

REPORT OF THE DIRECTORS | 董事局報告

The Directors submit their report and the audited accounts for the year ended 31st December 2004 which are set out on pages 30 to 55.

Principal activity and results

The Hong Kong Aircraft Engineering Company Limited Group is primarily engaged in the business of commercial aircraft overhaul and maintenance. Its operations are carried out principally in Hong Kong and Xiamen, People's Republic of China. The results of the Group are set out in the consolidated profit and loss account on page 30.

Ten-year financial summary

A ten-year financial summary of the results and of the assets and liabilities of the Group is shown on pages 2 and 3.

Dividends

The Directors recommend the payment of a final dividend of HK\$0.77 per ordinary share for the year ended 31st December 2004 which, together with the interim dividend of HK\$0.32 per ordinary share paid on 27th September 2004 makes a total dividend for the year of HK\$1.09 per ordinary share. This represents a total distribution for the year of HK\$181 million. Subject to the approval of the 2004 final dividend by the shareholders at the Annual General Meeting on 10th May 2005, it is expected that the dividend will be paid on 20th May 2005 to shareholders registered on 10th May 2005. The shareholders' register will be closed from 3rd May 2005 to 10th May 2005, both dates inclusive.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 19 to the accounts.

Bank and other borrowings

The Company and its subsidiary companies have no bank loans at the end of the year. The details of other borrowings are shown in note 20 to the accounts.

Interest

The details of interest are included in note 6 to the accounts.

Accounting policies

The principal accounting policies of the Group are set out in note 2 to the accounts.

Donations

During the year the Company and its subsidiary companies made donations for charitable purposes totalling HK\$2 million.

董事局謹提呈截至二零零四年十二月三十一日止年度之報告書及經審核賬目。該等賬目詳列於第三十頁至第五十五頁。

主要業務及業績

香港飛機工程有限公司集團主要業務為經營商用飛機之大修及維修業務。其業務主要在香港及中華人民共和國廈門進行。本集團之業績詳列於第三十頁之綜合損益賬內。

十年財務概要

本集團之業績、資產及負債之十年財務概要載於第二頁及第三頁。

股息

董事局建議派發截至二零零四年十二月三十一日止年度之末期股息每普通股港幣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普通股港幣0.32元，全年派息為每普通股港幣1.09元。全年派息總額為港幣一億八千一百萬元。二零零四年末期股息有待股東於二零零五年五月十日召開之股東週年大會通過，股息預期於二零零五年五月二十日派發予於二零零五年五月十日名列股東名冊內之股東。股票過戶手續將於二零零五年五月三日至二零零五年五月十日（包括首尾兩天）暫停辦理。

儲備賬

本公司及本集團年內之儲備賬變動見賬目附註第19條。

銀行及其他借貸

本公司及其附屬公司於本年年底並無銀行借貸。其他借貸詳列於賬目附註第20條。

利息

利息詳列於賬目附註第6條。

會計政策

本集團之主要會計政策見賬目附註第2條。

捐款

本年度內，本公司及其附屬公司之慈善捐款共達港幣二百萬元。

Fixed assets

Movements of fixed assets are shown in note 11 to the accounts.

Share capital

During the year under review, no purchase, sale or redemption of the shares of the Company has been effected by the Company or its subsidiary companies (2003: nil). At 31st December 2004, 166,324,850 shares were in issue (31st December 2003: 166,324,850 shares).

Commitments and contingencies

Details of capital commitments of the Group and the Company as at 31st December 2004 are set out in note 22 to the accounts. There are no contingent liabilities as at 31st December 2004.

Major customers and suppliers (significant contracts)

74% of sales and 43% of purchases during the year were attributable to the Group's five largest customers and suppliers respectively. 46% of sales were made to the Group's largest customer, Cathay Pacific Airways Limited, while 20% of purchases were from the largest supplier, Aero Inventory (U.K.) Limited.

No Director, their associates or any shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital (other than in respect to Cathay Pacific Airways Limited) has an interest in the customers or suppliers disclosed above.

Agreement for services

The Company had an agreement for services ("Old Agreement") with John Swire & Sons (H.K.) Limited ("JSSHK"). Pursuant to the Old Agreement, JSSHK provided advice and expertise of the directors and senior officers of the John Swire & Sons Limited ("Swire") group, full or part time services of members of the staff of the Swire group, other administrative and similar services and such other services as may have been agreed from time to time.

In return for these services, JSSHK received annual service fees calculated as 2.5% of the Company's consolidated profit before taxation and minority interests after certain adjustments. The fees for each year were payable in cash in arrears in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Company also reimbursed the Swire group for all the expenses incurred in the provision of the services at cost. The Old Agreement was terminated on 31st

固定資產

固定資產增減詳情，見賬目附註第11條。

股本

在回顧之年度內，本公司或其附屬公司並無購回、出售或贖回本公司之股份(二零零三年為零)。於二零零四年十二月三十一日，已發行股份為166,324,850股(二零零三年十二月三十一日為166,324,850股)。

承擔及或有事項

本集團及本公司於二零零四年十二月三十一日之資本承擔詳載於賬目附註第22條。於二零零四年十二月三十一日並無或有負債。

主要顧客及供應商(重要合約)

年內，本集團之五大顧客及供應商分別佔本公司銷售額百分之七十四及採購額百分之四十三。本集團之最大顧客國泰航空有限公司佔本公司銷售額百分之四十六，而二成之採購額則來自最大供應商Aero Inventory (U.K.) Limited。

據董事局所知，並無董事、彼等之聯繫人士或任何擁有百分之五以上本公司已發行股本之股東(國泰航空有限公司除外)，持有在上文披露之顧客或供應商之權益。

服務協議

本公司與香港太古集團有限公司(「香港太古集團」)曾訂立一份服務協議(「舊協議」)。根據該舊協議，香港太古集團提供英國太古集團有限公司(「太古」)集團董事及高層人員之意見與專業知識、太古集團員工之全職或兼職服務、其他行政及同類型服務，以及其他或會不時互相協定之服務。

香港太古集團就該等服務收取年度服務費，其計算方法乃按本公司扣除稅項及少數股東權益前之綜合溢利並經若干調整後之百分之二點五。每年之服務費以現金分兩期於期末支付，中期付款於十月底支付，末期付款於翌年四月底支付，但須因應中期付款作出調整。本公司亦向太古集團按其成本支付於提供服務期間所產生之一切費用。舊協議於二零零四年十二月三十一日終止，並由一份於二零零四年

December 2004 and replaced by a new agreement ("New Agreement") signed on 1st December 2004 also with JSSHK.

The New Agreement took effect from 1st January 2005 and will terminate on 31st December 2007. However it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

The terms of the New Agreement are substantially the same as those of the Old Agreement. The Directors estimate that the maximum aggregate annual amount of the service fees and the costs reimbursed to the Swire group under the New Agreement (excluding those in respect of shared administrative services) will not exceed HK\$30 million.

Swire is the holding company of Swire Pacific Limited ("Swire Pacific") which owns approximately 32.5% of the issued capital of the Company and JSSHK, a wholly owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the New Agreement are continuing connected transactions under the Listing Rules, in respect of which an announcement dated 1st December 2004 was published by the Company.

As directors and employees of the Swire group, David Turnbull, Marven Bowles, Charles Bremridge, Davy Ho Cho Ying, Peter Johansen and Tony Tyler are interested in both the Old Agreement and the New Agreement, and in the case of Peter Johansen also as a shareholder.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2004 are given in note 24 to the accounts.

Connected transaction

The Company has placed its property all risks insurance ("the Policy") for the period 1st April 2004 to 31st March 2005 through Spaciom Limited ("SPACIOM"), a captive insurance company incorporated in the Isle of Man and wholly-owned by Swire Pacific. The premium paid by the Company in respect of the Policy was HK\$4,095,092. The Directors consider that, by placing insurance through SPACIOM, the Company will better identify, control and manage the risks that the Company confronts as well as lower its cost of insurance.

This is a connected transaction because of Swire Pacific's shareholding in the Company as noted above and an announcement dated 16th June 2004 was published by the Company.

十二月一日同樣與香港太古集團簽訂之新協議(「新協議」)取代。

新協議由二零零五年一月一日起生效，將於二零零七年十二月三十一日終止。然而新協議終止後可續期，每三年為一期，除非協議任何一方給予另一方不少於三個月通知於任何年份之十二月三十一日終止該協議。

新協議之條款與舊協議大致相同。董事局預計在新協議下，支付予太古集團之服務費用及服務成本之每年最高總額(不包括有關分擔行政服務之費用及成本)將不會超逾港幣三千萬元。

太古乃太古股份有限公司(「太古公司」)之控股公司，太古公司持有本公司及太古全資附屬公司香港太古集團約百分之三十二點五之已發行股本，根據上市規則，該公司因此乃本公司之關連人士。根據上市規則，在新協議下進行之交易乃屬持續關連交易，本公司已就此於二零零四年十二月一日發出一份公告。

唐寶麟、馬文博、彭勵志、何祖英、容漢新及湯彥麟作為太古集團董事及僱員，在新協議及舊協議中均有利益關係，而容漢新同時亦為股東。

有關截至二零零四年十二月三十一日止年度之已付費用及代支費用，詳情見賬目附註第24條。

關連交易

本公司已將其財產一切險向Spaciom Limited(「SPACIOM」)投保(「該保單」)，該保單有效期由二零零四年四月一日至二零零五年三月三十一日。SPACIOM乃太古公司全資擁有之專屬自保保險公司，於馬恩島註冊成立。本公司就該保單所繳付之保費為港幣四百零九萬五千零九十二元。董事局認為透過SPACIOM投保，本公司將可更有效地識別、控制及管理本公司所面對之風險，並降低其保險成本。

由於如上所述太古公司持有本公司之股權，因此是項乃關連交易，本公司已就此於二零零四年六月十六日發出一份公告。

Continuing connected transactions

AHK Air Hong Kong Limited ("AHK")

i) Total Care Package Contract ("the TCP Contract")

As part of the normal commercial activities of the Company in the ordinary and normal course of its business, the Company entered into the TCP Contract with AHK on 9th September 2004. Pursuant to this contract, the Company provides a total care package for AHK's fleet comprising initially six Airbus A300-600 freighters for a term of 8 years from 10th September 2004. AHK may extend this for a first term of 12 months and thereafter for a second term of 18 months. The service provided includes acquiring an inventory of spares for leasing to AHK and providing management, logistic support and maintenance to this inventory.

The Directors estimate that the maximum aggregate annual value ("the annual cap") of the TCP Contract will not exceed the amounts set out below:

For the year ending 31st December 截至十二月三十一日止年度								Up to 31st August 截至八月三十一日止
2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>(in HK\$ Thousand 港幣千元)</i>								
4,800	17,000	18,300	22,200	33,700	33,700	33,700	33,700	22,500

ii) Line Maintenance Contract ("the LM Contract")

Pursuant to this contract with AHK dated 9th September 2004, which is for a term of five years from 12th September 2004, the Company provides line maintenance services for AHK's fleet at Hong Kong International Airport. The services provided include routine maintenance check, non-routine maintenance, actions to address inbound technical issues, ad-hoc maintenance support, ramp services, material supplies, tooling supplies, aircraft release and certification, and aircraft on ground support.

The Directors estimate that the annual cap of the LM Contract will not exceed the amounts set out below:

For the year ending 31st December 截至十二月三十一日止年度					Up to 31st August 截至八月三十一日止
2004	2005	2006	2007	2008	2009
<i>(in HK\$ Thousand 港幣千元)</i>					
725	5,586	5,947	5,987	6,110	4,125

AHK is a 60% owned subsidiary of Cathay Pacific Airways Limited ("Cathay Pacific") which is a connected person of the Company because of its 27.4% interest in the Company and hence is an associate of Cathay Pacific and a connected person of the Company

持續關連交易

香港華民航空有限公司(「華民航空」)

i) 全責維護全套服務合約(「TCP合約」)

本公司於二零零四年九月九日與華民航空訂立TCP合約，是為本公司正常商業運作中之正常商業活動一部分。根據此合約，本公司為華民航空初步包括六架空中巴士A300-600型貨機之機隊提供全責維護全套服務，合約年期為八年，由二零零四年九月十日起計。華民航空可延長合約年期，第一次可延長年期十二個月，之後第二次可延長年期十八個月。提供之服務包括設立一個供華民航空租賃之備件庫，並為存貨提供管理、後勤支援及維護服務。

董事局預計TCP合約之每年最高總值(「每年上限」)將不會超逾下列數額：

ii) 外勤維修合約(「LM合約」)

此合約於二零零四年九月九日與華民航空訂立，合約年期為五年，由二零零四年九月十二日起計。根據此合約，本公司於香港國際機場為華民航空之機隊提供外勤維修服務。提供之服務包括常規性維修檢查、非常規性維修、處理入境班機出現之技術問題、特別維修支援、停機坪服務、物料供應、工具供應、飛機放行及驗證，以及飛機地面支援。

董事局預計LM合約之每年上限將不會超逾下列數額：

華民航空乃國泰航空有限公司(「國泰航空」)持有六成權益之附屬公司，而國泰航空則因持有本公司百分之二十七點四權益而為本公司之關連人士，根據上市規則華民航空因而屬國泰航空之

under the Listing Rules. Both the TCP Contract and the LM Contract are therefore continuing connected transactions for the Company in respect of which an announcement dated 13th September 2004 was published.

The Independent Non-Executive Directors of the Company have reviewed these transactions and confirmed that they have been entered into:

- i) in the usual and ordinary course of the Company's business;
- ii) either on normal commercial terms or on terms no more favourable to AHK than terms available to independent third parties; and
- iii) in accordance with the TCP Contract and LM Contract on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Auditors of the Company have reviewed the transactions and confirmed to the Board of Directors that:

"At your request, we have agreed to perform the following procedures and report to you the factual findings resulting from our work:

- the Transactions had received the approval of the Board of Directors of the Company;
- based on the opinion from independent financial advisor the Transactions were entered under normal business practices and commercial terms for the Company;
- the Transactions entered into in accordance with the agreements; and
- the aggregate values of the Transactions (revenues recognised by the Company from the Transactions) fall within the annual cap(s) as stated in the Announcement."

Directors

Of the present Directors whose names are listed on pages 19 to 20, Charles Bremridge and Bob Adams were appointed on 7th September 2004 and 1st October 2004 respectively. All the remaining Directors served throughout the year and still hold office at the date of this report.

In addition, Dr. Alex Wu Shu Chih served as a Director during the year and it is with great sadness that the Directors report his death on 10th January 2005.

At various times during the year, Chris Gibbs and Dr. The Hon. Michael Kadoorie served as alternate Directors.

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith Derek Cridland, Dinty Dickson Leach and Mark Hayman retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

聯繫人，並為本公司之關連人士。因此TCP合約及LM合約均為本公司之持續關連交易，本公司已就此於二零零四年九月十三日發出一份公告。

本公司之獨立非常務董事已審核此等交易，並確認此等交易乃按以下原則達成：

- i) 按照本公司一般正常商業運作過程達成；
- ii) 其條款乃屬正常商業條款，或與華民航空簽訂之條款並未優厚於給予獨立第三方之條款；及
- iii) 根據TCP合約及LM合約，其條款乃屬公平合理，且符合本公司股東之整體利益。

本公司之核數師已審核此等交易，並向董事局確認：

「應 貴公司之要求，本核數師已同意進行以下程序，並向董事局報告所得之實際審查結果：

- 該等交易已得到 貴公司董事局之批核；
- 根據獨立財務顧問之意見，該等交易乃按照 貴公司正常商業運作過程及以正常商業條款達成；
- 該等交易乃按照協議達成；及
- 該等交易之總值(該等交易經由 貴公司確認之收益)乃如公告所述在每年上限之內。」

董事

名列於第十九頁至第二十頁之現任董事中，彭勵志及羅安達分別於二零零四年九月七日及二零零四年十月一日獲委任。其餘所有董事皆於年內全年任職，並於本報告書公佈之日仍然在任。

此外，吳樹熾博士亦於年內出任董事，惟董事局於二零零五年一月十日沉痛地宣佈其辭世之消息。

於本年度內之不同時間，簡柏基及米高嘉道理博士出任代董事。

根據本公司章程第九十三條，所有董事在通過普通決議案獲選後，均須於第三屆股東週年大會上告退。根據上述規定，梁德基、李德信及馬海文於本公司即將召開之股東週年大會告退，但因符合資格均願候選連任。

Bob Adams and Charles Bremridge, having been appointed to the Board under Article 91 since the last annual general meeting, also retire and offer themselves for election.

No Director has a service contract with the Company that is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees totalling HK\$0.4 million were paid to the Independent Non-Executive Directors during the year; they received no other emoluments from the Company or any of its subsidiary companies.

Directors' interests

At 31st December 2004, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that the following Directors held beneficial interests in the shares of Hong Kong Aircraft Engineering Company Limited:

	Personal 個人權益	Other 其他權益	Total 總計	Percentage of issued capital (%) 已發行股本百分比(%)	
Dr. The Hon. Michael Kadoorie (alternate Director)	–	3,782,886 *	3,782,886	2.3	米高嘉道理博士 (代董事)
Dinty Dickson Leach	124,800	–	124,800	0.1	李德信

* Dr. The Hon. Michael Kadoorie is a beneficiary and the founder of discretionary trust which holds these shares.

羅安達及彭勵志根據公司章程第九十一條於上屆股東週年大會後獲委任為董事，亦於本年告退並願候選連任。

各董事均無與本公司訂有不可由僱主免付賠償金(法定之賠償金除外)而於一年內終止之服務合約。

年內支付予獨立非常務董事之袍金總計港幣四十萬元；彼等並無自本公司或其任何附屬公司收取其他酬金。

董事權益

於二零零四年十二月三十一日，根據證券及期貨條例第三百五十二條須設立之名冊內所登記，以下董事在香港飛機工程有限公司之股份中持有實益：

Other than as stated above, no Director or Chief Executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations, if any (within the meaning of Part XV of the SFO).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

At no time during the year did any Director, other than as stated in this report, have a beneficial interest, whether directly or indirectly, in a contract to which the Company, or any of its associated corporations was a party, which was of significance and in which the Director's interest was material.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

除上述外，本公司之董事或行政總裁並無在本公司或其任何相聯法團(如有，定義見證券及期貨條例第XV部)之股份或相關股份及債券中擁有任何實益或非實益之權益或淡倉。

在本年度內或之前，本公司之任何董事或彼等之配偶或未成年子女並無獲授權或行使權利，以認購本公司股份、認股權證或債券。

在本年度任何期間內，除在此報告內所述外，本公司或其任何相聯法團所簽訂之重要合約，概無董事在其中直接或間接擁有重大實益。

在本年度任何期間內，本公司或其任何相聯法團，概無任何安排使公司董事得以購買本公司或其他法人團體之股份或債券而獲得利益。

Substantial shareholders' and other interests

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2004 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders (as defined in the Listing Rules), all being beneficial interests:

	Number of shares 股份數目	Percentage of issued capital (%) 已發行股本百分比(%)	Remarks 備註
John Swire & Sons Limited 英國太古集團有限公司	99,649,103	59.9	
Swire Pacific Limited 太古股份有限公司	99,649,103	59.9) Duplication of John Swire & Sons Limited's holding (see Note)
Cathay Pacific Airways Limited 國泰航空有限公司	45,649,686	27.4) 與英國太古集團有限公司之持股量重複(見附註)

Note: At 31st December 2004, the John Swire & Sons Limited group owned directly or indirectly interests in shares of Swire Pacific Limited representing 29.5% of the issued share capital and 52.9% of the voting rights; Swire Pacific Limited in turn controlled 46.5% of Cathay Pacific Airways Limited.

主要股東權益及其他權益

根據證券及期貨條例第三百三十六條須設立之股份及淡倉權益名冊所載，於二零零四年十二月三十一日，本公司已獲通知主要股東於本公司之股份持有以下權益(定義見上市規則)，全部均為實益：

附註：於二零零四年十二月三十一日，英國太古集團直接或間接擁有之太古股份有限公司股份權益為百分之二十九點五已發行股本及百分之五十二點九投票權；太古股份有限公司則持有國泰航空有限公司百分之四十六點五控股權。

In addition, at 31st December 2004 the register of interests in shares and short positions showed the following interest in the shares of the Company held in the capacity of investment manager:

	Number of shares 股份數目	Percentage of issued capital (%) 已發行股本百分比(%)
Marathon Asset Management Limited	14,985,730	9.0

此外，於二零零四年十二月三十一日，根據股份權益及淡倉名冊所載，以投資經理名義持有之本公司股份權益如下：

Public float

To the best information and belief of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the period under review.

公眾持股量

就董事局所知及所信，在回顧之年度內任何時候，本公司之已發行股本總額至少百分之二十五乃由公眾人士持有。

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers as Auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

核數師

在即將舉行之股東週年大會上將動議通過再聘請羅兵咸永道會計師事務所為本公司核數師之決議案。

By order of the Board

承董事局命

David Turnbull

Chairman

Hong Kong, 8th March 2005

主席

唐寶麟

香港，二零零五年三月八日