



Base maintenance at Chep Lap Kok, Hong Kong
於香港赤鱗角進行基地維修

Results

Profit after tax attributable to shareholders for the year was HK\$438 million, which represented an increase of 27% from the previous year.

It has been a busy and profitable year for all the Company's activities. The Hong Kong operation returned to normal after the shortfall in work seen during the SARS outbreak in the region the previous year, and has experienced growth in both line and heavy maintenance. In addition, the Company has benefited from a reduction in the contributions required to fund the retirement benefit schemes.

The contribution from subsidiary and jointly controlled companies continued to grow in 2004. Taikoo (Xiamen) Aircraft Engineering Company Limited, which became a subsidiary on 15th October 2004, following the purchase by the Company of SIA Engineering Company Pte. Limited's 5% shareholding, increased its contribution to attributable profit from HK\$81 million to HK\$91 million while that from Hong Kong Aero Engine Services Limited was HK\$157 million (2003: HK\$158 million).

Your Directors have recommended a final dividend for 2004 of HK\$0.77 per share which, together with the interim dividend of HK\$0.32 per share paid on 27th September 2004, results in a total distribution for the year of HK\$1.09 per share, representing an increase of 30% over the total ordinary dividends declared for 2003. The dividend cover is 2.42 times. The total dividends paid and proposed in respect of 2004 amount to HK\$181 million.

Review of Operations

The Company is the sole provider of comprehensive aircraft maintenance at Hong Kong International Airport. The Company's premises comprise a single hangar capable of fully enclosing three wide-bodied aircraft, together with associated workshops and offices, and a five-storey building at Tseung Kwan O housing component and avionic overhaul workshops and administration offices. The Company also occupies space at the airport terminal.

業績

本年度之股東應佔除稅後溢利為港幣四億三千八百萬元，此業績較上年度增加百分之二十七。

本公司所有業務在年內均表現繁忙及錄得盈利。自上年度區內爆發非典型肺炎疫潮期間出現工程量不足之情況後，香港之運作已回復正常，外勤及大型維修均有所增長。此外，本公司因須提供予退休福利計劃之供款減少而受惠。

來自附屬及共控公司之業績貢獻於二零零四年間繼續增長。廈門太古飛機工程有限公司在本公司購入新航工程有限公司持有其百分之五股份後，於二零零四年十月十五日成為本公司之附屬公司，其股東應佔溢利貢獻由港幣八千一百萬元增加至港幣九千一百萬元，而來自香港航空發動機維修服務有限公司之貢獻則為港幣一億五千七百萬元(二零零三年為港幣一億五千八百萬元)。

董事局建議派發二零零四年度末期股息每股港幣0.77元，連同於二零零四年九月二十七日已派發之中期股息每股港幣0.32元，本年度共派息每股港幣1.09元，比二零零三年宣佈之普通股派息總額增加百分之三十。盈利股息比率為2.42倍。二零零四年度之已付及擬派股息總計為港幣一億八千一百萬元。

業務回顧

本公司是唯一在香港國際機場提供全面飛機維修服務之公司。本公司之設施包括一個可完全容納三架廣體飛機之單一機庫和相關之維修工場及辦公室，及位於將軍澳一幢設有部件與航電大修工場和行政辦公室之五層高樓宇。本公司於機場大樓亦有佔用樓面。



Maintenance work on landing gear
at Chep Lap Kok, Hong Kong
於香港赤鱗角進行起落架維修工程

Line Maintenance

The line maintenance division employs around 1,600 people (2003: 1,600), who provide a comprehensive range of technical and non-technical services to airlines operating through Hong Kong International Airport. The Company is the main provider of such services in Hong Kong and hence the division's performance is primarily related to the number of flights through the airport. In 2004, the average number of aircraft handled daily was 223, a 26% increase compared with 2003. To improve the service provided to freighter customers, the Company is building an office on the cargo apron that should be open in early 2006.

Base Maintenance

The base maintenance division employs around 1,010 people (2003: 1,020), who provide customers with a comprehensive range of scheduled maintenance checks and in addition undertake periodic checks, modifications and overhaul work on a wide variety of aircraft types. Approximately 50% of the division's work is for the three scheduled airlines operating out of Hong Kong: Cathay Pacific Airways, Air Hong Kong and Dragonair. It competes on price, availability of space, turnaround time and quality of workmanship with other Maintenance and Repair Organisations worldwide. The hangar was busy throughout the year and this situation is expected to continue in 2005. Man-hours sold in 2004 were 1.42 million, a 5% increase when compared with 2003. Operating with the existing shift patterns, the maximum available man-hours is 1.5 million, which includes 0.3 million man-hours of overtime.

The Company is building a second hangar at Hong Kong International Airport. This will accommodate two wide-bodied aircraft. It is expected to cost HK\$320 million and is scheduled to open in the first quarter of 2007. Over the next few years, an additional 450 staff will be recruited and by 2010, the new hangar is expected to generate an additional 600,000 man-hours. As a result of the talks with the Airport Authority Hong Kong associated with the agreement to build a second hangar, the Company's franchise to provide line and base maintenance services to Hong Kong International Airport has been extended from July 2018 to July 2031.

外勤維修

外勤維修部僱用員工約一千六百人(二零零三年為一千六百人)，為香港國際機場營運航班之航空公司提供全面之技術性及非技術性服務。在香港，本公司是提供此類服務之主要供應商，因此部門之業績表現主要受進出機場之航班數目影響。在二零零四年，平均每日處理飛機數目為二百二十三架，與二零零三年比較增加百分之二十六。為了加強對貨機客戶所提供之服務，本公司正於貨運停機坪興建一所辦公樓，預期於二零零六年初啟用。

基地維修

基地維修部僱用員工約一千零十人(二零零三年為一千零二十人)，為客戶提供全面之定期維修檢查，並為不同類型之飛機進行定期檢查、改裝及大修工程。部門進行之工程中，約五成乃來自三家營運定期航班之香港航空公司，分別為國泰航空公司、香港華民航空公司及港龍航空公司。部門無論在價格、機庫可用空間、周轉時間及工藝質素上足與世界任何同業競爭。機庫在全年間使用量繁多，預期此情況會持續至二零零五年。二零零四年售出之工時為一百四十二萬小時，較二零零三年增加百分之五。在現時之輪值編制下，最高可用工時為一百五十萬小時，其中包括三十萬小時加班工時。

本公司正於香港國際機場興建第二個機庫。新機庫將可容納兩架廣體飛機。預計需耗資港幣三億二千萬元，並預期於二零零七年首季啟用。在未來數年間，本公司將額外招聘四百五十名員工，至二零一零年，新機庫預計可提供額外六十萬小時之工時。本公司就興建第二個機庫之協議與香港機場管理局進行磋商後，其於香港國際機場提供外勤及基地維修服務之專營權已由二零一八年七月延長至二零三一年七月。

Component and Avionics Overhaul

The overhaul division occupies a five-storey building at Tseung Kwan O with more than 7,000 square metres of modern workshop space and employs around 200 people. Utilisation of these facilities during the year was reasonable.

Inventory Management

Since 2002, the Company has been providing an inventory management service for rotatable spares. The range of aircraft for which this service is offered has expanded during 2004 and now includes Airbus 340-600, 340-500, 330-300 and 300-600F. The net book value of these spares at the year-end was HK\$102 million (2003: HK\$67 million). This service is profitable.

Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO")

Each of TAECO's three hangars is capable of fully enclosing two wide-bodied aircraft; a fourth double-bay hangar is due to open by the end of 2005. Most of TAECO's capacity is taken up by shareholder customers or their affiliates. Starting in 2005, TAECO will embark on a programme to convert Boeing 747-400 passenger aircraft to freighters; it currently holds contracts for thirty-three such conversions through to 2010. While still only representing about 2.5% of turnover, line maintenance operations continued to expand and approval has been obtained to start an operation in Guangzhou. In December 2004, the line maintenance operations handled about 1,700 flights in Beijing, Xiamen and Shanghai.

Hong Kong Aero Engine Services Limited ("HAESL")

HAESL, in which the Company has a 45% interest, had another good year, with increased revenue. Profits dropped slightly from 2003. Throughput of engines and engine equivalents in 2004 was 190, a 6% increase on 2003. In addition to the work performed on the fleet of engines used by Cathay Pacific Airways, which accounts for about 40% of revenue, significant engine work was also carried out for Rolls-Royce

部件及航電大修

大修部位於將軍澳一幢五層高樓宇，擁有逾七千平方米之現代化工場空間，並僱用員工約二百人。年內此等設施之使用量合理。

庫存管理

自二零零二年起，本公司提供一項為可修護備件之庫存管理服務。此服務提供予一系列之飛機，而此飛機系列在二零零四年間已擴大，現時包括空中巴士340-600型、340-500型、330-300型飛機及300-600F型貨機。此等備件於年終之賬面淨值為港幣一億零二百萬元（二零零三年為港幣六千七百萬元）。此服務錄得盈利。

廈門太古飛機工程有限公司（「廈門太古飛機工程公司」）

廈門太古飛機工程公司之三個機庫每個均可完全容納兩架廣體飛機；第四個雙機位機庫預期於二零零五年底啟用。廈門太古飛機工程公司之機庫設施大部分為股東客戶或其聯繫機構使用。由二零零五年起，廈門太古飛機工程公司將著手進行一項改裝波音747-400型客機為貨機之計劃；該公司現時持有三十三項此等改裝工程之合約，該等工程將進行至二零一零年。儘管外勤維修業務仍然只佔營業總額約百分之二點五，但此業務持續增長，並已獲批准於廣州開展業務。二零零四年十二月，外勤維修業務於北京、廈門及上海處理約一千七百班航班。

香港航空發動機維修服務有限公司（「香港航空發動機維修服務公司」）

本公司持有百分之四十五權益之香港航空發動機維修服務公司，本年度再次表現良好，收益有所提高，溢利則較二零零三年稍微下降。二零零四年處理之發動機及同類部件數目為一百九十台，較二零零三年增加百分之六。該公司約四成之收益來自為國泰航空公司機隊採用之發動機進行之工程，此外亦為勞斯萊斯公司及亞聯酋航空公司提供重大之

plc and Emirates Airlines. Singapore Aero Engine Services Pte. Limited ("SAESL"), in which HAESL has a 20% interest, also had a good year with increased profitability. This trend is expected to continue in 2005.

Other Jointly Controlled Companies

The Company owns 49% of Goodrich Asia-Pacific Limited, which refurbishes carbon brakes and overhauls wheel hubs at Fanling, in Hong Kong. It continued to perform well. The Xiamen based Goodrich TAECO Aeronautical Systems Limited, in which TAECO has a 35% interest, had an increase in demand for its services and was profitable.

Taikoo (Shandong) Aircraft Engineering Company Limited ("STAECO"), in which the Company and TAECO have a combined interest of 30%, provides a heavy maintenance service for narrow-bodied aircraft, in particular Boeing 737 aircraft. It is expanding its capacity and capabilities to meet customers' projected needs and has signed an agreement with Pemco Aviation Group under which the companies will jointly market narrow-bodied passenger aircraft to freighter conversions that will be undertaken in STAECO's facilities. This company is profitable.

IN-Services Asia Limited, a jointly controlled company in which the Company has a 35% interest, sells Intertechnique components, and provides a warranty and repair service to customers. Its revenue has grown steadily in 2004 and the company is profitable.

EADS SOGERMA HAECO Services Company Limited, a jointly controlled company in which the Company has a 50% interest, provides computerised testing of components. Business volume increased in 2004 and the company has become profitable.

Honeywell TAECO Aerospace (Xiamen) Company Limited, a jointly controlled company in which the Group has an attributable 30% interest, had a good year, with increased revenue and profitability.

發動機工程服務。香港航空發動機維修服務公司擁有二成權益之新加坡航空發動機維修服務有限公司(「新加坡航空發動機維修服務公司」)溢利率有所提高，本年度亦有良好之表現。預期此趨勢會持續至二零零五年。

其他共控公司

Goodrich Asia-Pacific Limited於香港粉嶺從事碳質掣動片整修及輪轂大修業務，本公司持有其中四成九權益。該公司繼續有良好之表現。廈門太古飛機工程公司持有廈門豪富太古宇航有限公司三成五權益，該公司以廈門為基地，其服務需求有所增加，並錄得盈利。

山東太古飛機工程有限公司(「山東太古飛機工程公司」)由本公司及廈門太古飛機工程公司合共有其中三成權益，為狹體飛機，特別是波音 737 型飛機，提供大型維修服務。該公司正致力擴展其工程能力與規模以應付客戶未來之需求，並與Pemco航空集團簽訂協議，根據該協議，兩家公司將共同銷售狹體客機改裝貨機服務，而改裝工程則於山東太古飛機工程公司之設施內進行。該公司錄得盈利。

IN-Services Asia Limited乃一家共控公司，本公司持有其中三成五權益。該公司出售 Intertechnique 部件，並為客戶提供保用及修理服務。二零零四年之收益有穩定增長，並錄得盈利。

EADS SOGERMA HAECO Services Company Limited乃一家共控公司，本公司持有其中五成權益。該公司提供電腦化部件測試服務。二零零四年之業務量有所增長，該公司已錄得盈利。

廈門霍尼韋爾太古宇航有限公司乃一家共控公司，本集團持有其中三成應佔權益。該公司本年度表現良好，收益及溢利率均有所增長。



Engine test cell at HAESL,
Tseung Kwan O, Hong Kong
香港航空發動機維修服務公司位於
香港將軍澳的發動機測試間

Financial Review

Turnover

	Note 附註	2004	2003	Change 變幅
<i>(in HK\$ Million)</i>				
The Company and its subsidiary companies	1	2,153	1,987	8%
HAESL		4,000	3,636	10%
TAECO	3	590	607	-3%
SAESL		1,546	883	75%
Other jointly controlled companies		502	404	24%
Total		8,791	7,517	17%

Notes: 1. As disclosed on the face of the profit and loss account in accordance with reporting requirements in Hong Kong.
2. The whole of the turnover for the jointly controlled companies is included in this table.
3. TAECO's turnover for 2004 was HK\$762 million of which HK\$590 million was attributed to the period ended 14th October 2004 and the remainder HK\$172 million was consolidated in the Group's turnover.
4. The presentation of the comparative figures has been restated to conform to that for the current year.

Net Assets

Net assets increased during the year from HK\$3,088 million to HK\$3,700 million while working capital increased from HK\$383 million to HK\$586 million as a result of consolidating TAECO's accounts and an increase in receivables due to more work completed at end of the year. Capital expenditure amounted to HK\$116 million, mostly on rotatable inventory, computer systems, tooling, vehicles used on the airfield and construction of TAECO's fourth hangar.

財務回顧

營業總額

(港幣百萬元)

本公司及其附屬公司
香港航空發動機維修服務公司
廈門太古飛機工程公司
新加坡航空發動機維修服務公司
其他共控公司
總計

附註：1. 如按香港年報規定於損益賬內所披露。
2. 共控公司營業總額全數包括在本表內。
3. 廈門太古飛機工程公司在二零零四年之營業總額為港幣七億六千二百萬元，其中港幣五億九千萬歸入截至二零零四年十月十四日止之期間，其餘港幣一億七千二百萬元則合併於集團營業總額之內。
4. 比較數字已予重新列值，以符合現行年度之呈列方式。

資產淨值

年內資產淨值由港幣三十億八千八百萬元增加至港幣三十七億元，而營運資金由港幣三億八千三百萬元增加至港幣五億八千六百萬元，原因乃合併廈門太古飛機工程公司之賬目，以及年底有更多工程竣工而令應收賬款有所增加。資本開支總計港幣一億一千六百萬元，大部分用於可修護備件庫存、機場使用之電腦系統、工具、車輛及廈門太古飛機工程公司第四個機庫之建造工程。

Net Liquid Funds and Financing

Cash, cash equivalents and short-term deposits increased by HK\$119 million to HK\$527 million during the year mainly because of consolidating TAECO's accounts. The dividend payments of HK\$312 million, including the special dividend of HK\$166 million for 2003, during the year were supported largely by the strong operating cash flow and dividends and shareholder loan repayments from the subsidiary and jointly controlled companies. The existing deposits and cash surplus together with the continued strong operating cash flow will be sufficient to meet its operating, working capital and capital expenditure requirements forecast for 2005. In addition, the Company has negotiated loan facilities equivalent to HK\$474 million, of which HK\$178 million is subject to renewal during 2005.

Currency Fluctuations

The Group's income is substantially in HK dollars or US dollars. Operating costs and capital expenditure of the Company and its Hong Kong based jointly controlled companies are substantially in those same currencies, as are those of its subsidiary and jointly controlled companies in Mainland China, which also use Renminbi.

Environment

The Group recognises that its operations could impact the environment in which it operates, and it endeavours to monitor and to reduce the extent to which they do so. When the Company moved to Hong Kong International Airport and built its facilities in Tseung Kwan O, the Company incorporated systems to minimise the effect of effluents on the environment. The Group is committed to further reduce energy and resource usage, and to recycle waste where practicable. In November last year, the Company was awarded a Certificate of Merit by the Hong Kong Business Environment Council in recognition of its efforts and excellence in environmental protection and waste reduction. In 2004, the Group spent HK\$3 million (2003: HK\$3 million) on capital and recurring expenditure to achieve those objectives, and plans to increase this to HK\$4 million in 2005.

流動資金淨值及融資

年內之現金、現金等價物及短期存款增加港幣一億一千九百萬元至港幣五億二千七百萬元，主要原因乃合併廈門太古飛機工程公司之賬目。年內派息港幣三億一千二百萬元，當中包括二零零三年特別股息港幣一億六千六百萬元，主要來自豐厚之營業現金流入以及附屬和共控公司之股息及股東償還借款。現有之存款及現金盈餘，加上持續強勁之營業現金流入，將足以應付其二零零五年預期之營業、營運資金及資本性開支需要。此外，本公司議好之信貸安排相當於港幣四億七千四百萬元，其中港幣一億七千八百萬元需於二零零五年內續期。

貨幣浮動

本集團之收入以港幣或美元為主。本公司及其以香港為基地之共控公司之營運成本及資本性開支均以同類貨幣為主，而其在中國內地之各附屬及共控公司之開支則以人民幣計算。

環境保護

本集團了解其業務會對所在之環境造成影響，因此致力監控並減低其影響之程度。於遷往香港國際機場及於將軍澳興建設施時，本公司設置了多套環保系統，務求減低污水及廢氣對環境造成之影響。本集團已承諾進一步減少能源及資源之使用量，並在可行之情況下循環再用廢料。本公司於去年十一月獲商界環保協會頒發優異證書，以嘉許其在環境保護及廢料減量方面之努力及卓越表現。在二零零四年，本集團動用港幣三百萬元(二零零三年為港幣三百萬元)作為資本性及經常性開支以達到此等目標，並計劃二零零五年將款額增加至港幣四百萬元。

Staff

In total, the Group and its jointly controlled companies employed 6,881 staff at the end of 2004, an increase of 7% from the end of 2003.

The strong result for the year reflects the professionalism, hard work and commitment of all the staff, and on behalf of the shareholders, I should like to thank them for their continuing support.

Board of Directors

I should like to welcome Bob Adams, who joined the Board as an Independent Non-Executive Director on 1st October 2004. Bob has experience in a number of businesses, and was a Director of Cathay Pacific Airways Limited for a number of years. I look forward to working with him again.

I am sorry to have to report that Dr. Alex Wu Shu Chih died on 10th January 2005. He served on the Board for 22 years and his experience and advice will be sorely missed.

Outlook

In 2004, the increase in line maintenance work reflected the continued expansion of base customers' fleets and the growth in traffic through Hong Kong International Airport. An increase in demand for heavy maintenance in both Hong Kong and Xiamen resulted in high utilisation of hangars, which were effectively full.

A similar picture is expected for the first half of 2005. There should be some growth in line maintenance work in Hong Kong, and our hangars in Hong Kong and Xiamen are expected to continue to benefit from high utilisation, although growth will be limited until the new facilities come on line. Heavy maintenance capacity will increase significantly with the scheduled opening of TAECO's fourth hangar in late 2005 and HAECO's second hangar in early 2007.

I look to the future with confidence.

David Turnbull

Chairman

Hong Kong, 8th March 2005

員工

本集團及其共控公司於二零零四年底總計僱用員工六千八百八十一人，較二零零三年底增加百分之七。

本年度業績表現強穩，乃全體員工專業表現、辛勤努力及忠心服務之成果。本席謹代表股東衷心感謝他們一直以來之支持。

董事局

本席謹歡迎羅安達先生於二零零四年十月一日加入董事局為獨立非常務董事。羅安達先生擁有多方面業務之經驗，並曾出任國泰航空公司董事多年。本席期待再次與其共事。

本席以沉痛之心情報告，吳樹熾博士於二零零五年一月十日辭世。吳博士於董事局服務二十二年，其豐富經驗與真知灼見定將令人懷念。

展望未來

在二零零四年，外勤維修工程量增加，反映基地航空客戶之機隊持續進行擴充，以及進出香港國際機場之交通量有所增長。香港及廈門之大型維修工程需求增加，令機庫有高使用量，設施獲得充分使用。

預期二零零五年上半年情況相若。香港之外勤維修工程應有所增長，預期本公司位於香港及廈門之機庫會繼續因高使用量而受惠，然而在新設施投入服務之前，增長將受到限制。隨著廈門太古飛機工程公司第四個機庫及港機工程第二個機庫分別計劃於二零零五年底及二零零七年初啟用，大型維修工程能力將因而大幅增加。

本席對未來充滿信心。

主席

唐寶麟

香港，二零零五年三月八日