets less current liabilities		<u>7,438</u>	<u>7,126</u>
Non-current liabilities			
Long-term loans		566	595
Receipt in advance		69	79
Deferred tax liabilities		319	311
		<u>954</u>	<u>985</u>
NET ASSETS		<u>6,484</u>	<u>6,141</u>
EQUITY			
Share capital	10	166	166
Reserves	11	5,397	5,011
Equity attributable to the Company's shareholders		<u>5,563</u>	<u>5,177</u>
Non-controlling interests		<u>921</u>	<u>964</u>
TOTAL EQUITY		<u>6,484</u>	<u>6,141</u>

1. Basis of principal accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements set out in the Listing Rules of the Hong Kong Stock Exchange.

The Group has adopted the following revised HKFRS, amendments and interpretations effective from 1st January 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK-Int 5	Presentation of Financial Statements
Annual improvements to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants in May 2009	

The revised HKAS 27 requires changes in a parent company’s interest in subsidiary companies that do not result in any change of control to be accounted for within equity, with no impact on goodwill or gains and losses. If a change in interest results in a loss of control, any remaining interest in the equity is re-measured to fair value and a gain or loss will be recognised in the income statement. The revised HKAS 27 has also resulted in the renaming of “minority interests” as “non-controlling interests”.

The revised HKFRS 3 requires all payments to purchase a business to be recorded at fair value at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s assets. All acquisition-related costs should be expensed.

The acquisition of additional interests in TAECO during the year from a non-controlling interest has been accounted for in accordance with the revised HKAS 27 and HKFRS 3.

HK Interpretation 5 clarifies that the classification of a term loan as a current or non-current liability shall be determined by reference to the rights and obligations of the lender and the borrowers as contractually agreed. It is also dependent on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting date. This has had no impact on the accounts.

The adoption of other standards, revisions, amendments and interpretations does not result in substantial changes to the Group's accounting policies and has no significant effect on the results.

2. Turnover and segment information

Turnover represents the aggregated amounts invoiced to customers and changes in work in progress.

The Group is engaged in commercial aircraft overhaul, modification and maintenance mainly in Hong Kong and Mainland China. Management has determined the operating segments based on the reports used by the Board of Directors to assess performance and allocate resources. The Board considers the business primarily from an entity perspective.

The segment information provided to the Board of Directors for the reportable segments is as follows:

Year ended 31st December 2010	HAECO	TAECO	TEXL	HAESL		Other segments - subsidiary companies	Inter-segment elimination/unallocated adjustments	Total
				At 100%	Adjustments to reflect the Group's equity share			
External turnover	2,966	1,177	28	7,286	(7,286)	95	-	4,266
Inter-segment turnover	77	5	-	2	(2)	20	(102)	-
Total turnover	3,043	1,182	28	7,288	(7,288)	115	(102)	4,266
Operating profit/(loss)	399	89	(63)	854	(854)	(28)	-	397
Finance income	-	7	2	-	-	-	(1)	8
Finance charges	(3)	(3)	(7)	(3)	3	(4)	1	(16)
Share of after-tax results of jointly controlled companies	-	-	-	132	248	-	27	407
Profit/(loss) before taxation	396	93	(68)	983	(603)	(32)	27	796
Taxation (charge)/credit	(69)	5	2	(139)	139	(6)	(5)	(73)
Profit/(loss) for the year	327	98	(66)	844	(464)	(38)	22	723
Depreciation and amortisation	181	115	55	62	(62)	30	-	381
Reversal of provision for impairment of stock	-	-	-	(1)	1	-	-	-
Auditors' remuneration - statutory audit fees	1	1	-	-	-	-	-	2

2. Turnover and segment information (cont'd)

<u>Year ended 31st December 2009</u>	HAECO HK\$M	TAECO HK\$M	TEXL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
					Adjustments to reflect the Group's equity share HK\$M			
External turnover	2,708	1,260	-	7,033	(7,033)	36	-	4,004
Inter-segment turnover	116	5	-	2	(2)	9	(89)	41
Total turnover	<u>2,824</u>	<u>1,265</u>	<u>-</u>	<u>7,035</u>	<u>(7,035)</u>	<u>45</u>	<u>(89)</u>	<u>4,045</u>
Operating profit/(loss)	264	209	(43)	832	(832)	(45)	-	385
Finance income	1	5	1	-	-	-	-	7
Finance charges	(4)	(2)	(2)	(1)	1	(4)	-	(12)
Share of after-tax results of jointly controlled companies	-	-	-	104	259	-	57	420
Profit/(loss) before taxation	261	212	(44)	935	(572)	(49)	57	800
Taxation (charge)/credit	(33)	(20)	2	(129)	129	13	(2)	(40)
Profit/(loss) for the year	<u>228</u>	<u>192</u>	<u>(42)</u>	<u>806</u>	<u>(443)</u>	<u>(36)</u>	<u>55</u>	<u>760</u>
Depreciation and amortisation	156	126	26	59	(59)	26	-	334
Provision for impairment of stock and rotatable spares	26	5	-	8	(8)	-	-	31
Auditors' remuneration - statutory audit fees	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>At 31st December 2010</u>	HAECO HK\$M	TAECO HK\$M	TEXL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
					Adjustments to reflect the Group's equity share HK\$M			
Total segment assets	<u>4,204</u>	<u>2,549</u>	<u>1,300</u>	<u>2,678</u>	<u>(2,678)</u>	<u>373</u>	<u>(184)</u>	<u>8,242</u>
Total segment assets include: Additions to non-current assets (other than financial instruments, retirement benefit assets and deferred tax assets)	60	130	143	195	(195)	29	-	362
Total segment liabilities	<u>1,071</u>	<u>634</u>	<u>938</u>	<u>1,186</u>	<u>(1,186)</u>	<u>370</u>	<u>(160)</u>	<u>2,853</u>
<u>At 31st December 2009</u>	HAECO HK\$M	TAECO HK\$M	TEXL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
					Adjustments to reflect the Group's equity share HK\$M			
Total segment assets	<u>3,963</u>	<u>2,388</u>	<u>1,073</u>	<u>2,238</u>	<u>(2,238)</u>	<u>411</u>	<u>(192)</u>	<u>7,643</u>
Total segment assets include: Additions to non-current assets (other than financial instruments, retirement benefit assets and deferred tax assets)	426	199	167	157	(157)	2	-	794
Total segment liabilities	<u>1,140</u>	<u>539</u>	<u>659</u>	<u>916</u>	<u>(916)</u>	<u>369</u>	<u>(187)</u>	<u>2,520</u>

2. Turnover and segment information (cont'd)

	2010 HK\$M	2009 HK\$M
Reportable segments' assets are reconciled to total assets as follows:		
Total segment assets	8,242	7,643
Unallocated: investment in jointly controlled companies	1,064	988
Unallocated: intangible assets - goodwill	31	30
Total assets	<u>9,337</u>	<u>8,661</u>

The Group's jointly controlled companies, except for SAESL, are held by HAECO and TAECO.

Reportable segments' liabilities are equal to total liabilities.

3. Other net gains

	Group	
	2010 HK\$M	2009 HK\$M
Net foreign exchange gains	27	40
Loss on disposal of property, plant and equipment	(6)	-
	<u>21</u>	<u>40</u>

4. Net finance charges

	Group	
	2010 HK\$M	2009 HK\$M
Finance income:		
Short-term deposits and bank balances	8	7
Finance charges:		
Bank loans	(16)	(12)
	<u>(8)</u>	<u>(5)</u>

5. Taxation

	Group	
	2010	2009
	HK\$M	HK\$M
Current taxation:		
Hong Kong profits tax	65	-
Overseas taxation	8	9
Over-provisions in prior years	(8)	(8)
	<u>65</u>	<u>1</u>
Deferred taxation:		
Increase in deferred tax liabilities	8	39
	<u>73</u>	<u>40</u>

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of jointly controlled companies' tax charge of HK\$70 million (2009: HK\$70 million) is included in the share of after-tax results of jointly controlled companies shown in the consolidated income statement.

6. Dividends

	Company	
	2010	2009
	HK\$M	HK\$M
Interim dividend, paid on 21st September 2010, of HK\$0.45 per share (2009: HK\$0.50 per share)	75	83
Proposed final dividend of HK\$1.65 per share (2009 actual dividend paid: HK\$1.50 per share)	274	249
	<u>349</u>	<u>332</u>

Subject to the approval of the 2010 final dividend by the shareholders at the Annual General Meeting on 17th May 2011, it is expected that the final dividend will be paid on 26th May 2011 to shareholders registered at the close of business on the record date, being 17th May 2011. The share register will be closed from 11th May 2011 to 17th May 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for entitlement to the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 9th May 2011.

The proposed final dividend is not accounted for until it has been approved at the Annual General Meeting. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2011.

7. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK\$701 million (2009: HK\$688 million) by the weighted average number of 166,324,850 ordinary shares in issue during the year (2009: 166,324,850).

8. Trade and other receivables

	Group	
	2010	2009
	HK\$M	HK\$M
Trade receivables - in HK dollars	57	97
in US dollars	291	204
in other currencies	42	29
	390	330
Less: Provision for impairment of receivables	-	(2)
	390	328
Amounts due from jointly controlled companies	52	33
Amounts due from related parties	101	49
Other receivables and prepayments	197	126
	740	536

The ageing analysis of trade receivables is as follows:

	Group	
	2010	2009
	HK\$M	HK\$M
Current	166	177
Up to 3 months overdue	132	78
3 to 6 months overdue	15	5
Over 6 months overdue	77	70
	390	330

At 31st December 2010, no trade receivables of the Group (2009: HK\$2 million) were considered impaired and provided for. The impaired trade receivables relate to customers which are in unexpectedly difficult financial situations. The ageing of these receivables is as follows:

	Group	
	2010	2009
	HK\$M	HK\$M
Up to 3 months overdue	-	2
	-	2

9. Trade and other payables

	Group	
	2010	2009
	HK\$M	HK\$M
Trade payables	71	77
Amounts due to jointly controlled companies	3	2
Amounts due to related parties	17	21
Other payables and accruals	881	889
	972	989

The ageing analysis of trade payables is as follows:

	Group	
	2010	2009
	HK\$M	HK\$M
Current	67	70
Up to 3 months overdue	4	7
	71	77

10. Share capital

During the year, no purchase, sale or redemption of the Company's shares has been effected on the Hong Kong Stock Exchange by the Company or its subsidiary companies (2009: nil).

11. Reserves

	Revenue reserve		Capital redemption reserve		Exchange translation reserve		Cash flow hedge reserve		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Group										
At 1st January	4,980	4,749	19	19	11	10	1	17	5,011	4,795
Profit for the year	701	688	-	-	-	-	-	-	701	688
Other comprehensive income										
Cash flow hedges										
- recognised during the year	-	-	-	-	-	-	3	6	3	6
- deferred tax	-	-	-	-	-	-	-	4	-	4
- transferred to other net gains	-	-	-	-	-	-	-	(26)	-	(26)
Net translation differences on foreign operations	-	-	-	-	27	1	-	-	27	1
Total comprehensive income/(loss) for the year	701	688	-	-	27	1	3	(16)	731	673
Previous year's final dividend paid	(249)	(374)	-	-	-	-	-	-	(249)	(374)
Current year's interim dividend paid	(75)	(83)	-	-	-	-	-	-	(75)	(83)
Change in composition of Group	(21)	-	-	-	-	-	-	-	(21)	-
At 31st December	5,336	4,980	19	19	38	11	4	1	5,397	5,011

12. Capital commitments

	Group	
	2010	2009
	HK\$M	HK\$M
Contracted but not provided for in the financial statements	303	201
Authorised by Directors but not contracted for	631	1,182
	934	1,383

Capital commitments mainly relate to the acquisition of rotatable spares by the Company, the construction of a sixth hangar by TAECO and engine overhaul facilities by TEXTL at Xiamen, Mainland China.

13. Financial guarantees

The Company has guaranteed the drawn components of bank loans of a subsidiary company.

	Company	
	2010	2009
	HK\$M	HK\$M
Bank loans of a subsidiary company	653	448

ANNUAL REPORT

The 2010 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company's website www.haeco.com. Copies will be made available to shareholders in printed or electronic form on 7th April 2011.

LIST OF DIRECTORS

The Directors of the Company as at the date of this announcement 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 and D.C.L. Tong.

By Order of the Board

Hong Kong Aircraft Engineering Company Limited

Christopher Pratt

Chairman

Hong Kong, 8th March 2011

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