

Consolidated profit and loss account 綜合損益賬

for the year ended 31st December 2003 截至二零零三年十二月三十一日止年度

	Note 附註	2003	2002	
(in HK\$ Million)				(港幣百萬元)
Turnover	2(i)	1,987	2,078	營業總額
Operating expenses:				營業開支:
Staff remuneration	3	(1,045)	(1,040)	職員薪酬
Cost of direct material/job expenses		(480)	(367)	直接材料費用/工作開支
Depreciation	10	(129)	(126)	折舊
Operating lease rentals – land & buildings		(50)	(55)	營業租賃租金 — 土地及樓宇
Auditors' remuneration		(1)	(1)	核數師酬金
Changes in work in progress		1	(50)	未完工程變動
Other operating expenses		(174)	(236)	其他營業開支
Movements in doubtful debt and stock obsolescence provisions		(1)	70	呆賬及存貨報廢準備變動
Operating profit		108	273	營業溢利
Net finance (charges)/income	5	(4)	3	財務(支出)/收入淨額
Net operating profit		104	276	營業淨溢利
Share of results of jointly controlled companies	12	307	262	應佔共控公司業績
Profit before taxation		411	538	除稅前溢利
Taxation	6	(66)	(73)	稅項
Profit after taxation		345	465	除稅後溢利
Minority interest		-	-	少數股東權益
Profit attributable to shareholders	7	345	465	股東應佔溢利
Dividends				股息
Interim – paid		47	47	中期 — 已付
Final – proposed		93	76	末期 — 擬派
Special – proposed		166	416	特別 — 擬派
	8	306	539	
Earnings per share	9	HK\$2.07	HK\$2.80	每股盈利
Dividends per share	8			每股股息
Interim		HK\$0.28	HK\$0.28	中期
Final		HK\$0.56	HK\$0.46	末期
Special		HK\$1.00	HK\$2.50	特別
Total		HK\$1.84	HK\$3.24	合共

The notes on pages 33 to 51 form part of these accounts.

由第三十三頁至第五十一頁之附註均屬此賬目之一部份。

Consolidated balance sheet 綜合資產負債表

at 31st December 2003 二零零三年十二月三十一日結算

	Note 附註	2003	2002	
(in HK\$ Million)				(港幣百萬元)
Fixed assets	10	1,513	1,597	固定資產
Investment in jointly controlled companies	12	1,122	1,070	在共控公司之投資
Deferred items				遞延項目
Staff loans		5	5	職員借款
Promissory note	16	-	2	期票
Retirement benefit asset	13	196	156	退休金資產
Deferred taxation	14	(140)	(118)	遞延稅項
		61	45	
Current assets				流動資產
Stocks of aircraft parts	15	33	68	飛機零件存貨
Work in progress	15	70	69	未完工程
Debtors and prepayments	16	202	273	應收及預付賬項
Amounts due from jointly controlled companies		15	11	應收共控公司款項
Deposits and bank balances	20(c)	420	547	存款及銀行結存
		740	968	
Current liabilities				流動負債
Creditors and accruals	16	329	385	應付及應計賬項
Term loan due within one year	19	4	3	一年內期滿之長期借款
Amount due to jointly controlled companies		15	6	應付共控公司款項
		348	394	
Net current assets		392	574	流動資產淨值
		3,088	3,286	
Financed by:				資本來源:
Share capital	17	166	166	股本
Reserves	18	2,817	3,011	儲備
Shareholders' equity		2,983	3,177	股東股權
Minority interest		5	5	少數股東權益
Long term loan	19	100	104	長期借款
		3,088	3,286	

David Turnbull
Dinty Dickson Leach
Directors

董事
唐寶麟
李德信

Hong Kong, 9th March 2004

香港，二零零四年三月九日

The notes on pages 33 to 51 form part of these accounts.

由第三十三頁至第五十一頁之附註均屬此賬目之一部份。

Company balance sheet 公司資產負債表

at 31st December 2003 二零零三年十二月三十一日結算

	Note 附註	2003	2002	
(in HK\$ Million)				(港幣百萬元)
Fixed assets	10	1,513	1,597	固定資產
Subsidiary company	11	-	-	附屬公司
Investment in jointly controlled companies	12	322	499	在共控公司之投資
Deferred items				遞延項目
Staff loans		5	5	職員借款
Promissory note	16	-	2	期票
Retirement benefit asset	13	196	156	退休金資產
Deferred taxation	14	(140)	(118)	遞延稅項
		61	45	
Current assets				流動資產
Stocks of aircraft parts	15	33	68	飛機零件存貨
Work in progress	15	70	69	未完工程
Debtors and prepayments	16	202	273	應收及預付賬項
Amounts due from jointly controlled companies		15	11	應收共控公司款項
Deposits and bank balances		407	534	存款及銀行結存
		727	955	
Current liabilities				流動負債
Creditors and accruals	16	325	380	應付及應計賬項
Term loan due within one year	19	4	3	一年內期滿之長期借款
Amount due to jointly controlled companies		15	6	應付共控公司款項
		344	389	
Net current assets		383	566	流動資產淨值
		2,279	2,707	
Financed by:				資本來源:
Share capital	17	166	166	股本
Reserves	18	2,013	2,437	儲備
Shareholders' equity		2,179	2,603	股東股權
Long term loan	19	100	104	長期借款
		2,279	2,707	

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由第三十三頁至第五十一頁之附註均屬此賬目之一部份。

Consolidated cash flow statement 綜合現金流量表

for the year ended 31st December 2003 截至二零零三年十二月三十一日止年度

	Note 附註	2003	2002	
(in HK\$ Million)				(港幣百萬元)
Operating activities				營運業務
Cash generated from operations	20(a)	253	400	營業產生之現金
Interest paid		(9)	(9)	已付利息
Interest received		6	49	已收利息
Net cash inflow from operating activities		250	440	營運業務之現金流入淨額
Investing activities				投資業務
Purchase of fixed assets		(47)	(87)	購買固定資產
Sale of fixed assets		2	-	出售固定資產
Investment in jointly controlled companies		-	(1)	在共控公司之投資
Loans advanced to jointly controlled companies		(11)	(20)	予共控公司借款
Loans repaid by jointly controlled companies		188	-	共控公司償還借款
Dividends received from jointly controlled companies		33	40	已收共控公司之股息
Net decrease in staff loans		-	171	職員借款減少淨額
Net decrease/(increase) in short-term deposits maturing after three months		60	(60)	逾三個月定期之短期存款減少／(增加)淨額
Net cash inflow from investing activities		225	43	投資業務之現金流入淨額
Financing activities				融資業務
Repayment of term loan		(3)	(3)	償還長期借款
Repurchase of Company's shares		-	(1)	購回本公司股份
Dividends paid to shareholders		(539)	(117)	已付予股東之股息
Net cash outflow from financing activities		(542)	(121)	融資業務之現金流出淨額
(Decrease)/increase in cash and cash equivalents		(67)	362	現金及現金等價物(減少)／增加
Cash and cash equivalents at 1st January		475	113	一月一日結算之現金及現金等價物
Cash and cash equivalents at 31st December	20(c)	408	475	十二月三十一日結算之現金及現金等價物

The notes on pages 33 to 51 form part of these accounts.

由第三十三頁至第五十一頁之附註均屬此賬目之一部份。

Consolidated statement of changes in equity 綜合股權變動表

for the year ended 31st December 2003 截至二零零三年十二月三十一日止年度

	Note 附註	2003	2002	
(in HK\$ Million)				(港幣百萬元)
Total equity at 1st January		3,177	2,830	一月一日結算之股權總計
Profit attributable to shareholders	18	345	465	股東應佔溢利
Repurchase of own shares				購回本公司股份
– premium paid on repurchase	18	-	(1)	— 購回溢價
Dividends paid	18	(539)	(117)	已付股息
Total equity at 31st December		2,983	3,177	十二月三十一日結算之股權總計

The notes on pages 33 to 51 form part of these accounts.

由第三十三頁至第五十一頁之附註均屬此賬目之一部份。

Notes to the accounts 賬目附註

1. Principal activities

The Hong Kong Aircraft Engineering Company Limited Group is primarily engaged in the business of commercial aircraft overhaul and maintenance in Hong Kong. The principal activities of the Group's jointly controlled companies are set out on page 51.

The Company is engaged in the business of maintenance, modification and repair of commercial aircraft in Hong Kong. No further business segmental information has therefore been reported.

The Group's jointly controlled companies, all of which are engaged in the same business as the Company, operate both in Hong Kong and overseas. Financial summaries of the jointly controlled companies are provided under note 12.

2. Statement of principal accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements set out in Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The only major change in accounting policies for 2003 is the adoption of SSAP 12 "Income Taxes" issued by the HKSA. The impact of SSAP 12 on the Group's result is minimal other than restating some comparatives for deferred taxation as a similar method was used in previous years.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of Hong Kong Aircraft Engineering Company Limited and its subsidiary company made up to 31st December.

The results of the subsidiary company are included in the consolidated profit and loss account and the minority interest therein is deducted from the consolidated profit after taxation.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated upon consolidation.

(c) Subsidiary company

A subsidiary is a company in which the Group has an interest of more than one half of the voting powers or otherwise has the power to govern the financial and operating policies.

(d) Jointly controlled companies

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity of the entity.

1. 主要業務

香港飛機工程有限公司主要在香港從事商用飛機大修及維修業務。本集團之控股公司之主要業務見第五十一頁。

本公司在香港從事商用飛機維修、改裝及修理業務，因此並無報告進一步之業績分項資料。

集團之控股公司全皆經營與本公司相同之業務，於香港及海外營運。控股公司之財務概要於附註12列述。

2. 主要會計政策說明

(a) 編製原則

各財務報表乃按照香港普遍接納之會計原則編製，並符合香港會計師公會頒佈之會計實務準則，以及香港聯合交易所有限公司上市規則附錄16所開列之披露要求。

二零零三年在會計政策方面之唯一主要改變，乃採用由香港會計師公會頒佈之會計實務準則第12號「收益稅」。由於過往年度均採用類似之方法，因此除重列部分遞延稅項之比較數字外，會計實務準則第12號對本集團業績之影響甚微。

(b) 綜合原則

綜合賬目包括香港飛機工程有限公司及其附屬公司結算至十二月三十一日之賬目。

附屬公司之業績已包括於綜合損益賬內，其中少數股東權益則自除稅後綜合溢利扣除。

公司間交易、結存及集團公司間交易之未變現利益，均於合併時沖銷。

(c) 附屬公司

附屬公司乃指本集團持有逾半數投票權之權益或有權管治其財務及營業政策之公司。

(d) 控股公司

合資聯營乃一項合約安排，由集團及其他夥伴進行一項經濟活動，而該項經濟活動為共同控制，沒有一名參與之夥伴能對該實體之經濟活動進行單方面控制。

The consolidated profit and loss account includes the Group's share of results of jointly controlled companies. In the consolidated balance sheet, the investment in jointly controlled companies represents the Group's share of net assets. In the Company's balance sheet, investments in jointly controlled companies are stated at cost less provision for permanent diminution in value, if any.

(e) Goodwill

Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiary and jointly controlled companies over the Group's share of the fair value ascribed to the separable net assets at the date of acquisition. All goodwill arising before 1st January 2001 was eliminated against revenue reserve. Goodwill incurred after 1st January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line base over its estimated useful economic life.

Any impairment arising on goodwill is recognised in the profit and loss account immediately.

(f) Foreign currencies

Foreign currency denominated monetary assets and liabilities and the balance sheets, are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated at the market exchange rates ruling at the transaction dates. Exchange differences are reflected in the profit and loss account except for unrealised differences on net investments in foreign jointly controlled companies which are taken directly to revenue reserve.

The balance sheet of foreign jointly controlled companies denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at the weighted average exchange rates during the year.

(g) Assets under operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

Payments made and due under operating lease agreements are aggregated and charged to operating profit evenly over the periods of the respective leases.

(h) Fixed assets and depreciation

Fixed assets are carried at cost less depreciation.

Rates of depreciation are calculated to write off the cost of fixed assets over the estimated useful lives of the assets.

綜合損益賬包括本集團應佔共控公司之業績。在綜合資產負債表上，在共控公司之投資相等於本集團應佔資產淨值。在本公司資產負債表內，在共控公司之投資按成本扣除永久之減值準備(如有)列賬。

(e) 商譽值

綜合賬目所產生之商譽值，即收購附屬公司及共控公司之成本超過在收購當天本集團在可分資產淨值中應佔之公平價值。所有於二零零一年一月一日前產生之商譽值已於收益儲備中撇銷。二零零一年一月一日後產生之商譽值均需於資產負債表內資本化，及根據其估計之有效期以直線攤銷法計入損益賬中。

任何於商譽值產生之減值即時於損益賬中確認。

(f) 外幣

以外幣為單位之貨幣資產及負債及資產負債表，經按資產負債表結算日之兌換率化為港元。年內之外幣交易以交易日之市場匯兌率換算。兌換盈虧已列入損益賬，但於外國共控公司之投資淨額之未變現差額則除外，該等差額直接計入收益儲備內。

於年內，以外幣計值之外國共控公司之資產負債表以資產負債表結算日之兌換率折算，而損益賬則以加權平均匯率折算。

(g) 營業租賃資產

當絕大部分資產之回報及風險擁有權為租賃公司所持有，租賃當作營業租賃入賬。

按營業租賃協議支付或應付之租賃費用，經合併計算按租賃期平均列入營業溢利賬中支銷。

(h) 固定資產及折舊

固定資產按成本減折舊列賬。

折舊率按固定資產之估計可供使用年期撇銷其成本計算。

Any land premium payable on acquisition of leasehold land is depreciated from the date of occupation over the remaining lease period. Buildings associated with the activities carried out under the franchise agreement with the Airport Authority are amortised over the period of that franchise, that is, 20 years. Other buildings are amortised over 40 years. Facilities are depreciated over 20 years from the date of occupation. Plant and buildings under construction are not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount.

The depreciation rates in use for other assets are as follows:

Equipment, plant and machinery	10% to 33%
Motor vehicles, computer software	20%

The gain or loss on disposal of a fixed asset represents the difference between the net sales proceeds and the carrying amount of the asset, and is recognised in the profit and loss account.

(i) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost, calculated on a weighted average basis, and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Cash and cash equivalents

Deposits and bank balances are carried in the balance sheet at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short-term liquid investments which were within three months of maturity when acquired.

(k) Deferred taxation

Under SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

任何購買租賃土地應付之土地溢價由佔用當天起於餘下之租賃期內折舊。根據與機場管理局所訂專營權協議從事有關業務之樓宇按該專營權年期(即二十年)攤銷,其他樓宇則分四十年攤銷。設施由佔用當天起分二十年折舊。興建中廠房及樓宇不予折舊。

如資產之賬面值高於其估計可收回值,則列算一項資本虧損以將資產值減至其可收回值。

其他資產使用之折舊率如下:

設備、廠房及機器	10%至33%
汽車、電腦軟件	20%

出售固定資產損益乃指出售淨收入與資產賬面值之差額,並已列入損益賬中。

(i) 存貨及未完工程

存貨及未完工程按以加權平均基準計算之成本與可變現淨值兩者中之較低者入賬。可變現淨值乃按預期出售收入減估計銷售開支而釐定。

(j) 現金及現金等價物

存款及銀行結存已按成本記入資產負債表中。

為編製現金流量表,現金及現金等價物包括庫存現金、銀行及財務機構催繳時須清還之款項及於購入時三個月內期滿之短期流動投資。

(k) 遞延稅項

根據會計實務準則第12號,遞延稅項乃採用負債法就資產及負債之評稅基準與其在賬目中之帳面值引起之暫時差異作出全數準備。遞延稅項採用在資產負債表結算日前已頒佈或實質頒佈之稅率釐定。

遞延稅項資產乃就有可能將未來應課稅溢利與可運用之暫時差異抵銷而確認。

遞延稅項乃就附屬及共控公司投資產生之暫時差異而作出準備,但如可以控制暫時差異之撥回時間,並有可能在可預見將來不會撥回則除外。

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

(l) Turnover and revenue recognition

Turnover is the aggregate of amounts invoiced to customers. Invoices are raised either on completion or on stage completion depending on the terms of individual contracts. For incomplete contract work, revenue recognised represents cost of work incurred which is valued on the same basis as work in progress. Total revenue recognised for the completed contract is equal to the aggregate of amounts invoiced for the contract. Finance income is recognised on an accrual basis. Dividend income is recognised when the right to receive payment is established.

(m) Staff benefits

(i) Retirement benefits

The Company offers either the Mandatory Provident Fund ("MPF") or one of two defined benefit retirement schemes to staff. The latter schemes are held under trust arrangements and actuarially valued as required on a regular basis using a prospective actuarial valuation method. They are funded in accordance with the actuarial recommendation.

The Company's contributions to the MPF continue to be charged to the profit and loss account as incurred. For the two defined benefit schemes, retirement benefit costs, which are assessed using the projected unit credit method, are charged to the profit and loss account. Under this method, plan assets are measured at fair value; retirement benefit obligations are measured as the present value of the estimated future cash flows by reference to market yields on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets are recognised in the consolidated profit and loss account over the expected average remaining service lives of the participating employees.

(ii) Staff leave entitlements

Costs related to staff annual leave are recognised as the leave accrues to staff.

(n) Related parties

Related parties are individuals and companies, including subsidiaries and jointly controlled companies, where the individual, company, or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions.

往年度，遞延稅項乃因應就課稅而計算之盈利與賬目所示之盈利兩者之時間差異，根據預期於可預見將來支付或可收回之負債或資產而按現行稅率計算。

(l) 營業總額及收益認算

營業總額為開給顧客發票之金額總數。發票根據個別合約條款於工程完畢後或按完成階段開出。未完工程之認算收入相等於按該工程估值基準計算之工程成本。完成工程之總認算收入為就該合約開出發票金額總數。財務收入按應計基準認算。股息收入於確定有權接受款項後認算。

(m) 僱員福利

(i) 退休福利

本公司讓其僱員選擇參加強制性公積金(強積金)或兩項界定退休福利計劃其中一項。兩項界定退休福利計劃以信託協議持有，定期要求精算師以預期精算之估值方法予以估值。此等計劃乃根據精算建議供款。

本公司之強積金供款繼續如數記入損益賬內。而兩項界定福利計劃則用預計單位貸記法估量之退休福利費用入賬。按照此法，計劃資產按公平值衡量，而退休福利責任則參考期限與外匯基金票據之相若負債之市場孳息率，以預計其未來現金流量，再折算為現值。精算盈虧以計劃責任現值或計劃資產公平值兩者之間較大者百分之十為限，超過此上限之金額將按參與之僱員之預期平均餘下服務年期間，在綜合損益賬中認算。

(ii) 僱員可享有之假期

與僱員年假相關之費用獲認算為僱員應計假期。

(n) 有關連人士

有關連人士指個人及公司，包括附屬公司及共控公司，其個人、公司或集團有能力直接或間接控制另一方，或可在財務及營運決策上對另一方行使重大影響力。

3. Staff remuneration

Total staff remuneration for 2003 was HK\$1,045 million (2002: HK\$1,040 million). The five highest paid employees included four (2002: four) directors whose remuneration is shown in note 4. The remuneration of the remaining one (2002: one) highest paid employee comprises:

	2003	2002	
(in HK\$ Million)			(港幣百萬元)
Salaries, allowances and benefits in kind	3	3	薪金、津貼及實物利益

3. 職員薪酬

二零零三年之職員薪酬合共港幣十億四千五百萬元(二零零二年為港幣十億四千萬元)。五名最高薪職員中包括四名(二零零二年為四名)董事，其薪酬見附註4。餘下一名(二零零二年為一名)最高薪職員之薪酬包括：

4. Directors' remuneration

	2003	2002	
(in HK\$ Million)			(港幣百萬元)
Pension scheme contributions	2	3	退休金計劃供款
Salaries, allowances and benefits in kind	21	21	薪金、津貼及實物利益
	23	24	

4. 董事酬金

	Number of directors 董事人數		
Distribution of Directors' remuneration:			董事酬金分配：
HK\$0.0M – HK\$1.0M	9	8	港幣零元至港幣一百萬元
Over HK\$1.0M – HK\$1.5M	1	2	港幣一百萬元以上至港幣一百五十萬元
Over HK\$1.5M – HK\$2.0M	-	-	港幣一百五十萬元以上至港幣二百萬元
Over HK\$2.0M – HK\$2.5M	-	1	港幣二百萬元以上至港幣二百五十萬元
Over HK\$2.5M – HK\$3.0M	-	1	港幣二百五十萬元以上至港幣三百萬元
Over HK\$3.0M – HK\$3.5M	1	-	港幣三百萬元以上至港幣三百五十萬元
Over HK\$3.5M – HK\$4.0M	-	-	港幣三百五十萬元以上至港幣四百萬元
Over HK\$4.0M – HK\$4.5M	-	1	港幣四百萬元以上至港幣四百五十萬元
Over HK\$4.5M – HK\$5.0M	-	-	港幣四百五十萬元以上至港幣五百萬元
Over HK\$5.0M – HK\$5.5M	1	-	港幣五百萬元以上至港幣五百五十萬元
Over HK\$5.5M – HK\$6.0M	1	1	港幣五百五十萬元以上至港幣六百萬元
Over HK\$6.0M – HK\$6.5M	-	1	港幣六百萬元以上至港幣六百五十萬元
Over HK\$6.5M – HK\$7.0M	1	-	港幣六百五十萬元以上至港幣七百萬元
	14	15	

Directors' fees paid to the independent Non-Executive Directors during the year totalled HK\$0.3 million (2002: HK\$0.1 million); they received no other emoluments from the Company or its subsidiary company.

本年度內支付予獨立非常務董事之袍金總計港幣三十萬元(二零零二年為港幣十萬元)；彼等並無向本公司或其附屬公司收取其他酬金。

5. Net finance (charges)/income

	2003	2002	
(in HK\$ Million)			(港幣百萬元)
Finance income	5	12	財務收入
Interest on long term loan not wholly repayable within five years (note 19)	(9)	(9)	毋須於五年內全部清還之長期借款利息(附註19)
	(4)	3	

5. 財務(支出)/收入淨額

6. Taxation

	Note 附註	2003	2002
<i>(in HK\$ Million)</i>			
The taxation charge comprises:			
The Company and its subsidiary company:			
Deferred taxation	14	(22)	(38)
Share of taxation attributable to jointly controlled companies:			
Hong Kong taxation		(38)	(32)
Overseas taxation		(6)	(3)
		(44)	(35)
Group total		(66)	(73)

6. 稅項

	2003	2002
<i>(港幣百萬元)</i>		
稅項支出包括：		
本公司及其附屬公司：		
遞延稅項	(22)	(38)
應佔共控公司之稅項：		
香港稅項	(38)	(32)
海外稅項	(6)	(3)
	(44)	(35)
集團總計	(66)	(73)

No provision for Hong Kong profits tax has been made for the year as the Company's assessable profit is wholly absorbed by the tax losses brought forward. Hong Kong profits tax is calculated at 17.5% (2002: 16%) as a result of an increase in profits tax rate in respect of the fiscal year 2003/04. Overseas taxation is calculated at tax rates prevailing in the respective jurisdictions.

因本公司之應課稅溢利已完全為前期稅項虧損所抵銷，所以未有為本年度香港利得稅作出準備。由於二零零三至零四年財政年度之利得稅稅率提高，香港利得稅乃按稅率百分之十七點五計算（二零零二年為百分之十六）。海外稅項則按各司法管轄區所採用之稅率計算。

Provision has been made for all deferred tax liabilities and assets.

已為所有遞延稅項負債及資產作出準備。

Reconciliation between tax charges and tax at the applicable tax rate:

稅務支出與適用稅率之稅項對賬：

	2003	2002
<i>(in HK\$ Million)</i>		
Profit before taxation	411	538
Nominal amount at Hong Kong profits tax rate of 17.5% (2002 : 16%)	(72)	(86)
Effect of different tax rates in local jurisdiction	9	9
Net non-taxable income/non-deductible expenses not subject to taxation	9	4
Utilisation of previously unrecognised tax losses	1	-
Over provisions in prior years	1	-
Effect of changes in tax rates	(14)	-
Total tax charges per accounts	(66)	(73)

(港幣百萬元)
除稅前溢利

按香港利得稅率百分之十七點五（二零零二年為百分之十六）計算之面額

當地司法管轄區不同稅率之影響

無須課稅之收入／
不可用作扣稅之支出淨額

運用過往年度未確認之稅務虧損

過往年度準備撥回過多

稅率改變之影響

按賬目之稅務支出總計

7. Profit attributable to shareholders

Of the profit attributable to shareholders, HK\$115 million (2002: HK\$277 million) is dealt with in the accounts of the Company.

7. 股東應佔溢利

股東應佔溢利中，已計算於本公司賬項內為港幣一億一千五百萬元（二零零二年為港幣二億七千七百萬元）。

8. Dividends

	2003	2002
(in HK\$ Million)		
Interim, paid on 22nd September 2003, of HK\$0.28 per share (2002: HK\$0.28)	47	47
Final, proposed, of HK\$0.56 per share (2002: HK\$0.46)	93	76
Special, proposed, of HK\$1.00 per share (2002: HK\$2.50)	166	416
	306	539

At a Board meeting held on 9th March 2004, Directors recommended a final dividend and a special dividend of HK\$0.56 and HK\$1.00 per share respectively. The proposed dividends are not reflected as dividend payables in these accounts, but will be accounted for as an appropriation of the revenue reserve for the year ending 31st December 2004.

9. Earnings per share

Earnings per share are calculated by reference to the profit attributable to shareholders of HK\$345 million (2002: HK\$465 million) and to the weighted average of 166,324,850 (2002: 166,329,738) ordinary shares in issue.

10. Fixed assets

	Group and Company 集團及公司					
	Land held in Hong Kong – on medium term lease 在香港持有之土地—中期租約	Buildings 樓宇	Plant, machinery and tools 廠房、機器及工具	Motor vehicles 汽車	Equipment and furniture 設備及傢俬	Total held by Group and Company 集團及公司擁有總額
(in HK\$ Million)	(港幣百萬元)					
<i>Cost</i>	<i>原價</i>					
At 31st December 2002	21	1,067	1,003	116	66	2,273
Additions and transfers	-	-	39	1	7	47
Disposals	-	-	(12)	(3)	(1)	(16)
At 31st December 2003	21	1,067	1,030	114	72	2,304
<i>Depreciation</i>	<i>折舊</i>					
At 31st December 2002	2	147	379	91	57	676
Charge for the year	-	54	59	11	5	129
Disposals	-	-	(10)	(3)	(1)	(14)
At 31st December 2003	2	201	428	99	61	791
<i>Net book value</i>	<i>賬面淨值</i>					
At 31st December 2003	19	866	602	15	11	1,513
At 31st December 2002	19	920	624	25	9	1,597

8. 股息

(港幣百萬元)
於二零零三年九月二十二日已派發之中期股息，每股港幣0.28元（二零零二年為港幣0.28元）。
擬派末期股息每股港幣0.56元（二零零二年為港幣0.46元）。
擬派特別股息每股港幣1.00元（二零零二年為港幣2.50元）。

董事局於二零零四年三月九日舉行之董事局大會上，建議派發末期股息及特別股息分別為每股港幣0.56元及港幣1.00元。擬派股息不在此等賬目中反映為應付股息，但將列為截至二零零四年十二月三十一日止年度之收益儲備提撥。

9. 每股盈利

每股盈利乃根據股東應佔溢利港幣三億四千五百萬元（二零零二年為港幣四億六千五百萬元）及已發行之加權平均股份數目166,324,850股（二零零二年為166,329,738股）普通股計算。

10. 固定資產

11. Subsidiary company

The Company holds 60% of the 500,000 issued and paid ordinary shares of HK\$1.00 each, totalling HK\$300,000 (2002: HK\$300,000) in South China Aero Technology Limited (“SCAT”).

Principal activity of the subsidiary is set out on page 51.

11. 附屬公司

本公司擁有其附屬公司華南航空技術有限公司已發行及已全繳每股面值港幣一元之五十萬股普通股中百分之六十股權，總計港幣三十萬元（二零零二年為港幣三十萬元）。

附屬公司之主要業務列於第五十一頁。

12. Jointly controlled companies

	Group 集團		Company 公司	
	2003	2002	2003	2002
<i>(in HK\$ Million)</i>				
Unlisted shares at cost	237	237	237	237
Attributable post-acquisition profits	829	600	-	-
	1,066	837	237	237
Goodwill	(29)	(29)		
Share of net assets	1,037	808		
Loans due from jointly controlled companies	86	263	86	263
Loans due to jointly controlled companies	(1)	(1)	(1)	(1)
	1,122	1,070	322	499
Dividends received and receivable from jointly controlled companies			33	40

HK\$94 million or 31% of the Group’s share of the pre-tax results of the jointly controlled companies (2002: HK\$76 million or 29%) was contributed by companies operating in Mainland China while the remaining amounts were contributed by companies operating in Hong Kong.

The principal jointly controlled companies are shown on page 51.

12. 共控公司

(港幣百萬元)

非上市原股值
收購後應佔溢利

商譽
應佔資產淨值
共控公司未還貸款
未還共控公司借款

已收及應收共控公司股息

集團應佔共控公司除稅前業績其中港幣九千四百萬元或百分之三十一（二零零二年為港幣七千六百萬元或百分之二十九）來自於中國內地營運之公司，餘下的來自於香港營運之公司。

主要共控公司列於第五十一頁。

12. Jointly controlled companies (cont'd)

The financial results of the jointly controlled companies at 31st December are as follows:

12. 共控公司 (續)

共控公司於十二月三十一日之財務業績如下：

	HAESL 香港航空發動機 維修服務公司		TAECO 廈門太古 飛機工程公司		Others 其他		Total 總計		
	2003	2002	2003	2002	2003	2002	2003	2002	
(in HK\$ Million)									(港幣百萬元)
Turnover	3,636	3,356	607	583	316	272	4,559	4,211	營業總額
Operating profit	437	403	149	160	73	49	659	612	營業溢利
Profit on disposal of a jointly controlled company	-	-	25	-	-	-	25	-	出售一家共控公司溢利
Net finance (charges)/income	(7)	(20)	1	-	(1)	(2)	(7)	(22)	財務(支出)/收入淨額
Share of results of jointly controlled companies	1	(8)	-	(11)	-	-	1	(19)	應佔共控公司業績
Profit before taxation	431	375	175	149	72	47	678	571	除稅前溢利
Taxation	(80)	(62)	(12)	(7)	(8)	(7)	(100)	(76)	稅項
Profit attributable to shareholders	351	313	163	142	64	40	578	495	股東應佔溢利
Dividends	-	-	(37)	(39)	(29)	(43)	(66)	(82)	股息
Surplus/(deficit) retained for the year	351	313	126	103	35	(3)	512	413	本年度保留盈餘/(逆差)
Funds employed:									資金運用：
Long-term assets	857	819	841	838	177	141	1,875	1,798	長期資產
Current assets	1,157	1,211	206	187	170	138	1,533	1,536	流動資產
	2,014	2,030	1,047	1,025	347	279	3,408	3,334	
Less: current liabilities	622	666	77	103	151	151	850	920	減：流動負債
	1,392	1,364	970	922	196	128	2,558	2,414	
Financed by:									資本來源：
Shareholders' equity and loans	1,320	1,307	956	908	177	111	2,453	2,326	股東股權及借款
Long-term liabilities	72	57	14	14	19	17	105	88	長期負債
	1,392	1,364	970	922	196	128	2,558	2,414	
Group's weighted average % shareholding in the year	45.0%	45.0%	49.6%	49.6%					集團於本年度之加權平均權益百分率
Group's attributable pre-tax profits	194	169	87	74	26	19	307	262	集團應佔除稅前溢利
Less: share of taxation thereon	(36)	(28)	(6)	(3)	(2)	(4)	(44)	(35)	減：其應佔之稅項
Group's share of profit attributable to shareholders	158	141	81	71	24	15	263	227	集團應佔股東溢利
Group's share of funds employed at 31st December	594	588	474	447	54	35	1,122	1,070	十二月三十一日結算集團應佔資金運用

The profit on disposal of a jointly controlled company is the profit on the disposal of TAECO's entire shareholding in GE Engine Services (Xiamen) Company Limited during the year.

出售一家共控公司溢利指於年內悉數出售其廈門太古飛機工程公司於通用電氣發動機服務(廈門)有限公司所持之全部股份所得之溢利。

13. Retirement benefits**(a) Overall**

Staff employed by the Company before 1st December 2000 were offered a choice between Hong Kong's Mandatory Provident Fund ("MPF") and the defined benefit retirement schemes as described below. Since 1st December 2000, all new staff employed unless specially approved by the Company have been enrolled in the MPF.

The Hong Kong Aircraft Engineering Company Local Staff Retirement Benefits Scheme provides resignation and retirement benefits to its members upon their cessation of service with the Company. The Company meets the full cost of all benefits due by the Scheme to members, who are not required to contribute to the Scheme.

Similarly, the Hong Kong Aircraft Engineering Company Staff Retirement Benefits Scheme is for staff employed on expatriate terms. However, both members and the Company contribute to the Scheme.

Actuarial valuations of the two defined benefit schemes are performed annually by Watson Wyatt Hong Kong Limited, an independent qualified actuary, using the projected unit credit method.

The retirement benefits costs recognised in the profit and loss account were as follows:

	2003	2002
<i>(in HK\$ Million)</i>		
Local Staff Retirement Benefits Scheme	90	47
Expatriate Staff Retirement Benefits Scheme	4	1
MPF Scheme (@5% of staff's relevant income capped at HK\$1,000/month)	3	3
	97	51

13. 退休福利**(a) 總述**

於二零零零年十二月一日前獲本公司聘用之僱員，可選擇參加香港的強制性公積金(強積金)計劃或下述之界定退休福利計劃。自二零零零年十二月一日起，所有新入職的僱員除非獲本公司特別批准，否則已加入強積金計劃。

香港飛機工程有限公司之本地僱員退休福利計劃，為其員工離職時提供退休福利。公司承擔職員根據該計劃所享有之一切福利之全部費用，職員毋須向該計劃供款。

同樣地，香港飛機工程有限公司職員退休福利計劃乃為按海外僱傭條款僱用之職員而設。不過，職員及公司均須向該計劃供款。

該兩項界定退休福利計劃之精算估值，由一間獨立合資格之精算公司華信惠悅顧問有限公司每年按預計單位貸記法計算。

已在損益賬中確認之退休福利費用如下：

	(港幣百萬元)
本地僱員退休福利計劃	47
海外僱員退休福利計劃	1
強積金計劃 (供款額為僱員有關收入百分之五，上限為每月港幣一千元)	3
	51

13. Retirement benefits (cont'd)

(b) Defined benefits retirement schemes

The amount recognised in the profit and loss account was made up as follows:

	Local Scheme 本地僱員計劃		Expatriate Scheme 海外僱員計劃		Total 總計		
	2003	2002	2003	2002	2003	2002	
(In HK\$ Million)							(港幣百萬元)
Current service cost	80	71	6	5	86	76	本期服務費用
Interest cost	72	86	4	5	76	91	利息費用
Expected return on plan assets	(75)	(110)	(7)	(9)	(82)	(119)	計劃資產預期回報
Net actuarial losses recognised in current year	13	-	1	-	14	-	本年確認之精算虧損淨額
Total	90	47	4	1	94	48	總額
Actual gain/(loss) on plan assets	400	(110)	36	(10)	436	(120)	計劃資產之實際收益/(虧損)

The amount recognised in the balance sheet was determined as follows:

	Group and Company 集團及公司						
	Local Scheme 本地僱員計劃		Expatriate Scheme 海外僱員計劃		Total 總計		
	2003	2002	2003	2002	2003	2002	
(In HK\$ Million)							(港幣百萬元)
At 31st December:							十二月三十一日結算：
Present value of obligations	1,574	1,460	104	95	1,678	1,555	責任之現值
Fair value of plan assets	(1,756)	(1,244)	(150)	(112)	(1,906)	(1,356)	計劃資產之公平值
Net (asset)/liability	(182)	216	(46)	(17)	(228)	199	(資產)/負債淨額
Unrecognised actuarial gains/(losses)	24	(333)	8	(22)	32	(355)	未確認精算(收益)/虧損
Asset recognised in the balance sheet	(158)	(117)	(38)	(39)	(196)	(156)	已於資產負債表中確認之資產

Movement in the asset recognised in the balance sheet:

	Group and Company 集團及公司						
	Local Scheme 本地僱員計劃		Expatriate Scheme 海外僱員計劃		Total 總計		
	2003	2002	2003	2002	2003	2002	
(In HK\$ Million)							(港幣百萬元)
Asset at 1st January	(117)	(99)	(39)	(40)	(156)	(139)	一月一日結算資產
(Increase)/decrease due to:							(增加)/減少原因：
Total expense - as shown above	90	47	4	1	94	48	總開支 — 如上列
Contributions paid	(131)	(65)	(3)	-	(134)	(65)	已付供款
Asset at 31st December	(158)	(117)	(38)	(39)	(196)	(156)	十二月三十一日結算資產

Principal actuarial assumptions for the year:

	2003	2002	
Discount rate	5%	5%	貼現率
Assumed rate of return on plan assets	6%	6%	假設計劃資產回報率
Assumed rate of future salary increases	4%	2% for 2004 and 4% thereafter	假設未來增薪率
		2004年為2%，之後為4%	

13. 退休福利 (續)

(b) 界定退休福利計劃

計入損益賬之數額結算如下：

於資產負債表中確認之數額如下：

已於資產負債表中確認之資產變動：

本年度主要精算假設：

14. Deferred taxation

14. 遞延稅項

	Group and Company 集團及公司					Net Deferred Tax Liability 遞延稅項負債淨額
	Deferred Tax Liability 遞延稅項負債			Deferred Tax Asset 遞延稅項資產	Tax Losses 稅務虧損	
	Accelerated Tax Depreciation 加速稅項折舊	Retirement Benefit Asset 退休金資產	Others 其他			
(in HK\$ Million)						(港幣百萬元)
At 1st January 2002	147	22	-	89	80	二零零二年一月一日結算
Charge/(credited) to profit and loss	-	3	(3)	(38)	38	於損益賬中支銷/(記賬)
At 31st December 2002	147	25	(3)	51	118	二零零二年十二月三十一日結算
Charge/(credited) to profit and loss	8	9	(6)	(11)	22	於損益賬中支銷/(記賬)
At 31st December 2003	155	34	(9)	40	140	二零零三年十二月三十一日結算

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

遞延稅項乃採用負債法就暫時差異按主要稅率百分之十七點五(二零零二年為百分之十六)全數計算。

15. Stocks and work in progress

Stocks and work in progress are stated at the lower of cost, calculated on a weighted average basis, and net realisable value. The carrying amount of stocks and work in progress at year end carried at net realisable value is HK\$28 million (2002: HK\$40 million) and HK\$2 million (2002: HK\$7 million) respectively. The remaining balance is carried at cost.

15. 存貨及未完工程

存貨及未完工程按以加權平均基準計算之成本與可變現淨值兩者中之較低者入賬。於本年底結算，以可變現淨值估值之存貨及未完工程賬面值分別為港幣二千八百萬元(二零零二年為港幣四千萬元)及港幣二百萬元(二零零二年為港幣七百萬元)。餘下結餘以成本入賬。

16. Debtors and creditors

The credit terms given to customers vary and are generally based on their individual financial strengths. Credit evaluations of debtors are performed periodically to minimise any credit risk associated with receivables.

Debtors included a promissory note from a third party, the final repayment date of which is in 2004, and which is irrevocable and interest-free.

	Group and Company 集團及公司	
	2003	2002
(In HK\$ Million)		
Amount due within one year included under current assets	2	2
Amount due over one year included under deferred items	-	2
	2	4

As at 31st December 2003, 98% of debtors (97% as at 31st December 2002) and 98% of creditors (99% as at 31st December 2002) were aged under six months.

16. 應收及應付賬項

給予顧客的信貨條件各不相同，一般視乎其個別的財務實力而定。本公司定期對債務人作信用評估，以盡量減低與應收款項有關的信貨風險。

應收賬項包括一項來自第三者之不可撤回及免息期票，其最後償還日期定於二零零四年。

	Group and Company 集團及公司	
	2003	2002
(港幣百萬元)		
列入流動資產項下須於一年內償還款項	2	2
列入遞延項目下須於一年以上償還款項	-	2
	2	4

二零零三年十二月三十一日結算，百分之九十八應收賬項（二零零二年十二月三十一日結算為百分之九十七）及百分之九十八應付賬項（二零零二年十二月三十一日結算為百分之九十九）之賬齡均低於六個月。

17. Share capital

	Company 公司			
	2003		2002	
	Number of shares 股份數目	HK\$M 港幣百萬元	Number of shares 股份數目	HK\$M 港幣百萬元
Authorised: Ordinary shares of HK\$1.00 each At 31st December	210,000,000	210	210,000,000	210
Issued and fully paid: Ordinary shares of HK\$1.00 each At 1st January	166,324,850	166	166,451,450	166
Shares repurchased and cancelled	-	-	(126,600)	-
At 31st December	166,324,850	166	166,324,850	166

During the year under review, no purchase, sale or redemption of the shares of the Company has been effected by the Company on the Hong Kong Stock Exchange. In 2002, 126,600 shares were repurchased at an aggregate consideration of HK\$1.5 million and subsequently cancelled.

17. 股本

	Company 公司			
	2003		2002	
	Number of shares 股份數目	HK\$M 港幣百萬元	Number of shares 股份數目	HK\$M 港幣百萬元
法定股本： 每股面值港幣1.00元普通股 十二月三十一日結算	210,000,000	210	210,000,000	210
發行及繳足股本： 每股面值港幣1.00元普通股 一月一日結算	166,324,850	166	166,451,450	166
購回及註銷股份	-	-	(126,600)	-
十二月三十一日結算	166,324,850	166	166,324,850	166

在回顧之年度內，本公司並無在香港聯合交易所購回、出售或贖回本公司之股份。在二零零二年，共有126,600股股份以總代價港幣一百五十萬元被購回，並隨即被註銷。

18. Reserves

18. 儲備

	Revenue reserve 收益儲備		Capital redemption reserve 資本贖回儲備		Total 總計		
	2003	2002	2003	2002	2003	2002	
<i>(in HK\$ Million)</i>							<i>(港幣百萬元)</i>
Group							集團
At 1st January	2,992	2,645	19	19	3,011	2,664	一月一日結算
Profit attributable to shareholders	345	465	-	-	345	465	股東應佔溢利
Repurchase of own shares – premium paid on repurchase	-	(1)	-	-	-	(1)	— 購回溢價
Previous year's final dividend paid	(76)	(70)	-	-	(76)	(70)	已付上年度末期股息
Previous year's special dividend paid	(416)	-	-	-	(416)	-	已付上年度特別股息
Current year's interim dividend paid	(47)	(47)	-	-	(47)	(47)	已付本年度中期股息
At 31st December	2,798	2,992	19	19	2,817	3,011	十二月三十一日結算
The Company	1,961	2,384	19	19	1,980	2,403	本公司
Subsidiary company	8	8	-	-	8	8	附屬公司
Jointly controlled companies	829	600	-	-	829	600	共控公司
	2,798	2,992	19	19	2,817	3,011	
Company							公司
At 1st January	2,418	2,259	19	19	2,437	2,278	一月一日結算
Profit attributable to shareholders	115	277	-	-	115	277	股東應佔溢利
Repurchase of own shares – premium paid on repurchase	-	(1)	-	-	-	(1)	— 購回溢價
Previous year's final dividend paid	(76)	(70)	-	-	(76)	(70)	已付上年度末期股息
Previous year's special dividend paid	(416)	-	-	-	(416)	-	已付上年度特別股息
Current year's interim dividend paid	(47)	(47)	-	-	(47)	(47)	已付本年度中期股息
At 31st December	1,994	2,418	19	19	2,013	2,437	十二月三十一日結算

Distributable reserves of the Company at 31st December 2003, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$1,994 million (2002: HK\$2,418 million).

The revenue reserve includes HK\$259 million (2002: HK\$492 million) representing the recommended final dividend and special dividend for the year under review (note 8).

根據香港公司條例第79B條計算，本公司於二零零三年十二月三十一日可分配之儲備為港幣十九億九千四百萬元（二零零二年為港幣二十四億一千八百萬元）。

收益儲備包括本年度建議之末期股息及特別股息（附註8）港幣二億五千九百萬元（二零零二年為港幣四億九千二百萬元）。

19. Long term loan

	Group and Company 集團及公司	
	2003	2002
<i>(in HK\$ Million)</i>		
At 1st January	107	110
Repayment during the year	(3)	(3)
At 31st December	104	107
Maturity profile:		
Repayable within one year	4	3
Repayable between one and two years	4	4
Repayable between two and five years	15	14
Repayable after five years	81	86
	104	107
Amount due within one year included under current liabilities	(4)	(3)
	100	104

The loan is provided by a subsidiary of Cathay Pacific Airways Limited, is unsecured, interest bearing at 8.35% per annum and is repayable by equal semi-annual instalments to June 2018.

19. 長期借款

	(港幣百萬元)
At 1st January	一月一日結算
Repayment during the year	於本年內償還
At 31st December	十二月三十一日結算
Maturity profile:	還款期限：
Repayable within one year	於一年內償還
Repayable between one and two years	於一年至兩年內償還
Repayable between two and five years	於兩年至五年內償還
Repayable after five years	於五年後償還
Amount due within one year included under current liabilities	列入流動負債項下須於一年內償還款項

該項借款由國泰航空有限公司之一家附屬公司提供，並無抵押，年利率為百分之八點三五，至二零一八年六月以相等之半年期款額償還。

20. Notes to the consolidated cash flow statement**(a) Reconciliation of operating profit to cash generated from operations**

	2003	2002	
<i>(in HK\$ Million)</i>			<i>(港幣百萬元)</i>
Operating profit	108	273	營業溢利
Depreciation	129	126	折舊
Receipt on sale of business to a jointly controlled company	-	7	出售業務予一家共控公司收入
Decrease in promissory note	2	2	期票減少
Increase in retirement benefits asset	(40)	(17)	退休福利資產增加
Decrease in stocks and work in progress	34	52	存貨及未完工程減少
Decrease/(increase) in debtors and prepayments	74	(83)	應收及預付賬項減少/(增加)
(Decrease)/increase in creditors and accruals	(54)	40	應付及應計賬項(減少)/增加
Net cash generated from operations	253	400	營業產生之現金淨額

20. 綜合現金流量表附註**(a) 營業溢利與營業產生之現金對賬****(b) Analysis of changes in financing**

	Long-term loan 長期借款	Minority interest 少數股東權益	Total 總計	
<i>(in HK\$ Million)</i>				<i>(港幣百萬元)</i>
At 31st December 2001	110	5	115	二零零一年十二月三十一日結算
Repayment of term loan	(3)	-	(3)	償還長期借款
At 31st December 2002	107	5	112	二零零二年十二月三十一日結算
Repayment of term loan	(3)	-	(3)	償還長期借款
At 31st December 2003	104	5	109	二零零三年十二月三十一日結算

(b) 融資變動分析**(c) Analysis of changes in cash and cash equivalents**

	2003	2002	
<i>(in HK\$ Million)</i>			<i>(港幣百萬元)</i>
At 1st January	475	113	一月一日結算
(Decrease)/increase in cash and cash equivalents	(67)	362	現金及現金等價物(減少)/增加
At 31st December	408	475	十二月三十一日結算

(c) 現金及現金等價物變動分析**(d) Analysis of deposits and bank balances at 31st December**

Cash and cash equivalents			現金及現金等價物
- Short term deposits and bank balances	408	475	— 短期存款及銀行結存
Deposits maturing after three months	12	72	逾三個月定期存款
	420	547	

(d) 十二月三十一日結算之存款及銀行結存分析

21. Capital commitments

	Group and Company 集團及公司	
	2003	2002
(in HK\$ Million)		
Contracted for but not provided in the accounts	21	23
Authorised by Directors but not contracted for	13	18
The Group's share of capital commitments of jointly controlled companies not included above:		
Contracted for but not provided in the accounts	13	95
Authorised by Directors but not contracted for	5	10

21. 資本性承擔

	(港幣百萬元)
經訂約但未在賬項中作準備	
經董事局批准但未訂約	
上述不包括本集團應佔共控公司之資本性承擔如下：	
經訂約但未在賬項中作準備	
經董事局批准但未訂約	

22. Lease commitments

At 31st December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group and Company 集團及公司	
	2003	2002
(in HK\$ Million)		
Land and buildings:		
Leases expiring:		
- Within one year	49	53
- After one year but within five years	193	205
- After five years	456	538
	698	796

22. 租賃承擔

二零零三年十二月三十一日結算，集團未來於不可撤銷營業租賃項之最低租賃支出總額如下：

	(港幣百萬元)
土地及樓宇：	
租約期滿時間：	
— 一年內	
— 一年後五年內	
— 五年後	

23. Related Party Transactions

The Group has a number of transactions with its related parties. All trading transactions are conducted on normal commercial terms in the ordinary and usual course of business. The aggregated transactions and balances which are material to the Group and which have not been disclosed elsewhere in the annual report are summarised below:

	Note 附註	Jointly Controlled Companies 共控公司		Other Related Parties 其他有關連人士		Total 總計		
		2003	2002	2003	2002	2003	2002	
(in HK\$ Million)		(港幣百萬元)						
Revenue from provision of services	a	234	177	1,034	1,083	1,268	1,260	提供服務所得之收入
Purchase of services	b	1	3	49	76	50	79	購買服務
Debtors at 31st December	c			163	166			十二月三十一日結算應收賬項
Creditors at 31st December	c			10	28			十二月三十一日結算應付賬項

Note:

a. Revenue from the provision of services to jointly controlled companies comprised mainly services to HAESL and TAECO. Services provided to HAESL included engine component repairs charged at normal commercial rates and the provision of certain administrative services charged at cost based on the agreement with Rolls-Royce plc concerning the formation of HAESL. Services provided to TAECO related principally to charges at commercial rates covering the stationing of a working team of 148 people on average in TAECO and management services. Services provided to other jointly controlled companies included component and other operational support charged at normal commercial rates.

Revenue from the provision of services to other related parties comprised maintenance charges for the Cathay Pacific Airways, Dragonair and Air Hong Kong fleets as well as logistic support and storage charges for Cathay Pacific Airways.

b. Purchases of services from jointly controlled companies comprised mainly overhaul charges for work carried out on aircraft components by HAESL.

Purchases of services from other related parties comprised:

	2003	2002	
(in HK\$ Million)	(港幣百萬元)		
Spares purchased from Cathay Pacific Airways Limited	30	55	向國泰航空公司購買備件
Property insurance placed through SPACIOM, a captive insurance company wholly owned by Swire Pacific Limited	3	-	向一家由太古股份有限公司全資擁有之專屬自保 保險公司SPACIOM投保之財產保險
Services fee payable to John Swire & Sons (H.K.) Limited	3	8	向香港太古集團有限公司支付之服務費
Reimbursement, at cost, of expenses incurred, payable to John Swire & Sons (H.K.) Limited	13	13	向香港太古集團有限公司支付之按成本代支費用
	49	76	

c. The outstanding amounts at 31st December 2003 due from/to other related parties are contained respectively in "debtors and prepayments" and "creditors and accruals" in the consolidated and company balance sheet.

With the exception of the insurance premium payable to SPACIOM and the services fee payable to John Swire & Sons (H.K.) Limited Group as described in note b, none of the above related party transactions constitute a discloseable connected transaction as defined in the Listing Rules.

23. 有關連人士交易

本集團有若干有關連人士交易。所有交易均按照一般商業條件以及在正常業務程序下進行。本集團之重大及未有在此年報其他章節披露之交易總值及年終結餘摘要如下：

附註：

a. 向共控公司提供服務所得之收入主要包括為香港航空發動機維修服務公司及廈門太古飛機工程公司提供之服務。為香港航空發動機維修服務公司提供之服務包括按一般商業價格收費之發動機部件修理，及根據與勞斯萊斯公司就成立香港航空發動機維修服務公司所訂之協議按成本收費提供之若干行政服務。為廈門太古飛機工程公司提供之服務主要為在廈門太古飛機工程公司派駐一個平均一百四十八人的工作小組按商業價格收取之費用及管理服務費。向其他共控公司提供之服務包括按一般商業價格收費之部件及其他運作支援。

向其他有關連人士提供服務所得之收入包括向國泰航空公司、港龍航空公司及華民航空公司機隊收取之維修費及向國泰航空公司收取之後勤支援及儲存開支。

b. 自共控公司購買之服務主要包括向香港航空發動機維修服務公司支付之飛機部件大修費用。

向其他有關連人士購買之服務包括：

向國泰航空公司購買備件
向一家由太古股份有限公司全資擁有之專屬自保保險公司SPACIOM投保之財產保險
向香港太古集團有限公司支付之服務費
向香港太古集團有限公司支付之按成本代支費用

c. 於二零零三年十二月三十一日結算應收／應付其他有關連人士賬項分別列載於「綜合資產負債表」及「公司資產負債表」之「應收及預付賬項」及「應付及應計賬項」內。

除於附註b所述向SPACIOM支付之保費及向香港太古集團有限公司支付之服務費外，上述有關連人士交易並不構成上市規則所界定之須予披露關連交易。

Principal Subsidiary and Jointly Controlled Companies 主要附屬公司和共控公司

at 31st December 2003 二零零三年十二月三十一日結算

	Place of incorporation and operation 註冊成立及經營地點	Principal activities 主要業務	Owned directly 直接擁有	Owned by jointly controlled companies 共控公司擁有	Attributable to the Group 集團佔有
Subsidiary Company:					
附屬公司：					
South China Aero Technology Limited 華南航空技術有限公司	Hong Kong 香港	Aviation products trading 航空產品貿易	60%	-	60%
Jointly Controlled Companies:					
共控公司：					
EADS SOGERMA HAECO Services Company Limited	Hong Kong 香港	Aircraft component repair services 飛機部件修理服務	50%	-	50%
Goodrich Asia-Pacific Limited	Hong Kong 香港	Carbon brake machining and wheel hub overhaul 碳質掣動片切削及輪轂大修	49%	-	49%
Goodrich TAECO Aeronautical Systems (Xiamen) Company Limited 廈門豪富太古宇航有限公司	Xiamen 廈門	Aircraft fuel control, flight control and electrical component repairs 飛機燃油控制儀、航空控制儀及電器部件修理	-	35%	17.3%
Honeywell TAECO Aerospace (Xiamen) Company Limited 廈門霍尼韋爾太古宇航有限公司	Xiamen 廈門	Aircraft hydraulic, pneumatic, avionic component and other aviation equipment repairs 飛機液壓、氣壓、航電部件及其他航空設備修理服務	25%	10%	30%
Hong Kong Aero Engine Services Limited 香港航空發動機維修服務有限公司	Hong Kong 香港	Commercial aero engine overhaul services 商用飛機引擎大修服務	45%	-	45%
In-Services Asia Limited	Hong Kong 香港	Aircraft component trading and repair services 飛機部件貿易及修理服務	35%	-	35%
Singapore Aero Engine Services Pte. Limited 新加坡航空發動機維修服務有限公司	Singapore 新加坡	Trent engine overhaul services 特倫特引擎大修服務	-	20%	9%
Taikoo (Shandong) Aircraft Engineering Company Limited (formerly named Shandong TAECO Aircraft Engineering Company Limited) 山東太古飛機工程有限公司	Shandong 山東	Heavy maintenance services for B737 aircraft B737 型飛機大型維修服務	20%	10%	25%
Taikoo (Xiamen) Aircraft Engineering Company Limited 廈門太古飛機工程有限公司	Xiamen 廈門	Aircraft heavy maintenance 飛機大型維修服務	49.6%	-	49.6%

Principal subsidiary and jointly controlled companies are those which, in the opinion of the Directors, materially affect the result or assets of the Group.

董事局認為主要附屬公司及共控公司指對集團之業績及資產有重要影響之公司。

Auditors' report 核數師報告書

Auditors' report to the shareholders of Hong Kong Aircraft Engineering Company Limited (Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 28 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9th March 2004

致香港飛機工程有限公司 (於香港註冊成立之有限公司) 全體股東

本核數師已完成審核第二十八頁至五十一頁之賬目，該等賬目乃按照香港普遍採納之會計原則編製。

董事及核數師各自之責任

香港公司條例規定董事須編製真實兼公平之賬目。在編製該等真實兼公平之賬目時，董事必須採用適當之會計政策，並且貫徹應用該等會計政策。

本核數師之責任是根據審核之結果，對該等賬目作出獨立意見，並按照香港公司條例第141條之規定，只向作為法人團體之股東報告，不作其他用途。本核數師概不就本報告書之內容，向任何其他人士負責或承擔法律責任。

意見之基礎

本核數師已按照香港會計師公會所頒佈之核數準則進行審核工作。審核範圍包括以抽查方式查核與賬目所載數額及披露事項有關之憑證，亦包括評審董事於編製賬目時所作之重大估計和判斷，所採用之會計政策是否適合 貴公司與 貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。

本核數師在策劃和進行審核工作時，均以取得所有本核數師認為必需之資料及解釋為目標，以便獲得充分憑證，就該等賬目是否存有重大錯誤陳述，作出合理之確定。在作出意見時，本核數師亦已評估該等賬目所載之資料在整體上是否足夠。本核數師相信我們之審核工作已為下列意見提供合理之基礎。

意見

本核數師認為，上述之賬目足以真實兼公平地顯示 貴公司與 貴集團於二零零三年十二月三十一日結算時之財務狀況，及 貴集團截至該日止年度之溢利及現金流量，並按照香港公司條例妥為編製。

羅兵咸永道會計師事務所
香港執業會計師

香港，二零零四年三月九日



