

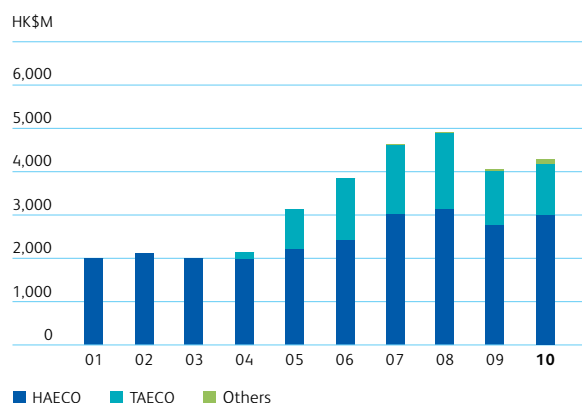
Financial Review

Turnover

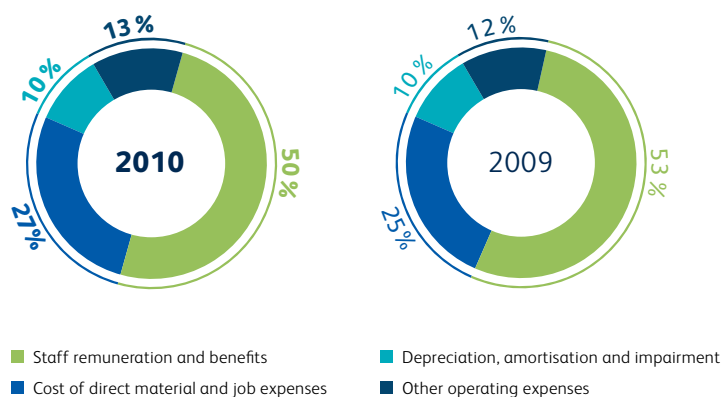
Turnover increased by 6 % to HK\$4,266 million, with an 8 % increase in HAECO's turnover in Hong Kong being partly offset by a 7 % decrease in that of TAECO.

	2010	2009	Change
	HK\$M	HK\$M	
HAECO	2,966	2,750	+8 %
TAECO	1,177	1,260	-7 %
Others	123	35	+251 %
	4,266	4,045	+6 %

Turnover



Operating Expenses



Operating Expenses

Operating expenses increased by 5 % to HK\$3,890 million in line with the business growth.

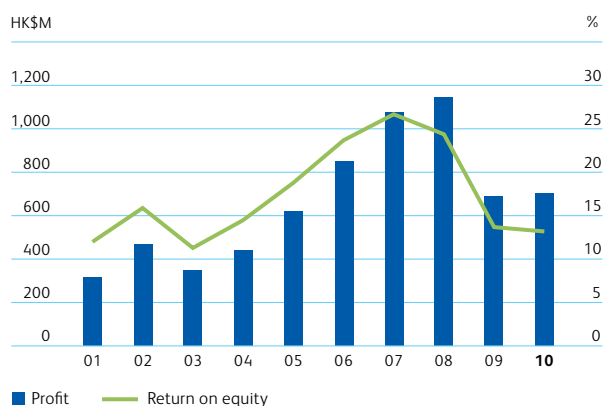
	2010	2009	Change
	HK\$M	HK\$M	
Staff remuneration and benefits	1,963	1,980	-1 %
Cost of direct material and job expenses	1,048	921	+14 %
Depreciation, amortisation and impairment	381	358	+6 %
Other operating expenses	498	441	+13 %
	3,890	3,700	+5 %

Profit

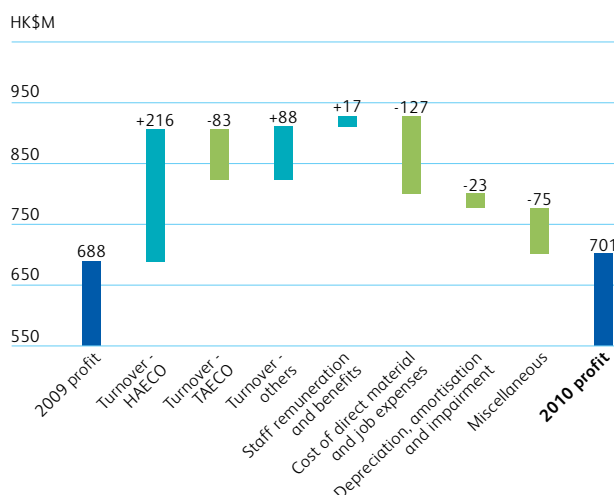
The change in profit attributable to the Company's shareholders can be analysed as follows:

	HK\$M	
2009 profit	688	
Turnover		
HAECO	216	The increase principally reflects increased airframe heavy maintenance (with 15 % more manhours sold) and increased line maintenance (with 12 % more aircraft movements). The increases in maintenance reflect the general recovery in the aviation industry.
TAECO	(83)	The decrease principally reflects reduced airframe heavy maintenance (with 15 % fewer manhours sold). The reduction reflects fewer Boeing passenger to freighter conversions and capacity reductions by major customers.
Others	88	The increase principally reflects more landing gears overhauled in TALSCO, a new Jetstar line maintenance contract in SHAECO and the commencement of engine repair in TEXTL.
Staff remuneration and benefits	17	The decrease principally reflects a decrease in retirement benefit expenses of the two retirement benefits schemes.
Cost of direct material and job expenses	(127)	The increase reflects an increase in business volume.
Depreciation, amortisation and impairment	(23)	The increase principally reflects the bringing into use of a new hangar.
Other operating expenses	(57)	
Share of after-tax results of jointly controlled companies	(13)	The decrease reflects start up losses at the new joint ventures in Mainland China.
Taxation	(33)	The increase reflects higher profits.
Others items	(22)	
Non-controlling interests	50	The increase reflects a lower profit of TAECO.
2010 profit	701	

Profit Attributable to the Company's Shareholders



Movement of Profit Attributable to the Company's Shareholders



Assets

Total assets as at 31st December 2010 were HK\$9,337 million. During the year, additions to fixed assets were HK\$362 million. Included in this amount was HK\$162 million spent on plant, machinery and tools and HK\$197 million spent on assets under construction (principally TAECO's sixth hangar and TEXTL's engine overhaul facilities).

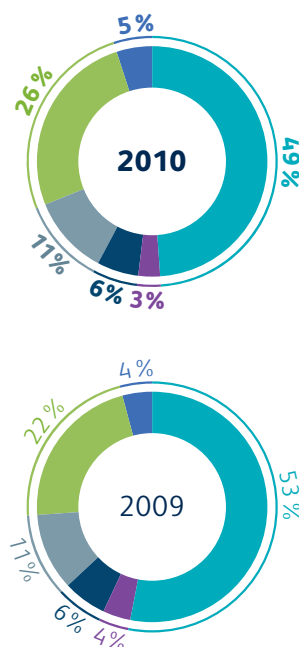
Borrowings and Financing

At 31st December 2010, the Group had net borrowings of HK\$176 million and a gearing ratio of 2.7%. Net borrowings consisted of short-term loans of HK\$223 million and long-term loans of HK\$1,205 million, net of bank balances and short-term deposits of HK\$1,252 million. Borrowings are mainly denominated in US dollars and HK dollars, and are fully repayable by 2012. The increase in net borrowings was mainly due to additional borrowing by subsidiary companies to finance capital expenditure. Committed loan facilities amounted to HK\$2,264 million at 31st December 2010, of which HK\$963 million were undrawn. In addition, there were uncommitted facilities of HK\$423 million at the same date, of which HK\$294 million were undrawn.

Currency Hedging

The Group's income is primarily in HK and US dollars and is matched by expenditure in the same currencies. The exception to this is TAECO which has substantial Renminbi expenditure. TAECO reduces its exposure to changes in the exchange rate of the Renminbi against the US dollar by retaining surplus funds in Renminbi and by selling US dollars and HK dollars forward for Renminbi. At 31st December 2010, TAECO had sold forward a total of US\$27 million to fund part of its Renminbi requirement for 2011 and 2012.

Total Assets



- Property, plant and equipment
- Leasehold land and land use rights
- Intangible assets
- Jointly controlled companies
- Current assets
- Others

Equity and Cash Surplus / Net Borrowings

