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2006 MAR 14 P 12:41

OFFICE OF INTERNATIONAL  
CORPORATE FINANCE

Our Ref.: CSA/CPA12/24

8<sup>th</sup> March 2006

**BY REGISTERED MAIL**

Securities and Exchange Commission  
Office of International Corporate Finance  
Division of Corporation Finance  
450 Fifth Street, N.W.  
Washington, DC 20549  
USA



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SUPPL

Dear Sirs,

**Hong Kong Aircraft Engineering Company Limited**  
**Exemption No. 82-3846**

Pursuant to our obligation under Rule 12g3-2(b) of the Securities and Exchanges Act of 1934, we are pleased to enclose for your record a copy of the Company's press announcement published today in The Standard.

BEST AVAILABLE COPY

Yours faithfully,  
HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

Lorence Wong  
Deputy Company Secretary

PROCESSED

MAR 14 2006

DIVISION  
FINANCIAL

Encls.

- c.c. Eugenia Lee, BONY-HK (w/o encls.) – Fax No. 2877 0863
- Bryan Ho, BONY-NY (w/o encls.) – Fax No. 002-1-212-571-3050

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Wednesday, March 8, 2006 The Standard



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## **HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*  
*(Stock Code: 44)*

### **Announcement Revised Annual Caps for Continuing Connected Transactions with JSSHK**

Reference is made to the Company's announcement dated 1st December 2004 in connection with the Services Agreement between the Company and JSSHK of the same date.

Due to the growth in HAECO Group's business operations, the levels of service fees to be paid by the Company to JSSHK under the Services Agreement in 2006 and 2007 are projected to be significantly higher than those envisaged at the time of entering into the Services Agreement. The audited amount of service fees paid by the Company in 2005 of HK\$27,566,000 was within the annual cap of HK\$30,000,000 for 2005. The Company has revised the annual caps on the service fees payable by the Company to JSSHK under the Services Agreement in respect of the two years ending 31st December 2006 and 2007 to HK\$45,000,000 and HK\$50,000,000 respectively.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the revised annual caps under Services Agreement exceed 0.1% but are below 2.5% on annual basis for the two years ending on 31st December 2007, the revision of the annual caps is subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules.

#### **Background**

Reference is made to the Company's announcement dated 1st December 2004 in connection with the Services Agreement between the Company and JSSHK of the same date.

Due to the growth in HAECO Group's business operations,

#### **Opinion of the Directors**

The Directors, including the independent non-executive Directors, confirm that the revision of the annual caps for the Services Agreement is in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

the levels of service fees to be paid by the Company to JSSHK under the Services Agreement in 2006 and 2007 are projected to be significantly higher than those envisaged at the time of entering into the Services Agreement. The audited amount of service fees paid by the Company in 2005 of HK\$27,566,000 was within the annual cap of HK\$30,000,000 for 2005.

**The annual caps**

The Company has revised the annual caps on the service fees payable by the Company to JSSHK under the Services Agreement in respect of the two years ending 31st December 2006 and 2007 as set out below. This revision is based on the audited service fees of HK\$27,566,000 paid by the Company to JSSHK under the Services Agreement in 2005 and the projected volume of the Transactions from 2006 to 2007 taking into account the projection of the growth of HAECO Group's business operations and the projected increase in staff being seconded from JSSHK to the Company for managing the expanded business operations.

Services Agreement (HK\$ Million)	2006	2007
Former annual caps	30	30
Revised annual caps	45	50

**Reasons for, and benefits of, the Transactions**

Since 1992, the Company has had agreements with members of the Swire Group for the provision of management support services. The Company has considerably benefited from the management expertise and other services provided by the Swire Group.

**Connected transaction of the Company**

JSS is the holding company of Swire Pacific Limited which owns approximately 32.5% of the issued capital of the Company and JSSHK, a wholly-owned subsidiary of JSS, is therefore a connected person of the Company under the Listing Rules.

**Compliance with Listing Rules**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the revised annual caps under the Services Agreement exceed 0.1% but are below 2.5% on annual basis for the two years ending on 31st December 2007, the revision of the annual caps is subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules.

The Company will comply with the continuing obligations under Rules 14A.37-41 of the Listing Rules and will comply with the relevant Listing Rules if any of the annual caps is exceeded, when the Services Agreement is renewed or when there is a material change to the terms of the Services Agreement.

**Directors**

The Directors of the Company as at the date of this announcement are:

Executive Directors: PK. Chan, J.C.G. Bremridge, J.R. Gibson, M. Hayman;

Non-Executive Directors: D.M. Turnbull (Chairman), D.G. Cridland, D.C.Y. Ho, P.A. Johansen, A.N. Tyler; and

Independent Non-Executive Directors: R.E. Adams, J.S. Dickson Leach, and L.K.K. Leong.

**Definitions**

**"Company" or "HAECO"**

Hong Kong Aircraft Engineering Company Limited, the principal activity of which is the provision of overhaul and maintenance services for commercial aircraft.

**"Directors"**

The directors of the Company.

**"HAECO Group"**

HAECO and its subsidiaries.

**"JSS"**

John Swire & Sons Limited, a private investment holding company incorporated in England.

**"JSSHK"**

John Swire & Sons (H.K.) Limited, a private investment holding company incorporated in Hong Kong and wholly owned by JSS.

**"Services Agreement"**

The Services Agreement dated 1st December 2004 between HAECO and JSSHK.

**"Listing Rules"**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**"Swire Group"**

JSS and its subsidiaries.

**"Transactions"**

The continuing connected transactions contemplated in the Services Agreement.

By Order of the Board

**Hong Kong Aircraft Engineering Company Limited**  
David Fu  
Company Secretary  
Hong Kong, 7th March 2006



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HAECO



2006 MAR 14 P 12:41

OFFICE OF INTERNATIONAL  
CORPORATE FINANCE

Our Ref.: CSA/CPA12/20,24

8<sup>th</sup> March 2006

**BY REGISTERED MAIL**

Securities and Exchange Commission  
Office of International Corporate Finance  
Division of Corporation Finance  
450 Fifth Street, N.W.  
Washington, DC 20549  
USA

Dear Sirs,

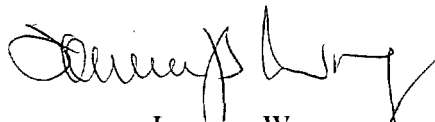
**Hong Kong Aircraft Engineering Company Limited**  
**Exemption No. 82-3846**

Pursuant to our obligation under Rule 12g3-2(b) of the Securities and Exchanges Act of 1934, we enclose copies of the following documents for your attention:

- (a) Results Announcement Form; and
- (b) Final Results Announcement published today in Hong Kong in The Standard.

Yours faithfully,

For HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

  
Lorence Wong  
Deputy Company Secretary

Encls.

c.c. Eugenia Lee, BONY-HK (w/o encls.) – Fax No. 2877 0863  
Bryan Ho, BONY-NY (w/o encls.) – Fax No. 002-1-212-571-3050

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From : Hong Kong Aircraft Engineering Company Limited No. of pages: 2  
 (Name of Company)  
Mr. David Fu 2840 8862 7th March 2006  
 (Responsible Official) (Contact Telephone Number) (Date)

Name of listed company: Hong Kong Aircraft Engineering Company Limited (Stock code: 44)  
 Year end date: 31st December 2005  
 Currency: HK\$

Change of any figures reported in the Results Announcement Form submitted previously for the Last Corresponding Period?

Yes  No

To be published in the newspapers

Summarised results announcement  Full results announcement  Early adoption of new disclosure requirements

Auditors' Report

Qualified  Modified  Unqualified  N/A

	(Audited/Unaudited) Current Period from <u>1/1/2005 to</u> <u>31/12/2005</u> (HK\$)	(Audited/Unaudited) Last Corresponding Period from <u>1/1/2004 to</u> <u>31/12/2004</u> (HK\$)
Turnover	: <u>3,121 million</u>	<u>2,134 million *</u>
Profit/(Loss) from Operations	: <u>501 million</u>	<u>222 million</u>
Net Finance Income/(Charges)	: <u>7 million</u>	<u>(3 million)</u>
Share of Profit/ (Loss) of Associates	: <u>N/A</u>	<u>N/A</u>
Share of After-tax Profit/ (Loss) of Jointly Controlled Entities	: <u>267 million</u>	<u>256 million *</u>
Profit/ (Loss) after Taxation & MI	: <u>618 million</u>	<u>438 million</u>
% Change over Last Period	: <u>+41.4%</u> <i>David Fu</i>	
EPS/ (LPS) - Basic ( <i>in Dollars</i> )	: <u>HK\$3.72</u>	<u>HK\$2.63</u>
- Diluted ( <i>in Dollars</i> )	: <u>N/A</u>	<u>N/A</u>
Extraordinary ("ETD") Gain/ (Loss)	: <u>N/A</u>	<u>N/A</u>
Profit/ (Loss) after ETD Items	: <u>618 million</u>	<u>438 million</u>
Final Dividend per Share	: <u>HK\$1.10</u>	<u>HK\$0.77</u>
(specify if with other options)	: <u>N/A</u>	<u>N/A</u>
B/C Dates for Final Dividend	: <u>2nd May 2006</u> to <u>9th May 2006</u>	<u>bdi</u>
Payable Date	: <u>19th May 2006</u>	
B/C Dates for Annual General Meeting	: <u>2nd May 2006</u> to <u>9th May 2006</u>	<u>bdi</u>
Other Distribution for Current Period	: <u>N/A</u>	
B/C Dates for Other Distribution	: <u>N/A</u> to <u>N/A</u>	

For and on behalf of  
 HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

*David Fu*

David Fu  
 Secretary

Any description or an explanatory note attached?

Yes (Number of pages attached: 1)  No

*h p*

Explanatory Note

- \* The figures of turnover and share of after-tax profit/(loss) of jointly controlled entities of the last corresponding period have been restated due to adoption of the new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants.

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**Hong Kong Aircraft Engineering Company Limited**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 44)

**2005 Final Results**



**HAECO**

	HKS million	2005	2004	Change %
<b>Turnover</b>		<b>3,121</b>	2,134	46.3%
<b>Attributable profit</b>		<b>618</b>	438	41.4%
<b>Earnings per share</b>	HKS	<b>3.72</b>	2.63	41.4%
<b>Dividends per share</b>	HKS	<b>1.60</b>	1.09	46.8%

**CHAIRMAN'S STATEMENT**

**Results**  
All areas of the Group's activities experienced strong demand and produced improved results, leading to profit attributable to shareholders increasing by 41% to HK\$618 million. The improvement in results reflects not only increased level of activity throughout the Group but also better margins, due to flight utilisation. Turnover at the Company's operations in Hong Kong grew by 12% and that of TaiKoo (Xiamen) Aircraft Engineering Company Limited ("TAECO"), which had become a subsidiary in October 2004, increased by 19%. The turnover at Hong Kong Aero Engine Services Limited ("HAESL"), a jointly controlled company, was 18% higher.

Your Directors have recommended a final dividend for 2005 of HK\$1.10 per share which, together with the interim dividend of HK\$0.50 per share paid on 26th September 2005, results in a total distribution for the year of HK\$1.60 per share, representing an increase of 47% over the total dividends declared for 2004.

**Investments**

The Company is building a second hangar at Hong Kong International Airport which is expected to open at the end of 2006.

TAECO opened its fourth double-bay hangar at Xiamen airport in December 2005 and is constructing a fifth double-bay hangar to open in the third quarter of 2007.

**Staff**

The strong result for the year reflects the excellent qualities and hard work of the staff of more than 8,000 whom the Group employs. On behalf of the shareholders, I should like to thank them for their continuing support.

**Board of Directors**

Mr. Chan Ping Kit, the Deputy Chairman and Chief Executive Officer, reached normal retirement age during the year and has contracted to work for the Company for a further three years.

**Outlook**

Demand for the HAECO Group's services remains robust. Line maintenance at Hong Kong International Airport should benefit from additional movements and strong demand for heavy maintenance is expected. However, additional staff training and other costs will be incurred during 2006 in preparation for the opening of the second hangar shortly before the end of the year. TAECO is expected to grow significantly in step with the added use of its newly opened fourth hangar. HAESL has strong demand but was operating at full capacity during 2005 and thus has little room to grow. Overall, the prospects for 2006 are good but improving on the excellent results achieved in 2005 will be a challenge.

**David Turnbull**

Chairman  
Hong Kong, 7th March 2006

which will allow it to fully enclose a third Boeing 747 in the mid-hangar position in one of its hangars. It manufactures some parts used for Boeing 747-400 passenger or freighter conversions.

The majority of TAECO's work is heavy maintenance for which Japan Airlines, Cathay Pacific Airways and All Nippon Airlines are its most substantial customers. During 2005 TAECO also started working for the Boeing Company on the conversion of Boeing 747-400 passenger aircraft to freighters. The first aircraft was successfully completed and re-delivered to Cathay Pacific Airways in December 2005. TAECO expects to operate three lines of conversions for its contract with Boeing which covers up to thirty-three such conversions for the period up to end 2010. It has signed a memorandum of understanding with Boeing for a further seventeen aircraft to bring the potential total to fifty.

TAECO line maintenance operations, while still representing only a small percentage of its total turnover, continued to expand. In December 2005, the line maintenance operations handled a 1,026 flights in Beijing, Shanghai and Xiamen.

TAECO is building a new training centre in order to provide additional headcount to match the growth in its facilities and provide staff for other maintenance operations in China. At the end of 2005 TAECO's headcount totalled 2,945.

**Hong Kong Aero Engine Services Limited**

HAESL (45% owned) had another busy year with throughput of engines and engine equivalents in 2005 of 202 compared to 190 for 2004. The Group's share of after-tax profit improved by 46% to HK\$229 million. HAESL enhanced its component repair capability during the year. Its honeycomb repair and bearing support repair units received the first two gold centres of excellence awards granted by Rolls-Royce Aero Repair & Overhaul. HAESL's customers include Cathay Pacific Airways, Emirates Airlines and Rolls-Royce, Singapore Aero Engine Services Pre. Limited ("SAESL"), in which HAESL has a 20% interest, increased its turnover and profitability.

**Financial Review**

**Consolidated profit and loss account**

Turnover comprises sales by HAECO and TAECO. The growth is partly due to starting to consolidate TAECO's turnover from 15th October 2004 when it became a subsidiary company.

Comparing full year numbers, the increase in turnover comprises a 12% increase for the Company's Hong Kong operations and a 19% increase for TAECO Operating profit:

The increase in operating profit is driven primarily by the growth in turnover and the consolidation of a full year's results for TAECO. It comprises a 49% increase for the Company's Hong Kong operations and a 18% increase for TAECO.

Share of after-tax results of jointly controlled companies Excluding HAECO's HK\$70 million contribution in 2004, the increase is HK\$81 million or 44% and is mainly contributed by HAESL.

Profit attributable to the Company's shareholders

	2005	2004	Change %
	HK\$M	HK\$M	
Turnover	3,121	2,134	46%
Operating profit	501	222	126%
Share of after-tax results of jointly controlled companies	267	256	4%
Profit attributable to the Company's shareholders	618	438	41%

**Consolidated Profit and Loss Account**

for the year ended 31st December 2005

	2005 HK\$M	2004 HK\$M
<b>Turnover</b>	3,121	2,134
<b>Operating expenses:</b>		
Staff remuneration and benefits	(1,425)	(1,151)
Cost of direct material and job expenses	(680)	(403)
Depreciation and amortisation	(202)	(144)
Insurance and utilities	(107)	(74)
Operating lease rentals - land and buildings	(53)	(52)
Repairs and maintenance	(81)	(46)
Other operating expenses	(72)	(40)
<b>Operating profit</b>	501	222
<b>Net finance income/(charges)</b>	7	(3)
<b>Net operating profit</b>	508	219
<b>Share of after-tax results of jointly controlled companies</b>	267	256
<b>Profit before taxation</b>	775	475
<b>Taxation</b>	(65)	(24)
<b>Profit for the year</b>	710	451
<b>Attributable to:</b>		
The Company's shareholders	618	438
Minority interests	92	13
<b>Dividends</b>	710	451
<b>Interim - paid</b>	83	53
<b>Final - proposed</b>	183	128
<b>Earnings per share attributable to the Company's shareholders (basic and diluted)</b>	HK\$3.72	HK\$2.63

**Consolidated Balance Sheet**

at 31st December 2005

	2005 HK\$M	2004 HK\$M
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property plant and equipment	2,442	2,095
Leasehold land and land use rights	192	197
Intangible assets	6	8
Jointly controlled companies	671	719
Retirement benefit assets	177	199
Deferred tax assets	7	11
<b>Current assets</b>	3,485	3,229
Stocks of aircraft parts	78	71
Work in progress	88	79
Debtors and prepayments	477	477

**1. Basis of principal accounting policies (continued)**

(iv) Certain comparative amounts have been reclassified to conform to the current year's presentation. The change relates to a more meaningful reclassification among operating expense categories.

**2. Turnover and segmental information**

Turnover represents the aggregated amounts invoiced to customers and changes in work in progress. Since the Group is primarily engaged in the business of commercial aircraft overhaul, modification and maintenance in Hong Kong and Mainland China and has no significant secondary activity, no further business segmental information has been reported. A geographical segment analysis of the Group's financial information is provided.

Reporting by geographical segment for the year ended 31st December:

	Operating principally in Hong Kong		Operating in Mainland China		Inter-segment elimination		Total
	2005 HK\$M	2004 HK\$M	2005 HK\$M	2004 HK\$M	2005 HK\$M	2004 HK\$M	
<b>Turnover</b>	2,260	1,973	928	168	(67)	(7)	3,121
<b>Operating profit</b>	300	201	201	21	4	4	501
<b>Net finance income/(charges)</b>	3	(4)	4	1	—	—	7
<b>Share of after-tax results of jointly controlled companies</b>	248	173	19	83	—	—	267
<b>Profit before taxation</b>	551	370	224	105	—	—	775
<b>Profit for the year</b>	504	342	206	109	—	—	710
<b>Profit attributable to the Company's shareholders</b>	504	342	114	96	—	—	618
<b>Capital expenditure</b>	205	83	341	33	—	—	546
<b>Depreciation</b>	108	126	87	15	—	—	195
<b>Amortisation</b>	2	2	5	1	—	—	7
<b>Impairment of stocks - reversal</b>	(6)	(4)	—	—	—	—	(6)
<b>Auditor's remuneration - statutory audit fees</b>	1	1	—	—	—	—	1

Analysis of net assets and equity of the Group by geographical segment at 31st December:

	Operating principally in Hong Kong		Operating in Mainland China		Inter-segment elimination		Total
	2005 HK\$M	2004 HK\$M	2005 HK\$M	2004 HK\$M	2005 HK\$M	2004 HK\$M	
<b>Jointly controlled companies</b>	599	669	72	50	—	—	671
<b>Other assets</b>	2,962	2,475	1,439	1,200	(39)	(27)	4,362
<b>Long-term loan</b>	—	(96)	—	—	—	—	(96)
<b>Other liabilities</b>	(773)	(551)	(201)	(143)	39	27	(935)
<b>Net assets</b>	2,788	2,497	1,310	1,107	—	—	4,098
<b>Equity attributable to the Company's shareholders</b>	2,783	2,492	729	617	—	—	3,512
<b>Minority interests</b>	5	5	581	490	—	—	586
<b>Total equity</b>	2,788	2,497	1,310	1,107	—	—	4,098

**3. Taxation**

	2005 HK\$M	2004 HK\$M
<b>Current taxation:</b>		
Hong Kong profits tax	19	—
Overseas tax	14	—
<b>Deferred taxation:</b>		
Decrease in deferred tax assets	4	(6)
Increase in deferred tax liabilities	28	29
<b>Total</b>	65	24



Hong Kong Aircraft Engineering Company Limited

REVIEW OF OPERATIONS

The Company's profit attributable to its shareholders comprises:

	2005 HK\$M	2004 HK\$M	Change %
HAECO Hong Kong operations	256	167	53%
Share of:			
TAECO	102	84	21%
HAESL	229	157	46%
Other jointly controlled companies	31	30	3%
	<b>618</b>	<b>438</b>	<b>41%</b>

HAECO Hong Kong operations

The Company's Hong Kong operations comprises heavy maintenance at hangars and line maintenance at the passenger and cargo terminals at Hong Kong International Airport as well as component overhaul at Tseung Kwan O and inventory technical management.

Line maintenance had a busy year with the average number of movements handled by HAECO increasing by 13% to 253 per day.

The heavy maintenance division employs 1,200 people (2004: 1,010), 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. It was busy throughout the year with 1.64 million man-hours sold, a 15% increase over 2004. The division competes on price, availability of space, turnaround time and quality of workmanship with other Maintenance and Repair Organisations worldwide. Approximately 53% of its work was for airlines based outside Hong Kong.

The Company is building a second hangar at Hong Kong International Airport. Given strong demand for heavy maintenance, the design of this hangar has been enhanced to enable a full range of heavy maintenance to be simultaneously performed on two aircraft of up to Boeing 747 size plus one aircraft of up to Boeing 787 size. With the enhancements, the cost of the hangar is estimated at HK\$440 million. The hangar is expected to open before the end of 2006 and eventually employ about 600 staff generating an additional 800,000 man-hours.

The overhaul division occupies 7,000 square metres of modern workshop space at Tseung Kwan O and employs around 200 people. Utilisation of these facilities during the year was reasonable. The Company's inventory technical management service for rotatable spares continues to expand. It now includes Airbus 340-600, 340-500, 330-300 and 300-600. The net book value of these spares at the year-end was HK\$180 million (2004: HK\$103 million).

Taikoo (Xiamen) Aircraft Engineering Company Limited

TAECO opened its fourth double-bay hangar at Xiamen airport in December 2005 and is building a fifth hangar which is expected to open in the third quarter of 2007. It is also purchasing a mobile tail dock

operations HK\$256 million; TAECO HK\$102 million and HAESLs Hong Kong operation HK\$229 million.

Consolidated balance sheet

Non-current assets 3,495

The majority of the net increase of HK\$266 million during the year arose from HK\$546 million capital expenditure offset by HK\$202 million depreciation and amortisation.

Net current assets	877	572	53%
Net liquid funds	643	562	14%
Working capital assets	(598)	(494)	21%
Working capital liabilities	922	640	44%

The increase in working capital assets and liabilities is driven by the growth in the Group's business volume.

Consolidated cashflow statement

Net cash generated from operating activities 843

The HK\$530 million was generated by HAECO's own operations and HK\$313 million by TAECO.

Purchases of property, plant and equipment Capital expenditure during 2005 included HK\$312 million on new hangars and related equipment and HK\$93 million on rotables managed for airlines.

Dividends and loan repayments received from jointly controlled companies 318

Net liquid funds and financing

The Group's deposits and net cash equivalents of HK\$877 million at 31st December 2005 and its continued strong operating cash flow is sufficient to meet its planned operating, working capital and capital expenditure requirements for 2006.

Corporate governance

The Board is committed to a high standard of corporate governance and throughout the year the Company has complied with all but one of the code provisions set out in the 'Code on Corporate Governance Practices' ('the Code') contained in Appendix 14 of the Listing Rules. The one exception to the code occurred at its Annual General Meeting for 2005, when the Company deviated from Code Provision E.2.2 requiring the Chairman of a meeting to indicate to the meeting the level of proxies lodged on each resolution and the balance for and against the resolution after it has been dealt with on a show of hands. It is intended that in future general meetings, voting will be conducted by poll. Details of corporate governance can be found in the 2005 annual reports.

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



SWIRE

Provision for Hong Kong profits tax has been made by the Company of HK\$19 million (2004: nil). Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates prevailing in the respective jurisdictions.

Share of after-tax results of jointly controlled companies is stated after taxation charge of HK\$0.8 million for the year (2004: HK\$4.5 million).

**4. Dividends**

	Company	
	2005	2004
	HK\$M	HK\$M
Interim, paid on 26th September 2005, of HK\$0.50 per share (2004: HK\$0.32 per share)	83	53
Final, proposed, of HK\$1.10 per share (2004: HK\$0.77 per share)	183	128
	266	181

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 this dividend of HK\$1.10 per share 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.

**5. Earnings per share (basic and diluted)**

Earnings per share are calculated by reference to the profit attributable to the Company's shareholders of HK\$6.18 million (2004: HK\$4.38 million) and to the weighted average of 166,324,850 (2004: 166,324,850) ordinary shares in issue.

**6. Debtors and creditors**

The credit terms given to customers vary and are generally based on their individual financial strengths. Credit evaluations of trade debtors are performed periodically to minimise any credit risk associated with receivables. The aged analysis of trade debtors and creditors under six months was as follows:

	Group		Company	
	2005	2004	2005	2004
Debtors	96%	98%	95%	99%
Creditors	98%	98%	97%	95%

**7. Share capital**

During 2005 no purchase, sale or redemption of the shares of the Company has been effected by the Company or its subsidiary companies (2004: nil).

**Directors**

The Directors of the Company, as at the date of this announcement are:  
 Executive Directors: PK Chan, J.C.G. Bremridge, J.R. Gibson, M. Hayman,  
 Non-Executive Directors: D.M. Turnbull (Chairman), D.G. Cridland, D.C.Y. Ho, PA. Johansen, A.N. Tyler, and  
 Independent Non-Executive Directors: R.E. Adams, J.S. Dickson Leach, and L.K.K. Leong

Website: <http://www.haec.com>

The detailed results containing all the information required by the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

Current liabilities	1,538	1,138
Creditors and accruals	581	483
Term loan due within one year	4	4
Short-term bank loans	18	—
Taxation	17	11
Net current assets	616	498
Total assets less current liabilities	922	640
Non-current liabilities	4,417	3,869
Long-term loan	96	96
Receipt in advance	122	—
Deferred tax liabilities	197	169
	319	265
NET ASSETS	4,098	3,604
Equity attributable to the Company's shareholders		
Share capital	166	166
Reserves	3,346	2,943
	3,512	3,109
Minority interests	586	495
TOTAL EQUITY	4,098	3,604

**1. Basis of principal accounting policies**

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements set out in the Listing Rules of the Hong Kong Stock Exchange. Accounting policies have been changed to comply with changes in HKFRS requirements. Apart from certain presentational changes as set out below, the adoption of the above HKFRS standards and interpretations does not have any material effect on the accounts.

- (i) HKAS 1 "Presentation of financial statements" has affected the presentation of minority interests, share of net after-tax results of jointly controlled companies and other disclosures.
- (ii) The adoption of revised HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

(iii) Turnover represents the aggregated amounts invoiced to customers and changes in work in progress. In prior years, turnover included the aggregated amount invoiced to customers only.