

The Directors submit their report and the audited accounts for the year ended 31st December 2005, which are set out on pages 32 to 63.

## 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 32.

## 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 4 and 5.

## Dividends

The Directors recommend the payment of a final dividend of HK\$1.10 per ordinary share for the year ended 31st December 2005 which, together with the interim dividend of HK\$0.50 per ordinary share paid on 26th September 2005 makes a total dividend for the year of HK\$1.60 per ordinary share. This represents a total distribution for the year of HK\$266 million. Subject to the approval of the 2005 final dividend by the shareholders at the Annual General Meeting on 9th May 2006, it is expected that the dividend will be paid on 19th May 2006 to shareholders registered on 9th May 2006. The shareholders' register will be closed from 2nd May 2006 to 9th May 2006, both dates inclusive.

## Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 21 to the accounts.

## Bank and other borrowings

The details of the Company's and its subsidiary company's borrowings are shown in notes 23 and 24 to the accounts.

## Interest

The details of interest are included in note 8 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\$5 million.

## Property, plant and equipment

Movements of property, plant and equipment are shown in note 13 to the accounts.

董事局謹提呈截至二零零五年十二月三十一日止年度的報告書及經審核賬目。該等賬目詳列於第三十二頁至第六十三頁。

## 主要業務及業績

香港飛機工程有限公司集團的主要業務為經營商用飛機大修及維修業務。其業務主要在香港及中華人民共和國廈門進行。集團的業績詳列於第三十二頁的綜合損益賬內。

## 十年財務概要

集團的業績、資產及負債的十年財務概要載於第四頁及第五頁。

## 股息

董事局建議派發截至二零零五年十二月三十一日止年度的末期股息每普通股港幣 1.10元，連同於二零零五年九月二十六日已派發的中期股息每普通股港幣0.50元，全年派息為每普通股港幣1.60元。全年派息總額為港幣二億六千六百萬元。二零零五年末期股息有待股東於二零零六年五月九日召開的股東週年大會通過，股息預期於二零零六年五月十九日派發予於二零零六年五月九日名列股東名冊內的股東。股票過戶手續將於二零零六年五月二日至二零零六年五月九日(包括首尾兩天)暫停辦理。

## 儲備賬

公司及集團年內的儲備賬變動見賬目附註第21條。

## 銀行及其他借貸

公司及其附屬公司的借貸詳列於賬目附註第23及24條。

## 利息

利息詳列於賬目附註第8條。

## 會計政策

集團的主要會計政策見賬目附註第2條。

## 捐款

年內公司及其附屬公司的慈善捐款共達港幣五百萬元。

## 物業、廠房及設備

物業廠房及設備增減詳情，見賬目附註第13條。

## 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 (2004: nil). At 31st December 2005, 166,324,850 shares were in issue (31st December 2004: 166,324,850 shares).

The Company has not adopted any share option scheme during the year.

## Commitments and contingencies

Details of capital commitments of the Group and the Company as at 31st December 2005 are set out in note 27 to the accounts. There are no contingent liabilities as at 31st December 2005.

## Major customers and suppliers (significant contracts)

64.5% of sales and 38.7% of purchases during the year were attributable to the Group's five largest customers and suppliers respectively. 36.7% of sales were made to the Group's largest customer, Cathay Pacific Airways Limited ("CX"), while 14% of purchases were from the largest supplier, Aero Inventory (U.K.) Limited which is a wholly owned subsidiary of Aero Inventory plc. In respect of the Company's transactions with CX, CX and its controlling shareholder Swire Pacific Limited are interested as substantial shareholders of the Company; Derek Cridland is interested as shareholder, director and employee of CX; Charles Bremridge, Marven Bowles and J Robert Gibson as shareholders of CX; and Tony Tyler as shareholder and director of CX. In respect of the Company's transactions with Hong Kong Dragon Airlines Limited ("KA"), CX and Swire Pacific Limited are interested as shareholders of KA and Tony Tyler is interested as a director of KA.

Save as disclosed above, no Director, any of 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 CX) has an interest in the customers or suppliers disclosed above.

## Agreement for services

The Company has an agreement for services with John Swire & Sons (H.K.) Limited ("JSSHK"), the particulars of which and of the fees paid and the expenses reimbursed for the year ended 31st December 2005 are set out in note 29 to the accounts.

As Directors/employees of the John Swire & Sons Limited ("Swire") group, Charles Bremridge, Davy Ho, Peter Johansen and Tony Tyler are interested in the JSSHK Services Agreement (as defined in note 29) and in the case of Peter Johansen also as a shareholder. David Turnbull was interested as director and employee of the Swire group until 31st January 2006. Marven Bowles was interested as employee of the Swire group until 31st August 2005.

## 股本

在回顧的年度內，公司或其附屬公司並無購回、出售或贖回公司的股份（二零零四年為零）。於二零零五年十二月三十一日，已發行股份為166,324,850股（二零零四年十二月三十一日為166,324,850股）。

年內，公司並無採納任何認購股權計劃。

## 承擔及或有事項

集團及公司於二零零五年十二月三十一日的資本性承擔詳載於賬目附註第27條。於二零零五年十二月三十一日並無或有負債。

## 主要客戶及供應商(重要合約)

年內，集團的五大客戶及供應商分別佔公司銷售額百分之六十四點五及採購額百分之三十八點七。集團的最大客戶國泰航空有限公司（「國泰航空」）佔公司銷售額百分之三十六點七，而百分之十四的採購額則來自最大供應商Aero Inventory (U.K.) Limited，該公司乃Aero Inventory plc的全資附屬公司。就公司與國泰航空的交易，國泰航空及其控股股東太古股份有限公司作為公司主要股東有利益關係；梁德基作為國泰航空股東、董事及僱員有利益關係；彭勵志、馬文博及紀必信作為國泰航空股東有利益關係；而湯彥麟則作為國泰航空股東及董事有利益關係。就公司與港龍航空有限公司（「港龍航空」）的交易，國泰航空與太古股份有限公司作為港龍航空股東有利益關係，而湯彥麟則作為港龍航空董事有利益關係。

如上述所披露，各董事、其聯繫人士或任何據董事局所知擁有逾百分之五公司已發行股本的股東（國泰航空除外），均無持有在上文披露的客戶或供應商的權益。

## 服務協議

公司與香港太古集團有限公司（「香港太古集團」）訂立一份服務協議，協議詳情及截至二零零五年十二月三十一日止年度的已付費用及代支費用於賬目附註第29條列述。

彭勵志、何祖英、容漢新及湯彥麟作為英國太古集團有限公司（「太古」）集團董事/僱員，在香港太古集團服務協議（定義如賬目附註第29條所述）中有利益關係，而容漢新同時為股東。唐寶麟作為太古集團董事及僱員有利益關係直至二零零六年一月三十一日止。馬文博作為太古集團僱員有利益關係直至二零零五年八月三十一日止。

## Continuing connected transactions

The Group's continuing connected transactions are set out in note 29 to the accounts.

Three Independent Non-Executive Directors, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out in note 29 have been entered into by the Group:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company have also reviewed these transactions and confirmed to the Board that:

- (a) they have been approved by the Board of the Company;
- (b) they are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group);
- (c) they have been entered into in accordance with the relevant agreements governing the transactions; and
- (d) they have not exceeded the relevant annual caps disclosed in previous announcements, except for the continuing connected transactions with AHK Air Hong Kong Limited for the year ended 31st December 2005.

## Directors

The names of the present Directors are listed on pages 23 to 24. Of these, J Robert Gibson was appointed on 1st September 2005. In addition, Marven Bowles and Dr. Alex Wu served as Directors of the Company during the year. Marven Bowles resigned on 31st August 2005. It is with sadness that the Directors report the death of Dr. Alex Wu on 10th January 2005. All the remaining Directors served throughout the year and still hold office at the date of this report.

Throughout the year, Christopher Gibbs served as Alternate Director to Derek Cridland and The Hon. Sir Michael Kadoorie served as Alternate Director to Dinty Dickson Leach.

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 P.K. Chan,

## 持續關連交易

集團的持續關連交易於賬目附註第29條列述。

三名並無在任何與集團進行的關連交易中有利益關係的獨立非常務董事，已審核並確認賬目附註第29條列述的持續關連交易乃集團按以下原則訂立：

- (a) 該等交易為集團的日常業務；
- (b) 該等交易按照一般商務條款進行，或若可供比較的交易不足以判斷該等交易的條款是否一般商務條款，則對集團而言，該等交易的條款不遜於獨立第三者可取得或提供（視屬何情況而定）的條款；及
- (c) 該等交易是根據有關協議的規定而進行，交易條款乃公平合理，並且符合公司股東的整體利益。

公司核數師亦已審核該等交易，並向董事局確認：

- (a) 該等交易已獲得公司董事局批准；
- (b) 該等交易乃按照集團的定價政策而進行(如交易涉及由集團提供貨品或服務)；
- (c) 該等交易乃根據規限有關交易的協議而進行；及
- (d) 該等交易並無超逾之前刊發的公告所披露的有關年度上限，截至二零零五年十二月三十一日止年度與香港華民航空有限公司的持續關連交易則除外。

## 董事

現任董事的姓名列於第二十三頁至第二十四頁。當中，紀必信於二零零五年九月一日獲委任。馬文博與吳樹熾博士亦於年內出任公司董事。馬文博於二零零五年八月三十一日退任董事，而吳樹熾博士於二零零五年一月十日因辭世而停任董事。其餘所有董事皆於年內全年任職，並於本報告書公佈的日期仍然在任。

年內全年間，簡柏基出任梁德基代董事，米高嘉道理爵士則出任李德信代董事。

根據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，陳炳傑、何祖英、湯彥麟及梁國權於公司即將召開的股東週年大會告退，但因符合資

Davy Ho, Tony Tyler and Lincoln Leong retire at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election. J Robert Gibson, having been appointed to the Board under Article 91 since the last Annual General Meeting, also retires and offers himself 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 2005, 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(%)	
The Hon. Sir Michael Kadoorie (Alternate Director)	–	3,782,886*	3,782,886	2.27	米高嘉道理爵士 (代董事)
J Robert Gibson	28,000	–	28,000	0.02	紀必信
Dinty Dickson Leach	124,800	–	124,800	0.08	李德信

\* The Hon. Sir Michael Kadoorie is one of the discretionary objects and the founder of a discretionary trust which ultimately holds these shares.

格均願候選連任。紀必信根據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。

各董事均無與公司訂有不可由僱主免付賠償金 (法定的賠償金除外) 而於一年內終止的服務合約。

年內支付予獨立非常務董事的袍金總計港幣四十萬元；他們並無自公司或其任何附屬公司收取其他酬金。

### 董事權益

於二零零五年十二月三十一日，根據證券及期貨條例第352條須設立的名冊內所登記，以下董事在香港飛機工程有限公司的股份中持有實益：

\* 米高嘉道理爵士是最終持有此等股份的酌情信託的其中一位信託對象及創立人。

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.

除上述外，公司的董事或行政總裁並無在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) 的股份或相關股份及債券中擁有任何實益或非實益的權益或淡倉。

在本年度內或之前，公司的任何董事或其配偶或未成年子女並無獲授權或行使權利，以認購公司股份、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，公司或其任何相聯法團所簽訂的重要合約，概無董事在其中直接或間接擁有重大實益。

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.

### Directors' interests in competing business

None of the Directors and their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

### 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 2005 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	Number of shares 股份數目	Percentage of issued capital (%) 已發行股本百分比(%)	Type of interest (notes) 權益類別 (附註)
1. Cathay Pacific Airways Limited 國泰航空有限公司	45,649,686	27.45	Beneficial owner 實益擁有人
2. Swire Pacific Limited 太古股份有限公司	99,567,103	59.86	Beneficial owner and attributable interest <sup>(1)</sup> 實益擁有人及應佔權益 <sup>(1)</sup>
3. John Swire & Sons Limited 英國太古集團有限公司	99,567,103	59.86	Attributable interest <sup>(2)</sup> 應佔權益 <sup>(2)</sup>
4. Marathon Asset Management Limited	14,985,730	9.01	Investment manager 投資經理
Notes: At 31st December 2005:			附註：於二零零五年十二月三十一日：
(1) Swire Pacific Limited was interested in 53,917,417 shares of the Company as beneficial owner and was also deemed to be interested in the 45,649,686 shares of the Company directly held by Cathay Pacific Airways Limited by virtue of Swire Pacific Limited's approximately 46% interest in Cathay Pacific Airways Limited;			(1) 太古股份有限公司作為實益擁有人持有公司53,917,417股股份權益，亦因太古股份有限公司擁有國泰航空有限公司約百分之四十六權益，而被視作持有公司45,649,686股直接由國泰航空公司持有的股份權益；
(2) Swire and its wholly owned subsidiary JSSHK are deemed to be interested in the 99,567,103 shares of the Company, in which Swire Pacific Limited was interested, by virtue of the Swire group's direct or indirect interests in shares of Swire Pacific Limited representing approximately 30% of the issued share capital and approximately 53% of the voting rights.			(2) 因太古集團直接或間接擁有太古股份有限公司股份權益，即約三成已發行股本及約百分之五十三投票權，而太古股份有限公司擁有公司權益，太古及其全資附屬公司香港太古集團被視作持有公司99,567,103股股份權益。

在本年度任何期間內，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公司或其他法人團體的股份或債券而獲得利益。

### 董事於競爭性業務的權益

公司的董事及其各自的聯繫人士並無在任何競爭性業務中，擁有根據上市規則第8.10條規定須予披露的權益。

### 主要股東權益及其他權益

根據證券及期貨條例第336條須設立的股份及淡倉權益名冊所載，於二零零五年十二月三十一日，公司已獲通知主要股東及其他人等於公司的股份持有以下權益：

### Auditors

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

By order of the Board

#### David Turnbull

Chairman

Hong Kong, 7th March 2006

### 核數師

在即將舉行的股東週年大會上，將動議通過再聘請羅兵咸永道會計師事務所為公司核數師的決議案。

承董事局命

主席

唐寶麟

香港，二零零六年三月七日