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## HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00044)

### 2016 FINAL RESULTS

#### FINANCIAL HIGHLIGHTS

		2016	2015	Change
<b>Results</b>				
Revenue	<i>HK\$ Million</i>	<b>13,760</b>	12,095	+13.8%
Net operating profit	<i>HK\$ Million</i>	<b>38</b>	339	-88.8%
Share of after-tax results of joint venture companies				
- Hong Kong Aero Engine Services Limited and Singapore Aero Engine Services Pte. Limited (before disposal of investment)	<i>HK\$ Million</i>	<b>218</b>	194	+12.4%
- Gain on disposal of Singapore Aero Engine Services Pte. Limited	<i>HK\$ Million</i>	<b>805</b>	-	N/A
- Other joint venture companies	<i>HK\$ Million</i>	<b>49</b>	52	-5.8%
Profit attributable to the Company's shareholders	<i>HK\$ Million</i>	<b>975</b>	464	+110.1%
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	<i>HK\$</i>	<b>5.86</b>	2.79	+110.1%
First and second interim dividends per share	<i>HK\$</i>	<b>1.55</b>	1.70	-8.8%
Special interim dividend per share	<i>HK\$</i>	<b>2.35</b>	-	N/A
Total dividends per share	<i>HK\$</i>	<b>3.90</b>	1.70	+129.4%
<b>Financial Position</b>				
Net borrowings	<i>HK\$ Million</i>	<b>2,368</b>	2,710	-12.6%
Gearing ratio	<i>%</i>	<b>31.5</b>	37.7	-6.2%pt
Total equity	<i>HK\$ Million</i>	<b>7,519</b>	7,186	+4.6%
Equity attributable to the Company's shareholders per share	<i>HK\$</i>	<b>37.12</b>	35.36	+5.0%
<b>Cash Flows</b>				
Net cash generated from operating activities	<i>HK\$ Million</i>	<b>1,023</b>	696	+47.0%
Net cash inflow before financing activities	<i>HK\$ Million</i>	<b>1,062</b>	281	+277.9%

Note: The average number of shares in issue is 166,324,850 in 2016 (2015: 166,324,850).

## CHAIRMAN'S LETTER

The HAECO Group reported an attributable profit of HK\$975 million in 2016. The profit included a gain of HK\$805 million on disposal of the interest of Hong Kong Aero Engine Services Limited (“HAESL”) in Singapore Aero Engine Services Pte. Limited (“SAESL”) and an impairment charge of HK\$285 million in respect of the goodwill recorded on the acquisition of TIMCO Aviation Services, Inc. (“TIMCO”). The HAECO Group’s 2015 attributable profit was HK\$464 million. Disregarding the gain on disposal in 2016 and impairment charges in both years, the HAECO Group’s 2016 attributable profit was HK\$516 million, 8.2% higher than in 2015.

The Directors have declared a second interim dividend of HK\$0.92 per share for the year ended 31st December 2016. Together with the first interim dividend of HK\$0.63 per share and a special interim dividend of HK\$2.35 per share paid on 20th September 2016, this results in total dividends for the year of HK\$3.90 per share and represents a total distribution of HK\$649 million, 129.4% higher than that made in respect of 2015. The second interim dividend, which totals HK\$153 million (2015: HK\$183 million), will be paid on 25th April 2017 to shareholders on the register at the close of business on 31st March 2017. Shares of the Company will be traded ex-dividend as from Wednesday, 29th March 2017.

Manhours sold by HAECO in Hong Kong (“HAECO Hong Kong”) for airframe services decreased by 4.6% in 2016. This reflected deferral of work by some customers to 2017. Line services results benefited from increased aircraft movements and more work being done per movement. More components and avionics maintenance manhours were sold in Hong Kong. The profit of HAECO ITM Limited (“HAECO ITM”) decreased. This reflected lower demand for the loan of aircraft parts and higher financing charges. The profits of HAESL increased, as more work was done per engine.

The agreements for the restructuring of shareholdings in HAESL and SAESL were completed in June 2016. The gain to HAESL arising from selling its 20% shareholding in SAESL was US\$229 million. 45% of the gain to HAESL, equivalent to approximately HK\$805 million, is included in the profit of the HAECO Group in 2016. Under the restructuring, HAECO increased its shareholding in HAESL from 45% to 50% and HAESL no longer has any shareholding in SAESL.

HAECO USA Holdings, Inc. (“HAECO Americas”) recorded a higher loss in 2016. This principally reflected losses on some seat contracts and a reduction in the number of seats sold and in cabin integration work. Airframe services results improved, with more manhours having been sold, but the benefit of this was offset in part by costs incurred with a view to improving efficiency and work flow.

An impairment charge of HK\$285 million was made in respect of the goodwill recorded on the acquisition of TIMCO. The charge relates to the cabin and seats business. It reflects a reduction in the expected profitability of the seats business and a weak cabin integration order book.

## CHAIRMAN'S LETTER (cont'd)

The profit of Taikoo (Xiamen) Aircraft Engineering Company Limited (“HAECO Xiamen”) increased in 2016. Fewer airframe services manhours were sold but the work was more profitable. More line services work was done and more aircraft parts were manufactured. Taikoo Engine Services (Xiamen) Company Limited (“TEXL”) performed well, with more engines overhauled and more component repair work. Taikoo (Xiamen) Landing Gear Services Company Limited (“HAECO Landing Gear Services”) did more work than in 2015. However, its losses increased. This principally reflected an impairment charge in respect of plant, machinery and tools. The impairment charge reflected the fact that less work is expected because of strong competition. The overall contribution from the Group’s other activities in Mainland China improved.

The Group continued to invest in order to increase the scale of operations and technical capabilities and to improve and widen the range of services it can offer to customers. Total capital expenditure for 2016 was HK\$727 million. Capital expenditure committed at the end of the year was HK\$1,396 million.

### Prospects

The prospects for the Group’s different businesses in 2017 are mixed. HAECO Hong Kong expects its results to be affected again by deferral of airframe services work by some customers. Demand for line services in Hong Kong is expected to be firm. The component and avionics overhaul business is expected to improve gradually with the development of new capabilities. Demand for HAECO Americas airframe services is expected to increase in 2017. However, its airframe services results will depend on the outcome of efforts to improve efficiency and work flow. The number of seats sold is expected to grow, sales of the new Vector seats are expected to remain modest. Forward bookings for cabin integration work are weak. Less Panasonic communication equipment installation kits are expected. Demand for HAECO Xiamen’s airframe services is expected to improve. Demand for TEXL’s overhaul services is expected to be stable in 2017. HAESL is expected to have a similar level of workload in 2017 to that in 2016. But its results will be adversely affected by higher depreciation and training costs associated with developing the capability to overhaul Trent XWB engines from 2018. HAECO Landing Gear Services is expected to do more work in 2017, but to continue to make losses.

The municipal government of Xiamen announced that the proposed new airport at Xiang’an would commence operations in 2020. This remains subject to the National Development and Reform Commission’s approval. Management maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO Group in Xiamen.

The commitment and hard work of employees of the Company and its subsidiary and joint venture companies are central to our continuing success. I take this opportunity to thank them for jobs well done.

By Order of the Board

**Hong Kong Aircraft Engineering Company Limited**

**John Slosar**

*Chairman*

Hong Kong, 14th March 2017

## REVIEW OF OPERATIONS

The profit attributable to the Company's shareholders comprises:

	<b>2016</b>	2015	Change
	<b>HK\$M</b>	HK\$M	
HAECO Hong Kong	<b>172</b>	167	+3.0%
HAECO Americas	<b>(523)</b>	(158)	-231.0%
HAECO Xiamen	<b>94</b>	69	+36.2%
TEXL	<b>196</b>	149	+31.5%
Share of:			
HAESL and SAESL	<b>1,023</b>	194	+427.3%
Other subsidiary and joint venture companies	<b>13</b>	43	-69.8%
	<b>975</b>	464	+110.1%

The following table shows the attributable profit adjusted so as to exclude the net gain on disposal of SAESL and impairment charges in respect of goodwill and plant, machinery and tools.

	<b>2016</b>	2015	Change
	<b>HK\$M</b>	HK\$M	
Profit attributable to the Company's shareholders	<b>975</b>	464	+110.1%
Adjusting items			
Gain on disposal of SAESL, net of associated expenses	<b>(783)</b>	-	N/A
Impairment charge in respect of goodwill	<b>285</b>	-	N/A
Impairment charge in respect of plant, machinery and tools	<b>39</b>	13	+200.0%
Adjusted profit	<b>516</b>	477	+8.2%

The adjusted profit by company is analysed below:

HAECO Hong Kong	<b>194</b>	167	+16.2%
HAECO Americas	<b>(238)</b>	(158)	-50.6%
HAECO Xiamen	<b>94</b>	69	+36.2%
TEXL	<b>196</b>	149	+31.5%
Share of:			
HAESL and SAESL	<b>218</b>	194	+12.4%
Other subsidiary and joint venture companies	<b>52</b>	56	-7.1%
	<b>516</b>	477	+8.2%

### Industry Background

Orders for new aircraft are firm. Aircraft manufacturers have record order books and are increasing production. More aircraft means in principle more demand for their maintenance and repair. But new aircraft need less maintenance and repair than older aircraft, and original equipment manufacturers are doing more maintenance and repair work than they used to. On balance, maintenance and repair work demand is still expected to grow in the medium and longer term.

## **REVIEW OF OPERATIONS (cont'd)**

### **HAECO Hong Kong**

HAECO Hong Kong's business comprises airframe services, line services at the passenger and cargo terminals at Hong Kong International Airport ("HKIA"), component services, material management and fleet technical management. It recorded a 16.2% increase in adjusted profit compared to 2015.

#### **Airframe Services**

HAECO Hong Kong 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 2.80 million in 2015 to 2.67 million in 2016. This reflected deferral of work by some customers to 2017. 77.3% of the work was for airlines based outside Hong Kong.

#### **Line Services**

HAECO Hong Kong undertakes technical and non-technical line services for airlines operating at HKIA. The average number of aircraft movements handled per day increased in 2016 by 1.3% to 307. Line services manhours sold also increased, reflecting this increase in volume and the fact that more work was done per movement.

#### **Component Services**

HAECO Hong Kong overhauls components and avionics at Tseung Kwan O in Hong Kong. Manhours sold, together with those sold by HAECO Component Overhaul (Xiamen) Limited, were 0.206 million in 2016, an increase of 3.5% compared to 2015. The increase reflected additional component maintenance capabilities.

HAECO Hong Kong employed 6,155 staff at the end of 2016, 5.1% more than at the end of 2015. The increase principally reflects recruitment of production staff.

In 2017, HAECO Hong Kong expects its results to be affected again by deferral of airframe services work by some customers. Demand for line services in Hong Kong is expected to be firm. Line services capacity is increasing, with more staff being hired. The component and avionics overhaul business is expected to improve gradually with the development of new capabilities.

### **HAECO Americas (owned 100% by HAECO)**

HAECO Americas' business comprises airframe services, line services, engine repair services, the manufacture of seats and cabin interior products and other aircraft cabin work. It recorded a loss of HK\$523 million in 2016 (including an impairment charge of HK\$285 million in respect of goodwill). Excluding the impairment charge, HAECO Americas' 2016 loss was HK\$238 million, compared to a loss of HK\$158 million in 2015. The increase principally reflected losses on some seat contracts and a reduction in the number of seats sold and in cabin integration work. Airframe services results improved, with more manhours having been sold, but the benefit of this was offset in part by expenditure incurred with a view to improving efficiency and work flow.

## **REVIEW OF OPERATIONS (cont'd)**

### **Airframe and Line Services**

Demand for HAECO Americas' airframe services increased. 3.24 million manhours were sold in 2016 compared with 3.02 million in 2015. More airframes were overhauled. Profits also benefited from more higher-margin checks being done, but were adversely affected by the payment of consultancy fees. The line services business was closed having regard to a review of its long term viability.

### **Cabin and Seats**

In 2016, the cabin and seats business lost more money than in 2015. 30 cabin integrations were done compared with 40 in 2015. Rescheduling caused some of the reduction. Approximately 3,400 premium economy and economy class seats were shipped in 2016, compared with approximately 4,200 in 2015. Demand for our old seats reduced. The new ones were not available until the second quarter of 2016. We lost money on some seat contracts. More Panasonic communication equipment installation kits were done.

An impairment charge of HK\$285 million was made in respect of the goodwill recorded on the acquisition of TIMCO. The charge relates to the cabin and seats business. It reflects a reduction in the expected profitability of the seats business and a weak cabin integration order book.

HAECO Americas employed 2,708 staff at the end of 2016, 4.3% more than at the end of 2015.

Demand for HAECO Americas airframe services is expected to increase in 2017. However, its airframe services results will depend on the outcome of efforts to improve efficiency and work flow. The number of seats sold is expected to grow, sales of the new Vector seats are expected to remain modest. Forward bookings for cabin integration work are weak. Less Panasonic communication equipment installation kits are expected.

### **HAECO Xiamen (owned 58.55% by HAECO)**

HAECO Xiamen's business comprises airframe services, line services, private jet work, parts manufacturing and technical training. It recorded a 36.2% increase in attributable profit in 2016 compared to 2015.

Fewer airframe services manhours were sold but hourly rates were higher. More line services work was done and more aircraft parts were manufactured. More technical training was done. Operating costs were lower.

### **Airframe Services**

HAECO Xiamen provides airframe services in Xiamen. Manhours sold in 2016 were 3.21 million, 7.2% fewer than in 2015. Less work was performed for a major North American customer. A typhoon disrupted production in the fourth quarter. Profitability benefited from the fact that services are priced in US dollars (which increased in value against Renminbi) and a high proportion of costs are incurred in Renminbi.

## REVIEW OF OPERATIONS (cont'd)

### Line Services

HAECO Xiamen provides line services in Xiamen, Beijing, Tianjin, Yinchuan, Chongqing and Zhengzhou. It handled an average of 50 aircraft movements per day in 2016, 8.7% more than in 2015. The profit from line services increased accordingly.

### Private Jet Work

Revenue from private jet work declined slightly in 2016. Less work was done.

### Parts Manufacturing and Technical Training

HAECO Xiamen manufactures parts and provides technical training in Xiamen. Parts manufacturing revenue increased by 20.5% in 2016. Revenue from technical training increased by 23.3% in 2016. More training related to Boeing 787 aircraft was provided to other companies in the HAECO Group.

HAECO Xiamen employed 4,479 staff at the end of 2016, 5.4% fewer than at the end of 2015.

Demand for HAECO Xiamen's airframe services in 2017 is expected to improve.

### New Airport in Xiamen

The municipal government of Xiamen announced that the proposed new airport at Xiang'an will commence operations in 2020. This remains subject to the National Development and Reform Commission's approval. Management maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO Group in Xiamen.

### **TEXL (owned 67.58% by HAECO and 9.01% by HAECO Xiamen)**

TEXL has an engine overhaul facility in Xiamen. It has a service agreement with General Electric under which it provides Maintenance, Repair and Overhaul ("MRO") services for GE90-110B and GE90-115B engines. In 2016, TEXL completed 48 engine performance restorations and 42 quick turn repairs on GE90 aircraft engines, compared to 30 engine performance restorations and 59 quick turn repairs in 2015. High pressure compressor spool replacements, high pressure turbine shroud and vane replacements, low pressure turbine disc and blade replacements and turbine centre frame modifications were done. Components were repaired for third parties. With more engines overhauled and more component repair work, TEXL recorded a higher profit in 2016 than that in 2015.

Demand for TEXL's overhaul services is expected to be stable in 2017.



## **REVIEW OF OPERATIONS (cont'd)**

### **HAESL (45% owned by HAECO until 30th June 2016, 50% owned by HAECO thereafter)**

HAESL repairs and overhauls Rolls-Royce engines and engine components at Tseung Kwan O in Hong Kong. Excluding the profit on disposal of its interest in SAESL, it recorded a 43.1% increase in attributable profit in 2016 compared to 2015. More work was done per engine. Engine output was 114 in 2016 compared with 115 in 2015.

HAESL had a 20% interest in SAESL until 30th June 2016. The HAECO Group's share of SAESL's results for the first half of 2016 was HK\$12 million, compared with the share of its results for the whole of 2015 of HK\$50 million.

The agreements entered into in November 2015 for the restructuring of shareholdings in HAESL and SAESL were completed on 30th June 2016. The gain to HAESL arising from selling its 20% shareholding in SAESL under the restructuring was US\$229 million. 45% of the gain to HAESL, equivalent to approximately HK\$805 million, is included in the profit of the HAECO Group in 2016. Under the restructuring, HAECO increased its shareholding in HAESL from 45% to 50%. HAESL is now owned as to 50% by HAECO and 50% by Rolls-Royce. HAESL no longer has any shareholding in SAESL.

HAESL is expected to have a similar level of workload in 2017 to that in 2016, overhauling more engines but doing less work per engine. But its results will be adversely affected by higher depreciation and training costs associated with developing the capability to overhaul Trent XWB engines (which power Airbus A350 aircraft) from 2018.

### **HAECO Landing Gear Services (owned 63.80% by HAECO and 10% by HAECO Xiamen)**

HAECO Landing Gear Services overhauls landing gears in Xiamen. It did more work in 2016 than in 2015, but its losses increased. This principally reflected an impairment charge of HK\$57 million made in respect of plant, machinery and tools. The impairment charge reflected the fact that less work is expected because of strong competition. HAECO Landing Gear Services is expected to do more work in 2017, but to continue to make losses.



## FINANCIAL REVIEW

### Consolidated Statement of Profit or Loss

	2016 HK\$M	2015 HK\$M	Change HK\$M	Reference
<b>Revenue</b>				
<b>-HAECO Hong Kong</b>	<b>3,879</b>	3,628	251	
The increase reflects more line services work.				
<b>-HAECO Americas</b>	<b>2,836</b>	2,554	282	
The increase reflects more airframe work and Panasonic communication equipment installation kits.				
<b>-HAECO Xiamen</b>	<b>1,640</b>	1,712	(72)	
The decrease reflects less airframe work, partly offset by more parts manufacturing and line services work.				
<b>-TEXL</b>	<b>4,808</b>	3,719	1,089	
The increase reflects more performance restoration work.				
<b>-Others</b>	<b>597</b>	482	115	
The increase reflects more business at HAECO ITM and HAECO Landing Gear Services.				
<b>-Total</b>	<b>13,760</b>	12,095	1,665	Note 2
<b>Staff remuneration and benefits</b>	<b>(5,059)</b>	(4,813)	(246)	
The increase reflects higher staff costs at HAECO Hong Kong and HAECO Americas.				
<b>Cost of direct material and job expenses</b>	<b>(6,679)</b>	(5,460)	(1,219)	
The increase reflects more performance restoration work at TEXL and more airframe work and Panasonic communication equipment installation kit work at HAECO Americas.				
<b>Depreciation, amortisation and impairment</b>	<b>(966)</b>	(620)	(346)	
The increase principally reflects the impairment charges in respect of goodwill recorded on the acquisition of TIMCO and in respect of plant, machinery and tools at HAECO Landing Gear Services.				
<b>Other operating expenses</b>	<b>(959)</b>	(801)	(158)	
The increase reflects a reversal of rental expenses accrued at HAECO Hong Kong in 2015 and non-recurring consultancy fees at HAECO Americas.				
<b>Other net gains</b>	<b>30</b>	14	16	Note 3
The increase principally reflects a smaller loss on disposal of property, plant and equipment in 2016 than in 2015 and higher net foreign exchange gains.				

## FINANCIAL REVIEW (cont'd)

### Consolidated Statement of Profit or Loss (continued)

	2016	2015	Change	Reference
	HK\$M	HK\$M	HK\$M	
<b>Operating profit</b>	<b>127</b>	415	(288)	
The substantial reduction in operating profit principally reflects the impairment charges in respect of goodwill recorded on the acquisition of TIMCO and in respect of plant, machinery and tools of HAECO Landing Gear Services. Excluding the impairment charges, improved results at HAECO Hong Kong, TEXL and HAECO Xiamen were largely offset by higher losses from HAECO Americas' cabin and seats business.				
<b>Net finance charges</b>	<b>(89)</b>	(76)	(13)	Note 4
The increase reflects an increase in the average cost of debt.				
<b>Share of after-tax results of joint venture companies</b>	<b>1,072</b>	246	826	
The increase principally reflects the gain on disposal of SAESL. It also reflects more work per engine at HAESL.				
<b>Taxation</b>	<b>(17)</b>	(33)	16	Note 5
The decrease principally reflects a deferred tax credit arising from higher losses at HAECO Americas.				
<b>Non-controlling interests</b>	<b>(118)</b>	(88)	(30)	
The increase reflects higher profits at TEXL and HAECO Xiamen.				
<b>Profit attributable to the company's shareholders</b>	<b>975</b>	464	511	

## FINANCIAL REVIEW (cont'd)

### Consolidated Statement of Financial Position

	<b>2016</b>	2015	Change	Reference
	<b>HK\$M</b>	HK\$M	HK\$M	
<b>Property, plant and equipment</b>	<b>5,264</b>	5,319	(55)	
The decrease reflects an impairment charge at HAECO Landing Gear Services and a reduction (reflecting the weakness of the Renminbi) in the Hong Kong dollar value of assets at HAECO Xiamen, partly offset by the construction of a new hangar and cabin facility at HAECO Americas and the acquisition of rotatable spares at HAECO ITM.				
<b>Intangible assets</b>	<b>2,166</b>	2,531	(365)	
The decrease was principally attributable to the impairment of goodwill arising from the acquisition of TIMCO and the amortisation of intangible assets at HAECO Americas.				
<b>Joint venture companies</b>	<b>1,607</b>	1,262	345	
The increase principally reflects the acquisition of an additional 5% shareholding in HAESL.				
<b>Trade and other receivables</b>	<b>1,595</b>	1,902	(307)	Note 8
The decrease principally reflects fewer receivables at HAECO ITM and TEXL.				
<b>Trade and other payables (current portion)</b>	<b>2,194</b>	2,377	(183)	Note 9
The decrease principally reflects fewer trade payables at TEXL and fewer accruals at HAECO ITM.				
<b>Loans and finance lease obligations (current and non-current portion)</b>	<b>3,689</b>	4,137	(448)	
The decrease principally reflects partial repayment of bank loans at HAECO Hong Kong following receipt of the proceeds of disposal of HAESL's interest in SAESL and partial repayment of bank loans at TEXL.				

## FINANCIAL REVIEW (cont'd)

### Consolidated Statement of Cash Flows

	2016 HK\$M	2015 HK\$M	Change HK\$M
<b>Cash generated from operations</b>	<b>1,199</b>	868	331
The increase principally reflects favourable working capital changes at HAECO Americas and HAECO ITM.			
<b>Net interest paid</b>	<b>(73)</b>	(58)	(15)
The increase reflects lower interest income, which in turn reflects lower bank balances.			
<b>Dividend received from joint venture companies</b>	<b>1,169</b>	185	984
The substantial increase reflects a dividend received from HAESL following disposal of its interest in SAESL.			
<b>Purchase of shares in a joint venture company</b>	<b>(452)</b>	-	(452)
This represents payment for the acquisition of an additional 5% shareholding in HAESL.			
<b>Purchase of property, plant and equipment</b>	<b>(717)</b>	(702)	(15)
The increase reflects the construction of a new hangar and cabin facility at HAECO Americas.			
<b>Loans repaid (net of repayment)</b>	<b>(449)</b>	(828)	379
Bank loans at HAECO Hong Kong and TEXTL were partly repaid.			

## FINANCING

### Sources of Financing

At 31st December 2016, net borrowings consisted of long-term loans of HK\$3,614 million, short-term loans of HK\$64 million and finance lease obligations of HK\$11 million, net of bank balances and short-term deposits of HK\$1,321 million. Committed facilities were HK\$4,958 million at 31st December 2016, of which HK\$1,284 million were undrawn. In addition, there were uncommitted facilities of HK\$2,409 million at the same date, of which HK\$2,345 million were undrawn.

	Available HK\$M	Drawn HK\$M	Undrawn expiring within one year HK\$M	Undrawn expiring beyond one year HK\$M
<b>Committed facilities</b>				
- Loans and finance leases	4,958	3,674	116	1,168
<b>Uncommitted facilities</b>				
- Loans and overdraft	2,409	64	2,345	-
<b>Total</b>	<b>7,367</b>	<b>3,738</b>	<b>2,461</b>	<b>1,168</b>

### Currency Hedging

HAECO Xiamen mitigates its exposure to reductions in the exchange rate of the US dollar against the Renminbi by selling US dollars forward. At 31st December 2016, HAECO Xiamen had sold forward a total of US\$23 million to fund part of its Renminbi requirements for 2017 and 2018. The weighted average exchange rate applicable to these forward sales was RMB6.80 to US\$1. Because of the weakening of the Renminbi against the US dollar, losses of HK\$2 million were made on forward foreign exchange contracts in 2016.

## **CORPORATE GOVERNANCE**

The Company complied with all the code provisions set out in the Corporate Governance Code (the “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 covered by the annual report 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 the Board as to suitability for the role.

The Company has adopted a code of conduct (the “Securities Code”) regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Details of the Company’s corporate governance principles and processes will be available in the 2016 annual report.

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31st December 2016

	Note	<u>2016</u> <b>HK\$M</b>	<u>2015</u> HK\$M
<b>Revenue</b>	2	<b>13,760</b>	12,095
<b>Operating expenses:</b>			
Staff remuneration and benefits		<b>(5,059)</b>	(4,813)
Cost of direct material and job expenses		<b>(6,679)</b>	(5,460)
Depreciation, amortisation and impairment		<b>(966)</b>	(620)
Insurance and utilities		<b>(188)</b>	(187)
Operating lease rentals - land and buildings		<b>(279)</b>	(214)
Repairs and maintenance		<b>(189)</b>	(163)
Other		<b>(303)</b>	(237)
		<b>(13,663)</b>	(11,694)
<b>Other net gains</b>	3	<b>30</b>	14
<b>Operating profit</b>		<b>127</b>	415
<b>Finance income</b>	4	<b>9</b>	20
<b>Finance charges</b>	4	<b>(98)</b>	(96)
<b>Net operating profit</b>		<b>38</b>	339
<b>Share of after-tax results of joint venture companies</b>		<b>1,072</b>	246
<b>Profit before taxation</b>		<b>1,110</b>	585
<b>Taxation</b>	5	<b>(17)</b>	(33)
<b>Profit for the year</b>		<b>1,093</b>	552
<b>Profit attributable to:</b>			
The Company's shareholders		<b>975</b>	464
Non-controlling interests		<b>118</b>	88
		<b>1,093</b>	552
<b>Dividends</b>			
First interim - paid		<b>105</b>	100
Second interim - declared/paid		<b>153</b>	183
Special interim - paid		<b>391</b>	-
	6	<b>649</b>	283
<b>Earnings per share for profit attributable to the Company's shareholders (basic and diluted)</b>	7	<b>HK\$5.86</b>	HK\$2.79



## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31st December 2016

	<u>2016</u>	<u>2015</u>
	HK\$M	HK\$M
<b>Profit for the year</b>	<b>1,093</b>	552
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Defined benefit retirement schemes		
- remeasurement gains/(losses) recognised	<b>104</b>	(253)
- deferred tax	<b>(17)</b>	43
Share of other comprehensive income of joint venture companies	<b>11</b>	(19)
<b>Items that can be reclassified subsequently to profit or loss</b>		
Cash flow hedges		
- losses recognised	<b>(6)</b>	(8)
- transferred to revenue	<b>5</b>	10
- transferred to finance charges	<b>2</b>	4
- deferred tax	<b>-</b>	(2)
Share of other comprehensive income of joint venture companies	<b>6</b>	(2)
Net translation differences on foreign operations	<b>(181)</b>	(136)
<b>Other comprehensive income for the year, net of tax</b>	<b>(76)</b>	(363)
<b>Total comprehensive income for the year</b>	<b>1,017</b>	189
<b>Total comprehensive income attributable to:</b>		
The Company's shareholders	<b>972</b>	153
Non-controlling interests	<b>45</b>	36
	<b>1,017</b>	189

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2016

	Note	<u>2016</u>	<u>2015</u>
		HK\$M	HK\$M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,264	5,319
Land and land use rights		322	337
Intangible assets		2,166	2,531
Joint venture companies		1,607	1,262
Derivative financial instruments		3	-
Deferred tax assets		311	182
Retirement benefit assets		39	36
Long-term prepayment		17	17
		<u>9,729</u>	<u>9,684</u>
<b>Current assets</b>			
Stocks		820	775
Work in progress		883	878
Trade and other receivables	8	1,595	1,902
Taxation recoverable		1	6
Derivative financial instruments		1	-
Cash and cash equivalents		1,299	1,413
Short-term deposits		22	14
		<u>4,621</u>	<u>4,988</u>
<b>Current liabilities</b>			
Trade and other payables	9	2,194	2,377
Taxation payable		54	42
Put option over a non-controlling interest in a subsidiary company		77	74
Derivative financial instruments		6	3
Short-term loans		64	-
Long-term loans due within one year		136	178
Finance lease obligations due within one year		3	3
		<u>2,534</u>	<u>2,677</u>
<b>Net current assets</b>		<u>2,087</u>	<u>2,311</u>
<b>Total assets less current liabilities</b>		<u>11,816</u>	<u>11,995</u>
<b>Non-current liabilities</b>			
Long-term loans		3,478	3,945
Finance lease obligations		8	11
Receipt in advance		5	16
Deferred income		17	20
Advance from a related party		289	295
Deferred tax liabilities		282	239
Retirement benefit liabilities		218	275
Other payables		-	8
		<u>4,297</u>	<u>4,809</u>
<b>NET ASSETS</b>		<u>7,519</u>	<u>7,186</u>
<b>EQUITY</b>			
Share capital	10	185	185
Reserves	11	5,989	5,696
<b>Equity attributable to the Company's shareholders</b>		<u>6,174</u>	<u>5,881</u>
<b>Non-controlling interests</b>		<u>1,345</u>	<u>1,305</u>
<b>TOTAL EQUITY</b>		<u>7,519</u>	<u>7,186</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31st December 2016

	<u>2016</u>	<u>2015</u>
	HK\$M	HK\$M
<b>Operating activities</b>		
Cash generated from operations	1,199	868
Interest paid	(83)	(81)
Interest received	10	23
Tax paid	(103)	(114)
<b>Net cash generated from operating activities</b>	<u>1,023</u>	<u>696</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(717)	(702)
Purchase of intangible assets	(10)	(14)
Proceeds from disposals of property, plant and equipment	57	109
Dividends received from joint venture companies	1,169	185
Purchase of shares in a joint venture company	(452)	-
(Increase)/decrease in deposits maturing after more than three months	(8)	7
<b>Net cash generated from/(used in) investing activities</b>	<u>39</u>	<u>(415)</u>
<b>Net cash inflow before financing activities</b>	<u>1,062</u>	<u>281</u>
<b>Financing activities</b>		
Proceeds from loans	1,576	1,430
Repayment of loans and finance leases	(2,025)	(2,258)
(Repayment to)/advance from a related party	(6)	77
Dividends paid to the Company's shareholders	(679)	(341)
Dividends paid to non-controlling interests	(5)	(49)
<b>Net cash used in financing activities</b>	<u>(1,139)</u>	<u>(1,141)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(77)</u>	<u>(860)</u>
Cash and cash equivalents at 1st January	1,413	2,310
Currency adjustment	(37)	(37)
<b>Cash and cash equivalents at 31st December</b>	<u>1,299</u>	<u>1,413</u>

## 1. Basis of principal accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the historical cost convention as modified in relation to the revaluation of financial assets and financial liabilities (including derivative instruments), each of which are carried at fair value through profit or loss.

The financial information relating to the years ended 31st December 2015 and 2016 that is included in this document does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the “Ordinance”)) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2015 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2016 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor’s reports have been prepared on the specified financial statements for the years ended 31st December 2015 and 2016. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

- (a) The following amendments to standards were required to be adopted by the Group effective from 1st January 2016:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of these amendments has had no significant impact on the Group’s financial statements.

## 1. Basis of principal accounting policies (cont'd)

- (b) The Group has not early adopted the following relevant new and revised standards that have been issued but are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements:

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1st January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 2	Classification and Measurement of Share-Based Payment Transactions	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely

None of these new and revised standards is expected to have a significant effect on the Group's financial statements, except the following set out below:

The complete version of HKFRS 9 replaces the guidance in HKAS 39. HKFRS 9 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The incurred loss impairment model used in HKAS 39 has been replaced by an expected credit loss model, with the result that a loss event will no longer need to occur before an impairment allowance is recognised. There are no changes to classification and measurement of financial liabilities except for the recognition of changes relating to an entity's own credit risk, which are recognised in other comprehensive income for liabilities designated at fair value through profit or loss. Hedge accounting under HKFRS 9 requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one used by an entity's management for risk management purposes. This replaces the hedge effectiveness test under the current standard. The Group is assessing the impact of the new standard.

## **1. Basis of principal accounting policies (cont'd)**

HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The new standard replaces HKAS 18 and HKAS 11 and related interpretations and provides a comprehensive revenue recognition model that can be applied to a wide range of transactions and industries. The model uses a five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group is assessing the impact of the new standard.

HKFRS 16 replaces HKAS 17 and related interpretations and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised on the balance sheet for all leases by lessees. The standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in the financial statements. In the Group's statement of profit or loss, operating lease rentals will be replaced with depreciation and interest expenses. The Group is assessing the impact of the new standard.

## **2. Revenue and segment information**

Revenue represents the aggregate 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, Mainland China and the United States. 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 Executive Directors of the Board consider the business primarily from an entity perspective.





## 2. Revenue and segment information (cont'd)

	HAECO Hong Kong HK\$M	HAECO Americas HK\$M	HAECO Xiamen HK\$M	TEXTL 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			
<b>At 31st December 2016</b>									
Total segment assets	<b>3,816</b>	<b>3,337</b>	<b>2,797</b>	<b>2,141</b>	<b>2,932</b>	<b>(2,932)</b>	<b>1,914</b>	<b>(1,262)</b>	<b>12,743</b>
Total segment assets include:									
Additions to non-current assets (other than financial instruments, retirement benefit assets and deferred tax assets)	158	169	57	40	188	(188)	286	-	710
Total segment liabilities	<b>2,250</b>	<b>2,730</b>	<b>414</b>	<b>783</b>	<b>1,143</b>	<b>(1,143)</b>	<b>1,891</b>	<b>(1,237)</b>	<b>6,831</b>
	HAECO Hong Kong HK\$M	HAECO Americas HK\$M	HAECO Xiamen HK\$M	TEXTL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
<b>At 31st December 2015</b>									
Total segment assets	4,058	3,543	2,790	2,194	2,928	(2,928)	2,026	(1,201)	13,410
Total segment assets include:									
Additions to non-current assets (other than financial instruments, retirement benefit assets and deferred tax assets)	116	103	79	32	96	(96)	407	-	737
Total segment liabilities	2,315	2,889	415	1,118	1,198	(1,198)	1,941	(1,192)	7,486

The goodwill which arose on the acquisitions of TEXTL and TIMCO in previous accounting periods has been accounted for under TEXTL and HAECO Americas respectively.

	<b>2016</b>	2015
	<b>HK\$M</b>	HK\$M
Reportable segments' assets are reconciled to total assets as follows:		
Total segment assets	<b>12,743</b>	13,410
Unallocated: investment in joint venture companies	<b>1,607</b>	1,262
Total assets	<b>14,350</b>	14,672

The Group's principal joint venture companies, except for SAESL which was disposed of on 30th June 2016, are held by HAECO and HAECO Xiamen.

Reportable segments' liabilities are equal to total liabilities.

### 3. Other net gains

	2016 HK\$M	2015 HK\$M
Net foreign exchange gains	17	6
Loss on disposal of property, plant and equipment	(6)	(18)
Receipt of government subsidies	16	20
Others	3	6
	<u>30</u>	<u>14</u>

### 4. Finance income and finance charges

	2016 HK\$M	2015 HK\$M
Finance income:		
Short-term deposits and bank balances	<u>9</u>	<u>20</u>
Finance charges:		
Bank loans	(89)	(88)
Advance from a related party	(6)	(4)
Finance lease obligations	(1)	(1)
Fair value losses on derivative instruments:		
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	(2)	(4)
Fair value loss on a put option over a non-controlling interest in a subsidiary company	(2)	(2)
Capitalised on property, plant and equipment	<u>2</u>	<u>3</u>
Total finance charges	<u>(98)</u>	<u>(96)</u>
Net finance charges	<u>(89)</u>	<u>(76)</u>

### 5. Taxation

	2016 HK\$M	2015 HK\$M
Current taxation:		
Hong Kong profits tax	37	40
Overseas taxation	91	80
Over-provisions in prior years	(7)	(6)
	<u>121</u>	<u>114</u>
Deferred taxation:		
(Increase)/decrease in deferred tax assets	(119)	7
Increase/(decrease) in deferred tax liabilities	<u>15</u>	<u>(88)</u>
	<u>17</u>	<u>33</u>

## 5. Taxation (cont'd)

Hong Kong profits tax is calculated at 16.5% (2015: 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 joint venture companies' tax charge of HK\$56 million (2015: HK\$35 million) is included in the share of after-tax results of joint venture companies shown in the consolidated statement of profit or loss.

## 6. Dividends

	Company	
	2016	2015
	HK\$M	HK\$M
First interim dividend paid on 20th September 2016 of HK\$0.63 per share (2015: HK\$0.60 per share)	105	100
Special interim dividend paid on 20th September 2016 of HK\$2.35 per share (2015: nil)	391	-
Second interim dividend declared on 14th March 2017 of HK\$0.92 per share (2015: HK\$1.10 per share)	153	183
	<b>649</b>	<b>283</b>

The Directors have declared a second interim dividend of HK\$0.92 per share for the year ended 31st December 2016. Together with the first interim dividend of HK\$0.63 per share and a special interim dividend of HK\$2.35 per share paid on 20th September 2016, this results in total dividends for the year of HK\$3.90 per share and represents a total distribution of HK\$649 million. The second interim dividend will be paid on 25th April 2017 to shareholders registered at the close of business on the record date, being Friday, 31st March 2017. Shares of the Company will be traded ex-dividend as from Wednesday, 29th March 2017.

The register of members will be closed on Friday, 31st March 2017 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, 30th March 2017.

To facilitate the processing of proxy voting for the annual general meeting to be held on Friday, 12th May 2017, the register of members will be closed from Tuesday, 9th May 2017 to Friday, 12th May 2017, 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 Monday, 8th May 2017.

## 6. Dividends (cont'd)

The second interim dividend is not accounted for in 2016 because it had not been declared and approved at the year end date. The actual amount payable in respect of 2016 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2017.

## 7. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK\$975 million (2015: HK\$464 million) by the weighted average number of 166,324,850 ordinary shares in issue during the year (2015: 166,324,850).

## 8. Trade and other receivables

	2016 HK\$M	2015 HK\$M
Trade receivables - in HK dollars	32	27
in US dollars	726	959
in Renminbi	45	41
in other currencies	2	2
	<u>805</u>	<u>1,029</u>
Less: Provision for impairment of receivables	<u>(35)</u>	<u>(91)</u>
	770	938
Amounts due from joint venture companies	14	15
Amounts due from related parties	423	583
Other receivables and prepayments	388	366
	<u>1,595</u>	<u>1,902</u>

The analysis of the age of trade receivables at year-end (based on the invoice date) is as follows:

	2016 HK\$M	2015 HK\$M
Under three months	700	888
Between three and six months	47	44
Over six months	58	97
	<u>805</u>	<u>1,029</u>

## 8. Trade and other receivables (cont'd)

At 31st December 2016, the Group had trade debtors of HK\$338 million (2015: HK\$262 million) which were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	<b>2016</b>	2015
	<b>HK\$M</b>	HK\$M
Under three months	<b>299</b>	240
Between three and six months	<b>19</b>	11
Over six months	<b>20</b>	11
	<b><u>338</u></b>	<u>262</u>

At 31st December 2016, trade receivables of the Group of HK\$35 million (2015: HK\$91 million) were 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:

	<b>2016</b>	2015
	<b>HK\$M</b>	HK\$M
Up to three months overdue	-	3
Three to six months overdue	<b>3</b>	8
Over six months overdue	<b>32</b>	80
	<b><u>35</u></b>	<u>91</u>

## 9. Trade and other payables

	<b>2016</b>	2015
	<b>HK\$M</b>	HK\$M
Trade payables	<b>542</b>	601
Amounts due to joint venture companies	<b>6</b>	10
Amounts due to related parties	<b>26</b>	30
Accrued capital expenditure	<b>41</b>	62
Accruals	<b>1,008</b>	1,088
Deferred income	<b>397</b>	404
Other payables	<b>174</b>	182
	<b><u>2,194</u></b>	<u>2,377</u>

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

	<b>2016</b>	2015
	<b>HK\$M</b>	HK\$M
Under three months	<b>535</b>	586
Between three and six months	<b>3</b>	7
Over six months	<b>4</b>	8
	<b><u>542</u></b>	<u>601</u>

## 10. Share capital

There was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares during the year.

## 11. Reserves

	Revenue reserve		Exchange translation reserve		Cash flow hedge reserve		Total	
	2016 HK\$M	2015 HK\$M	2016 HK\$M	2015 HK\$M	2016 HK\$M	2015 HK\$M	2016 HK\$M	2015 HK\$M
At 1st January	5,619	5,725	84	167	(7)	(8)	5,696	5,884
Profit for the year	975	464	-	-	-	-	975	464
Other comprehensive income								
Defined benefit retirement schemes								
- remeasurement losses recognised	104	(253)	-	-	-	-	104	(253)
- deferred tax	(17)	43	-	-	-	-	(17)	43
Cash flow hedges								
- recognised during the year	-	-	-	-	(3)	(6)	(3)	(6)
- transferred to revenue	-	-	-	-	2	6	2	6
- transferred to finance charges	-	-	-	-	2	4	2	4
- deferred tax	-	-	-	-	-	(1)	-	(1)
Share of other comprehensive income of joint venture companies	11	(19)	-	-	6	(2)	17	(21)
Net translation differences on foreign operations	-	-	(108)	(83)	-	-	(108)	(83)
Total comprehensive income for the year	1,073	235	(108)	(83)	7	1	972	153
Previous year's second interim dividend paid	(183)	(241)	-	-	-	-	(183)	(241)
Current year's first interim dividend paid	(105)	(100)	-	-	-	-	(105)	(100)
Current year's special interim dividend paid	(391)	-	-	-	-	-	(391)	-
At 31st December	6,013	5,619	(24)	84	-	(7)	5,989	5,696

## 12. Capital commitments

	2016 HK\$M	2015 HK\$M
Contracted but not provided for in the financial statements	649	657
Authorised by Directors but not contracted for	747	1,271
	<b>1,396</b>	<b>1,928</b>

Capital commitments mainly relate to construction of new buildings and the acquisition of rotatable spares and other machinery and tools.

## **ANNUAL REPORT**

The 2016 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](http://www.haeco.com) on or before 6th April 2017. Printed copies will be sent to shareholders who have elected to receive printed copies on 7th April 2017.

## **LIST OF DIRECTORS**

As at the date of this announcement, the Directors of the Company are:

Executive Directors: J.R. Slosar (Chairman), W.E.J. Barrington, G.T.F. Hughes, F.N.Y. Lung, A.K.W. Tang;

Non-Executive Directors: C.P. Gibbs, M.B. Swire; and

Independent Non-Executive Directors: R.E. Adams, B.Y.C. Cha, Y.K. Leung, J.L. Lewis and P.P.W. Tse.