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HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00044)

2012 FINAL RESULTS

FINANCIAL HIGHLIGHTS

		2012	2011	Change
Results				
Turnover	*HK$ Million*	**5,830**	5,171	+12.7%
Net operating profit	*HK$ Million*	**477**	525	-9.1%
Share of after-tax results of jointly controlled companies				
- Hong Kong Aero Engine Services Limited and Singapore Aero Engine Services Pte. Limited	*HK$ Million*	**531**	415	+28.0%
- Other jointly controlled companies	*HK$ Million*	**33**	20	+65.0%
Profit attributable to the Company's shareholders	*HK$ Million*	**876**	821	+6.7%
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	*HK$*	**5.27**	4.94	+6.7%
Total interim dividends per share	*HK$*	**2.88**	2.60	+10.8%
Special dividend per share	*HK$*	**-**	3.40	-100.0%
Total dividends per share	*HK$*	**2.88**	6.00	-52.0%
Financial Position				
Net borrowings	*HK$ Million*	**261**	106	+146.2%
Gearing ratio	*%*	**3.7**	1.5	+2.2%pt
Total equity	*HK$ Million*	**6,993**	7,090	-1.4%
Equity attributable to the Company's shareholders per share	*HK$*	**35.21**	36.52	-3.6%
Cash Flows				
Net cash generated from operating activities	*HK$ Million*	**684**	625	+9.4%
Net cash inflow before financing activities	*HK$ Million*	**813**	587	+38.5%

Note: The average number of shares in issue is 166,324,850 in 2012 (2011: 166,324,850).

CHAIRMAN'S LETTER

The HAECO Group reported an attributable profit of HK$876 million in 2012, 6.7% higher than that of HK$821 million in 2011. Earnings per share increased by 6.7% to HK$5.27. Turnover increased by 12.7% to HK$5,830 million.

The Directors have declared a second interim dividend (in lieu of a final dividend) of HK$2.00 per share. Together with the first interim dividend of HK$0.88 per share paid on 18th September 2012, this results in total dividends for 2012 of HK$2.88 per share. Total dividends for 2011 were HK$2.60 per share, excluding a special dividend of HK$3.40 per share. The second interim dividend, which totals HK$333 million (2011: HK$316 million), will be paid on 23rd April 2013 to shareholders on the register at the close of business on 2nd April 2013.

Demand for HAECO's airframe maintenance and line maintenance in Hong Kong was strong in 2012, although there were fewer cargo flights for which to undertake line maintenance. 4.6% more aircraft movements were handled in 2012 than in 2011. HAECO was not able to meet the demand for airframe maintenance in the second half of 2012 because of a shortage of skilled and semi-skilled labour. 1.3% fewer manhours were sold by HAECO for airframe maintenance in 2012 than in 2011. Results from Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") were adversely affected by exchange rate and deferred tax movements. Hong Kong Aero Engine Services Limited ("HAESL") and Singapore Aero Engine Services Pte. Limited ("SAESL") did well in 2012, with stronger than expected demand for engine overhaul services. The Group's joint ventures in Mainland China continued to develop technical capabilities. Output was higher, but losses continued to be incurred because of under-utilisation of facilities.

The Group continued to invest in facility expansion and technical capabilities in Hong Kong and Mainland China in order to improve and widen the range of aircraft engineering services provided to customers. Total capital expenditure for 2012 was HK$364 million with a further HK$482 million committed at the end of the year. In November 2012, HAECO and Cathay Pacific Airways Limited ("Cathay Pacific") formed a joint venture to undertake inventory technical management for Cathay Pacific, Hong Kong Dragon Airlines Limited ("Dragonair") and other airlines. During the year, TAECO started work on its first Airbus corporate jet cabin completion. Taikoo Engine Services (Xiamen) Company Limited ("TEXL") completed six performance restorations on GE90-115B engines. The Group's interest in a line maintenance provider in Shanghai has increased from 49% to 75%. There was a fire at the premises of Taikoo (Xiamen) Landing Gear Services Company Limited ("TALSCO") in November 2012. No work has been done at the premises since then and the recovery of operations is likely to take more than nine months; provisions for impairment and other losses, net of insurance receivables, of HK$4 million, have been recognised.

CHAIRMAN'S LETTER (cont'd)

HAECO expects to do less airframe maintenance work in Hong Kong in 2013 than in 2012, with labour shortages restricting manhours expected to be sold in the first half to 1.2 million compared with 1.6 million in the first half of 2012. Although these labour shortages may ease in the second half of 2013, the first half shortfall is likely to have a material adverse effect on overall Group turnover and profit for the full year. Line maintenance services in Hong Kong are expected to remain stable. TAECO's airframe maintenance business is expected to improve slightly, assisted by its first Airbus corporate jet cabin completion. HAESL's performance in 2013 is expected to be adversely affected by the early retirement of some of Cathay Pacific's Boeing 747-400 aircraft and by a reduction in the required frequency of scheduled maintenance on Trent 700 engines, which power the Airbus A330 aircraft. The joint ventures in Mainland China are expected to continue to be affected by under-utilisation of facilities. The HAECO Group will continue to take measures to improve productivity in order to mitigate the effect of cost increases.

The commitment and hard work of employees of the Company and its subsidiary and jointly controlled companies are central to our continuing success. I take this opportunity to thank them.

By Order of the Board
Hong Kong Aircraft Engineering Company Limited
Christopher Pratt
Chairman
Hong Kong, 12th March 2013

REVIEW OF OPERATIONS

The profit attributable to the Company's shareholders comprises:

	2012	2011	Change
	HK$M	HK$M	
HAECO	329	381	-13.6%
TAECO	70	98	-28.6%
Share of:			
HAESL and SAESL	531	415	+28.0%
Other subsidiary and jointly controlled companies	(54)	(73)	+26.0%
	876	821	+6.7%

HAECO

HAECO's business (all in Hong Kong) comprises airframe maintenance, line maintenance at the passenger and cargo terminals at Hong Kong International Airport ("HKIA"), component and avionics overhaul, inventory technical management and fleet technical management.

Airframe Maintenance

HAECO performs scheduled maintenance checks, modifications and overhaul work on a wide variety of aircraft types. It competes on turnaround time and quality of workmanship with other maintenance, repair and overhaul facilities worldwide. Manhours sold decreased from 3.00 million in 2011 to 2.96 million in 2012. Demand for HAECO's airframe maintenance services in Hong Kong was firm throughout 2012, but the Company was not able to meet this demand in the second half because of a shortage of skilled and semi-skilled labour. Approximately 76% of airframe maintenance work was for airlines based outside Hong Kong.

Line Maintenance

HAECO undertakes technical and non-technical line maintenance for airlines operating at HKIA. There was an increase in aircraft movements at HKIA in 2012 as the demand for passenger services grew despite there being fewer cargo flights. The average number of aircraft movements handled by HAECO was 320 per day in 2012, a 4.6% increase from 2011.

Component and Avionics Overhaul

HAECO overhauls components and avionics in 7,000 square metres of workshop space at Tseung Kwan O in Hong Kong. There was a slight decrease in manhours sold in 2012. Demand was firm, but HAECO could not meet it because of a shortage of labour.

Inventory Technical Management and Fleet Technical Management

During the year, HAECO provided inventory technical management for rotable spares for Airbus A300-600F, A319, A320 and A330 aircraft and Boeing 747-200F and 747-800 aircraft and fleet technical management for Airbus A319 and A320 aircraft and Boeing 747-400F aircraft. Since 1st November 2012, the Group's inventory technical management services have been conducted by HAECO ITM Limited.

HAECO employed 5,070 staff at the end of 2012, 0.6% less than at the end of 2011.

REVIEW OF OPERATIONS (cont'd)

TAECO

TAECO's business is airframe maintenance, line maintenance, freighter conversions and cabin reconfigurations. TAECO's six hangars in Xiamen can accommodate 12 wide-body and five narrow-body aircraft at the same time.

Manhours sold by TAECO were 3.42 million in 2012, the same as in 2011. TAECO's hangars were generally well occupied in 2012 (except in July and August), but lower work content per aircraft resulted in less efficient use of the hangars than in 2011. Demand for cabin modifications, on Airbus A330 aircraft and on Boeing 747, 767 and 777 aircraft, was strong. Five passenger to freighter conversions were done in 2012, the same number as in 2011. Demand for conversion of wide-body passenger aircraft to freighters was weak, but that for the conversion of narrow-body (Boeing 737 and 757) passenger aircraft to freighters was strong.

TAECO undertakes line maintenance in Xiamen, Beijing and Tianjin. An average of 49 aircraft movements per day were handled in 2012, 14.0% lower than in 2011. The reduction reflected the fact that line maintenance in Shanghai (which had previously been handled by TAECO) was handled by the Shanghai Taikoo Aircraft Engineering Services Company Limited joint venture.

TAECO's revenue from technical training increased by 8.7% in 2012 from 2011.

TAECO employed 5,144 staff at the end of 2012, 1.8% less than at the end of 2011.

HAESL

HAESL (45% owned by HAECO) repairs and overhauls Rolls-Royce engines and engine components at Tseung Kwan O in Hong Kong. HAESL recorded a 25.9% increase in profit in 2012 compared to 2011, reflecting an increase in the number of engines overhauled and in the amount of work done per engine. Engine output was 220, compared with 194 in 2011. Business was adversely affected by the early retirement of some old Cathay Pacific Boeing 747-400 aircraft (the Rolls-Royce engines on which would have required a lot of maintenance to keep them flying). But this was more than offset by extra business from other airlines using old engines.

The Group's share of the after-tax profit of HAESL, including that derived from HAESL's interest in SAESL, increased by 28.0% in 2012 to HK$531 million.

HAECO

FINANCIAL REVIEW

Turnover

Turnover in 2012 increased by 12.7% to HK$5,830 million, with a 3.4% increase in HAECO's turnover and a 5.5% increase in that of TAECO.

	2012	2011	Change
	HK$M	HK$M	
HAECO	**3,421**	3,307	+3.4%
TAECO	**1,668**	1,581	+5.5%
Others	**741**	283	+161.8%
	5,830	5,171	+12.7%

Operating Expenses

Operating expenses increased by 14.1% to HK$5,328 million.

	2012	2011	Change
	HK$M	HK$M	
Staff remuneration and benefits	**2,551**	2,366	+7.8%
Cost of direct material and job expenses	**1,706**	1,260	+35.4%
Depreciation, amortisation and impairment	**490**	439	+11.6%
Other operating expenses	**581**	605	-4.0%
	5,328	4,670	+14.1%

FINANCIAL REVIEW (cont'd)

Profit

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

	HK$M	
2011 profit	821	
Turnover		
HAECO	114	The increase principally reflects a 4.6% increase in line maintenance aircraft movements partly offset by a 1.3% decrease in airframe maintenance manhours sold. The decrease in airframe maintenance manhours reflects shortages of skilled and semi-skilled labour.
TAECO	87	The increase mainly reflects new revenue from cabin modification work.
Others	458	The increase mainly reflects a 111.1% increase in workloads at TEXL and a 113.8% increase in landing gear output at TALSCO.
Staff remuneration and benefits	(185)	The increase reflects higher salaries in Mainland China and Hong Kong and higher retirement fund expenses in Hong Kong, partially offset by the effect of a reduction in the number of skilled and semi-skilled staff in Hong Kong.
Cost of direct material and job expenses	(446)	The increase reflects an increase in business volume, mainly at TEXL, where such expenses increased by HK$359 million.
Depreciation, amortisation and impairment	(51)	The increase principally reflects a full year's depreciation of a new hangar at TAECO and the impairment of building and machinery resulting from a fire at TALSCO.
Other operating expenses	24	
Share of after-tax results of jointly controlled companies	129	The increase reflects higher profits from HAESL and SAESL.
Taxation	(48)	The increase reflects the change in tax rate at TAECO and a write-off of deferred tax assets at TALSCO.
Other items	(49)	This includes a loss on forward foreign exchange contracts at TAECO.
Non-controlling interests	22	The decrease principally reflects lower profits at TAECO.
2012 profit	876	

FINANCIAL REVIEW (cont'd)

Assets

Total assets as at 31st December 2012 were HK$10,688 million. During the year, additions to fixed assets were HK$337 million. Included in this amount was HK$179 million spent on plant, machinery and tools and HK$70 million spent on rotable and repairable spares for inventory technical management.

Borrowings and Financing

At 31st December 2012, the Group had net borrowings of HK$261 million (2011: HK$106 million) and a gearing ratio of 3.7%. Net borrowings consisted of short-term loans of HK$159 million and long-term loans of HK$1,525 million, net of bank balances and short-term deposits of HK$1,423 million. Borrowings are mainly denominated in US dollars and HK dollars, and are fully repayable by 2017. The increase in net borrowings mainly reflects the special dividend (of HK$566 million) paid in respect of 2011. Committed loan facilities amounted to HK$4,469 million at 31st December 2012, of which HK$3,150 million were undrawn. In addition, there were uncommitted facilities of HK$1,131 million at the same date, of which HK$752 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 is TAECO which has substantial Renminbi expenditure, but whose revenue is substantially in US dollars. TAECO mitigates its exposure to changes in the exchange rate of the US dollar against Renminbi by retaining surplus funds in Renminbi and by selling US dollars forward. At 31st December 2012, TAECO had sold forward a total of US$130 million to fund part of its Renminbi requirements from 2013 to 2015. The weighted average exchange rate applicable to these forward sales was RMB6.34 to US$1.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. The Company complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year with the following exceptions which it believes do not benefit shareholders:

- Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by both the potential Director and the Board as to suitability for the role.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

Details of the Company's corporate governance principles and processes will be available in the 2012 annual report.

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

HAECO

CONSOLIDATED INCOME STATEMENT
for the year ended 31st December 2012

	Note	2012 HK$M	2011 HK$M
Turnover	2	**5,830**	5,171
Operating expenses:			
Staff remuneration and benefits		**(2,551)**	(2,366)
Cost of direct material and job expenses		**(1,706)**	(1,260)
Depreciation, amortisation and impairment		**(490)**	(439)
Insurance and utilities		**(86)**	(131)
Operating lease rentals - land and buildings		**(172)**	(157)
Repairs and maintenance		**(142)**	(165)
Other		**(181)**	(152)
		(5,328)	(4,670)
Other net (losses)/gains	3	**(8)**	31
Operating profit		**494**	532
Finance income	4	**18**	18
Finance charges	4	**(35)**	(25)
Net operating profit		**477**	525
Share of after-tax results of jointly controlled companies		**564**	435
Profit before taxation		**1,041**	960
Taxation	5	**(132)**	(84)
Profit for the year		**909**	876
Profit attributable to:			
The Company's shareholders		**876**	821
Non-controlling interests		**33**	55
		909	876
Dividends			
First interim - paid		**146**	116
Second interim - declared		**333**	316
Special - paid		**-**	566
	6	**479**	998
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	7	**HK$5.27**	HK$4.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2012

	2012	2011
	HK$M	HK$M
Profit for the year	**909**	876
Other comprehensive income:		
Cash flow hedges		
- deferred tax	**-**	1
- transferred to other net gains	**-**	(8)
Share of other comprehensive income of a jointly controlled company	**3**	(2)
Net translation differences on foreign operations	**18**	189
Other comprehensive income for the year, net of tax	**21**	180
Total comprehensive income for the year	**930**	1,056
Total comprehensive income attributable to:		
The Company's shareholders	**888**	925
Non-controlling interests	**42**	131
	930	1,056

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

HAECO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2012

	Note	2012 HK$M	2011 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,793**	4,893
Leasehold land and land use rights		**362**	370
Intangible assets		**528**	560
Jointly controlled companies		**1,171**	1,100
Derivative financial instruments		**2**	3
Deferred tax assets		**46**	69
Retirement benefit assets		**343**	320
Long-term prepayment		**12**	-
		7,257	7,315
Current assets			
Stocks of aircraft parts		**295**	310
Work in progress		**213**	143
Trade and other receivables	8	**1,497**	993
Derivative financial instruments		**3**	5
Cash and cash equivalents		**1,418**	1,320
Short-term deposits		**5**	24
		3,431	2,795
Current liabilities			
Trade and other payables	9	**1,415**	1,157
Taxation payable		**58**	18
Derivative financial instruments		**1**	-
Short-term loans		**159**	154
Long-term loans due within one year		**103**	1,003
		1,736	2,332
Net current assets		**1,695**	463
Total assets less current liabilities		**8,952**	7,778
Non-current liabilities			
Long-term loans		**1,422**	293
Receipt in advance		**48**	58
Deferred income		**10**	-
Advance from a related party		**90**	-
Put option in respect of non-controlling interest in a subsidiary company		**72**	-
Deferred tax liabilities		**309**	336
Derivative financial instruments		**8**	1
		1,959	688
NET ASSETS		**6,993**	7,090
EQUITY			
Share capital	10	**166**	166
Reserves	11	**5,691**	5,909
Equity attributable to the Company's shareholders		**5,857**	6,075
Non-controlling interests		**1,136**	1,015
TOTAL EQUITY		**6,993**	7,090

HAECO

1. Basis of principal accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Hong Kong Accounting Standard and HKFRS amendments effective from 1st July 2011 have not resulted in any significant impact on the results and financial position of the Group.

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 Executive Directors of the Board to assess performance and allocate resources. The Board considers the business primarily from an entity perspective.

2. Turnover and segment information (cont'd)

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

Year ended 31st December 2012	HAECO	TAECO	TEXL	HAESL At 100%	HAESL Adjustments to reflect the Group's equity share	Other segments - subsidiary companies	Inter-segment elimination/ unallocated adjustments	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
External turnover	**3,421**	**1,668**	**567**	**12,114**	**(12,114)**	**174**	**-**	**5,830**
Inter-segment turnover	**53**	**28**	**-**	**4**	**(4)**	**16**	**(97)**	**-**
Total turnover	**3,474**	**1,696**	**567**	**12,118**	**(12,118)**	**190**	**(97)**	**5,830**
Operating profit/(loss)	**403**	**161**	**(64)**	**1,170**	**(1,170)**	**(6)**	**-**	**494**
Finance income	**5**	**13**	**2**	**-**	**-**	**-**	**(2)**	**18**
Finance charges	**(11)**	**(5)**	**(14)**	**(4)**	**4**	**(7)**	**2**	**(35)**
Share of after-tax results of jointly controlled companies	**-**	**-**	**-**	**208**	**323**	**-**	**33**	**564**
Profit/(loss) before taxation	**397**	**169**	**(76)**	**1,374**	**(843)**	**(13)**	**33**	**1,041**
Taxation (charge)/credit	**(68)**	**(45)**	**1**	**(193)**	**193**	**(16)**	**(4)**	**(132)**
Profit/(loss) for the year	**329**	**124**	**(75)**	**1,181**	**(650)**	**(29)**	**29**	**909**
Depreciation and amortisation	**190**	**153**	**66**	**88**	**(88)**	**34**	**-**	**443**
Provision for impairment of stock and property, plant and equipment	**19**	**-**	**-**	**-**	**-**	**45**	**-**	**64**
Reversal of impairment of property, plant and equipment	**(11)**	**-**	**-**	**-**	**-**	**-**	**-**	**(11)**
Auditors' remuneration - statutory audit fees	**2**	**1**	**-**	**-**	**-**	**-**	**-**	**3**

Year ended 31st December 2011	HAECO	TAECO	TEXL	HAESL At 100%	HAESL Adjustments to reflect the Group's equity share	Other segments - subsidiary companies	Inter-segment elimination/ unallocated adjustments	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
External turnover	3,307	1,581	170	9,404	(9,404)	113	-	5,171
Inter-segment turnover	71	4	-	7	(7)	19	(94)	-
Total turnover	3,378	1,585	170	9,411	(9,411)	132	(94)	5,171
Operating profit/(loss)	456	173	(80)	930	(930)	(18)	1	532
Finance income	5	13	3	1	(1)	-	(3)	18
Finance charges	(5)	(4)	(12)	(3)	3	(7)	3	(25)
Share of after-tax results of jointly controlled companies	-	-	-	149	266	-	20	435
Profit/(loss) before taxation	456	182	(89)	1,077	(662)	(25)	21	960
Taxation (charge)/credit	(75)	(12)	2	(155)	155	5	(4)	(84)
Profit/(loss) for the year	381	170	(87)	922	(507)	(20)	17	876
Depreciation and amortisation	194	132	62	71	(71)	33	-	421
Provision for/(written back of) impairment of stock and rotable spares	28	4	-	(2)	2	-	-	32
Auditors' remuneration - statutory audit fees	2	1	-	-	-	-	-	3

2. Turnover and segment information (cont'd)

At 31st December 2012	HAECO	TAECO	TEXL	HAESL At 100%	HAESL Adjustments to reflect the Group's equity share	Other segments - subsidiary companies	Inter-segment elimination/ unallocated adjustments	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Total segment assets	**4,448**	**3,022**	**1,483**	**3,626**	**(3,626)**	**940**	**(407)**	**9,486**
Total segment assets include: Additions to non-current assets (other than financial instruments, retirement benefit assets and deferred tax assets)	**141**	**83**	**41**	**88**	**(88)**	**347**	**(275)**	**337**
Total segment liabilities	**1,462**	**744**	**896**	**1,978**	**(1,978)**	**895**	**(374)**	**3,623**

At 31st December 2011	HAECO	TAECO	TEXL	HAESL At 100%	HAESL Adjustments to reflect the Group's equity share	Other segments - subsidiary companies	Inter-segment elimination/ unallocated adjustments	Total
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Total segment assets	4,683	2,955	1,369	3,825	(3,825)	392	(420)	8,979
Total segment assets include: Additions to non-current assets (other than financial instruments, retirement benefit assets and deferred tax assets)	236	259	87	142	(142)	24	-	606
Total segment liabilities	1,145	770	1,095	2,275	(2,275)	400	(390)	3,020

	2012	2011
	HK$M	HK$M
Reportable segments' assets are reconciled to total assets as follows:		
Total segment assets	**9,486**	8,979
Unallocated: investment in jointly controlled companies	**1,171**	1,100
Unallocated: intangible assets - goodwill	**31**	31
Total assets	**10,688**	10,110

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

	2012	2011
	HK$M	HK$M
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Total segment liabilities	**3,623**	3,020
Unallocated: put option in respect of non-controlling interest in a subsidiary company	**72**	-
Total liabilities	**3,695**	3,020

3. Other net (losses)/gains

	Group 2012 HK$M	Group 2011 HK$M
Net foreign exchange (losses)/gains	**(8)**	36
Loss on disposal of property, plant and equipment	**(1)**	(5)
Amortisation of deferred income	**1**	-
	(8)	31

4. Finance income and finance charges

	Group 2012 HK$M	Group 2011 HK$M
Finance income:		
Short-term deposits and bank balances	**13**	16
Loans due from jointly controlled companies	**5**	2
Finance charges:		
Bank loans	**(35)**	(25)
	(17)	(7)

5. Taxation

	Group 2012 HK$M	Group 2011 HK$M
Current taxation:		
Hong Kong profits tax	**97**	64
Overseas taxation	**27**	32
Under-provisions in prior years	**10**	20
	134	116
Deferred taxation:		
Increase in deferred tax assets	**(34)**	(31)
Increase/(decrease) in deferred tax liabilities	**32**	(1)
	132	84

Hong Kong profits tax is calculated at 16.5% (2011: 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.

HAECO

5. Taxation (cont'd)

The Group's share of jointly controlled companies' tax charge of HK$99 million (2011: HK$91 million) is included in the share of after-tax results of jointly controlled companies shown in the consolidated income statement.

6. Dividends

	Company	
	2012	2011
	HK$M	HK$M
First interim dividend paid on 18th September 2012 of HK$0.88 per share (2011: HK$0.70 per share)	**146**	116
Second interim dividend (in lieu of a final dividend) declared on 12th March 2013 of HK$2.00 per share (2011: HK$1.90 per share)	**333**	316
Special dividend: nil (2011: HK$3.40 per share)	-	566
	479	998

The Directors have declared a second interim dividend of HK$2.00 per share for the year ended 31st December 2012. The second interim dividend will be in lieu of a final dividend. Together with the first interim dividend of HK$0.88 per share paid on 18th September 2012, this makes a total dividend for the year of HK$2.88 per share. This represents a total distribution for the year of HK$479 million. The second interim dividend will be paid on 23rd April 2013 to shareholders registered at the close of business on the record date, being Tuesday, 2nd April 2013. Shares of the Company will be traded ex-dividend as from Wednesday, 27th March 2013.

The register of members will be closed on Tuesday, 2nd April 2013 during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim 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 Thursday, 28th March 2013.

To facilitate the processing of proxy voting for the annual general meeting to be held on 7th May 2013, the register of members will be closed from Thursday, 2nd May 2013 to Tuesday, 7th May 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, 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 Tuesday, 30th April 2013.

The second interim dividend is not accounted for because it had not been declared and approved at the reporting date. The actual amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2013.

7. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders of HK$876 million (2011: HK$821 million) by the weighted average number of 166,324,850 ordinary shares in issue during the year (2011: 166,324,850).

8. Trade and other receivables

		Group	
		2012	2011
		HK$M	HK$M
Trade receivables -	in HK dollars	**28**	48
	in US dollars	**320**	364
	in other currencies	**118**	38
		466	450
Less: Provision for impairment of receivables		**(21)**	(5)
		445	445
Amounts due from jointly controlled companies		**137**	113
Amounts due from related parties		**431**	183
Other receivables and prepayments		**484**	252
		1,497	993

The ageing analysis of the age of trade receivables at year-end is as follows:

	Group	
	2012	2011
	HK$M	HK$M
Current	**226**	251
Up to 3 months overdue	**186**	167
3 to 6 months overdue	**20**	14
Over 6 months overdue	**34**	18
	466	450

At 31st December 2012, trade receivables of the Group of HK$21 million (2011: HK$5 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	
	2012	2011
	HK$M	HK$M
3 to 6 months overdue	**1**	4
Over 6 months overdue	**20**	1
	21	5

9. Trade and other payables

	Group	
	2012	2011
	HK$M	HK$M
Trade payables	**116**	88
Amounts due to jointly controlled companies	**14**	1
Amounts due to related parties	**25**	41
Interest-bearing advance from a related partly at 1.83%	**-**	24
Accrued capital expenditure	**74**	94
Accruals	**958**	700
Other payables	**228**	209
	1,415	1,157

The analysis of the age of trade payables at year-end is as follows:

	Group	
	2012	2011
	HK$M	HK$M
Current	**79**	75
Up to 3 months overdue	**34**	12
3 to 6 months overdue	**1**	1
Over 6 months overdue	**2**	-
	116	88

10. Share capital

During the year, the Company did not purchase, sell or redeem any of its shares.

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11. Reserves

	Revenue reserve		Capital redemption reserve		Exchange translation reserve		Cash flow hedge reserve		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Group										
At 1st January	**5,744**	5,336	**19**	19	**148**	38	**(2)**	4	**5,909**	5,397
Profit for the year	**876**	821	**-**	-	**-**	-	**-**	-	**876**	821
Other comprehensive income										
Cash flow hedges										
- deferred tax	**-**	-	**-**	-	**-**	-	**-**	1	**-**	1
- transferred to other net gains	**-**	-	**-**	-	**-**	-	**-**	(5)	**-**	(5)
Share of other comprehensive income of a jointly controlled company	**-**	-	**-**	-	**-**	-	**3**	(2)	**3**	(2)
Net translation differences on foreign operations	**-**	-	**-**	-	**9**	110	**-**	-	**9**	110
Total comprehensive income for the year	**876**	821	**-**	-	**9**	110	**3**	(6)	**888**	925
Change in tax treatment for retirement benefits	**-**	(23)	**-**	-	**-**	-	**-**	-	**-**	(23)
Previous year's second interim/final dividend paid	**(316)**	(274)	**-**	-	**-**	-	**-**	-	**(316)**	(274)
Previous year's special dividend paid	**(566)**	-	**-**	-	**-**	-	**-**	-	**(566)**	-
Current year's first interim dividend paid	**(146)**	(116)	**-**	-	**-**	-	**-**	-	**(146)**	(116)
Change in composition of Group	**(6)**	-	**-**	-	**-**	-	**-**	-	**(6)**	-
Put option in respect of non-controlling interest in a subsidiary company	**(72)**	-	**-**	-	**-**	-	**-**	-	**(72)**	-
At 31st December	**5,514**	5,744	**19**	19	**157**	148	**1**	(2)	**5,691**	5,909

12. Capital commitments

	Group	
	2012	2011
	HK$M	HK$M
Contracted but not provided for in the financial statements	**90**	111
Authorised by Directors but not contracted for	**392**	444
	482	555

Capital commitments mainly relate to the acquisition of rotable spares and other machinery and tools.

13. Financial guarantees

	Group	
	2012	2011
	HK$M	HK$M
Guarantees provided in respect of loans of:		
Jointly controlled companies	**68**	55

ANNUAL REPORT

The 2012 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website www.haeco.com on or before 3rd April 2013. Printed copies will be sent to shareholders who have elected to receive printed copies on 5th April 2013.

LIST OF DIRECTORS

As at the date of this announcement, the Directors of the Company 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.

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