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HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00044)

2015 FINAL RESULTS

FINANCIAL HIGHLIGHTS

		2015	2014	Change
Results				
Revenue	<i>HK\$ Million</i>	12,095	11,927	+1.4%
Net operating profit	<i>HK\$ Million</i>	339	439	-22.8%
Share of after-tax results of joint venture companies				
- Hong Kong Aero Engine Services Limited and Singapore Aero Engine Services Pte. Limited	<i>HK\$ Million</i>	194	267	-27.3%
- Other joint venture companies	<i>HK\$ Million</i>	52	47	+10.6%
Profit attributable to the Company's shareholders	<i>HK\$ Million</i>	464	573	-19.0%
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	<i>HK\$</i>	2.79	3.45	-19.0%
Total dividends per share	<i>HK\$</i>	1.70	2.10	-19.0%
Financial Position				
Net borrowings	<i>HK\$ Million</i>	2,710	2,610	+3.8%
Gearing ratio	<i>%</i>	37.7	35.3	+2.4%pt
Total equity	<i>HK\$ Million</i>	7,186	7,387	-2.7%
Equity attributable to the Company's shareholders per share	<i>HK\$</i>	35.36	36.49	-3.1%
Cash Flows				
Net cash generated from operating activities	<i>HK\$ Million</i>	696	1,115	-37.6%
Net cash inflow/(outflow) before financing activities	<i>HK\$ Million</i>	281	(2,211)	-112.7%

Note: The average number of shares in issue is 166,324,850 in 2015 (2014: 166,324,850).

CHAIRMAN'S LETTER

The HAECO Group reported an attributable profit of HK\$464 million in 2015. This compares to a profit of HK\$573 million in 2014.

The Directors have declared a second interim dividend of HK\$1.10 per share for the year ended 31st December 2015. Together with the first interim dividend of HK\$0.60 per share paid on 22nd September 2015, this results in total dividends for the year of HK\$1.70 per share and represents a total distribution of HK\$283 million, 19.0% lower than that made in respect of 2014. The second interim dividend, which totals HK\$183 million (2014: HK\$241 million), will be paid on 26th April 2016 to shareholders on the register at the close of business on 1st April 2016. Shares of the Company will be traded ex-dividend as from Wednesday, 30th March 2016.

The HAECO Group's businesses are being adversely affected by new airframes, engines and components requiring less maintenance than older airframes, engines and components.

Manhours sold by HAECO in Hong Kong ("HAECO Hong Kong") for airframe services increased by 13.8% in 2015. This reflected continued good demand and an increase in staff numbers. Manhours sold for line services in Hong Kong also increased in spite of a reduction in aircraft movements handled, as more work was done per movement. Manhours sold for components and avionics work in Hong Kong decreased. This reflected the retirement of Boeing 747-400 aircraft. The profit of HAECO ITM Limited ("HAECO ITM") increased. This reflected higher utilisation of rotatable parts as operations expanded. The profits of Hong Kong Aero Engine Services Limited ("HAESL") decreased. Fewer engines were overhauled. This reflected the retirement of aircraft operating Trent 500 engines and a reduction in the frequency of scheduled maintenance of Trent 700 engines.

HAECO USA Holdings, Inc. ("HAECO Americas") recorded a higher loss in 2015 than in the 11 months following its acquisition in 2014. This principally reflected completion of large, high work scope airframe services contracts and their replacement with smaller work scope contracts. HAECO Americas also shipped fewer seats. Demand for its old seats declined and the replacement seats were not yet in commercial production.

The profit of Taikoo (Xiamen) Aircraft Engineering Company Limited ("HAECO Xiamen") decreased in 2015. Fewer airframe maintenance manhours were sold and there was very little private jet work. Taikoo Engine Services (Xiamen) Company Limited ("TEXL") overhauled more engines. However its after tax profits fell, as it no longer had tax losses to utilise. The losses of Taikoo (Xiamen) Landing Gear Services Company Limited ("HAECO Landing Gear Services") were slightly smaller than those of 2014. It did more work in 2015 than in 2014, but better operating results were largely offset by unrealised foreign exchange losses on loans. The results of the Group's other joint ventures in Mainland China were better than in 2014.

The Group continued to invest in order to increase the scale of its operations and technical capabilities and to improve and widen the range of services it can offer to customers. Total capital expenditure for 2015 was HK\$716 million. Capital expenditure committed at the end of the year was HK\$1,928 million.

CHAIRMAN'S LETTER (cont'd)

Prospects

The prospects for the Group's different businesses in 2016 are mixed. HAECO Hong Kong's airframe services capacity is expected to grow in 2016, with more staff being hired. Training them will increase costs in the short term. Further growth in capacity will be constrained by lack of hangar space. Demand for line services in Hong Kong in 2016 is expected to remain strong. The component and avionics overhaul business will continue to be adversely affected by the cost of developing new capabilities. Demand for HAECO Americas' airframe services is expected to remain similar to that of 2015. Results are expected to improve through efficiency and work flow improvements on contracts entered into in 2015. HAECO Americas will start to deliver new Vector seats this year. The cabin integration order book is strong. HAECO Xiamen expects to do less airframe services work in 2016 than in 2015. Demand for TEXL's overhaul services is expected to remain firm in 2016. HAESL is expected to do less work per engine in 2016.

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

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

By Order of the Board

Hong Kong Aircraft Engineering Company Limited

John Slosar

Chairman

Hong Kong, 8th March 2016

REVIEW OF OPERATIONS

The profit attributable to the Company's shareholders comprises:

	2015 HK\$M	2014 HK\$M	Change
HAECO Hong Kong	167	103	+62.1%
HAECO Americas	(158)	(45)	-251.1%
HAECO Xiamen	69	89	-22.5%
TEXL	149	166	-10.2%
Share of:			
HAESL and SAESL	194	267	-27.3%
Other subsidiary and joint venture companies	43	(7)	+714.3%
	464	573	-19.0%

Industry Background

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

HAECO Hong Kong

HAECO Hong Kong's business comprises airframe services, line services at the passenger and cargo terminals at Hong Kong International Airport ("HKIA"), component services, material management and fleet technical management. It recorded a 62.1% increase in profit compared to 2014.

Airframe Services

HAECO Hong Kong performs scheduled maintenance checks, modifications and overhaul work on a wide variety of aircraft types. It competes on turnaround time and quality of workmanship with other maintenance, repair and overhaul facilities worldwide. Manhours sold increased from 2.46 million in 2014 to 2.80 million in 2015. This reflected continued good demand and an increase in staff numbers. 79.7% of the work was for airlines based outside Hong Kong.

Line Services

HAECO Hong Kong undertakes technical and non-technical line services for airlines operating at HKIA. The average number of aircraft movements handled decreased in 2015 by 7.6% to 303 per day. But line services manhours sold increased because more work was done per movement.

Component Services

HAECO Hong Kong overhauls components and avionics at Tseung Kwan O in Hong Kong. Manhours sold, together with those sold by HAECO Component Overhaul (Xiamen) Limited ("HAECO Component Overhaul (Xiamen)"), were 0.199 million in 2015, a decrease of 11.6% compared to 2014. The decrease reflected the retirement of Boeing 747-400 aircraft.

REVIEW OF OPERATIONS (cont'd)

HAECO Hong Kong employed 5,857 staff at the end of 2015, 2.1% more than at the end of 2014. The increase principally reflects recruitment of trainees.

Airframe services and line services capacity in 2016 is expected to grow, with more staff being hired. Training them will increase costs in the short term. Demand for line services in 2016 is expected to remain strong.

HAECO Americas (owned 100% by HAECO)

HAECO Americas, acquired in February 2014, recorded a loss of HK\$158 million for the full year 2015 compared to a loss of HK\$45 million (for the 11-month period following its acquisition) in 2014. The increased loss principally reflected a decline in airframe services manhours sold.

Airframe, Line and Engine Services

Demand for HAECO Americas' airframe services fell to 3.02 million manhours sold in 2015 from 3.66 million in the post-acquisition period in 2014. The decrease principally reflected completion of large, high work scope contracts and their replacement with smaller work scope contracts. At the end of 2015, line services were available at 21 stations in the United States, compared with 19 stations at the end of 2014. Engine overhaul work was steady in 2015, with 38 engines overhauled and two engines sold.

Cabins and Seats

In 2015, HAECO Americas worked on 40 cabin integration programmes compared with 44 in the post-acquisition period in 2014. Such reduction was partly compensated by more Panasonic Global Communication Suite kit work done in 2015. For seat business, it shipped approximately 4,200 premium economy and economy class seats compared with 8,600 in the post-acquisition period in 2014. Demand for HAECO Americas' old seats declined and the replacement seats were not yet in commercial production.

Demand for airframe services is expected to remain similar to that of 2015. Results are expected to improve through efficiency and work flow improvements on contracts entered into in 2015.

HAECO Americas will start to deliver its new Vector seats in 2016. Acceptance of the new seat will take time and the seat business is therefore expected to incur a loss. The cabin integration order book is strong.

HAECO Americas employed 2,597 staff at the end of 2015.

REVIEW OF OPERATIONS (cont'd)

HAECO Xiamen (owned 58.55% by HAECO)

HAECO Xiamen's business comprises airframe services, line services, private jet work, parts manufacturing and technical training.

In 2015, HAECO Xiamen recorded a 22.5% decrease in profit compared with 2014. Fewer airframe services manhours were sold in 2015 and there was very little private jet work.

Airframe Services

HAECO Xiamen provides airframe services in Xiamen. Manhours sold in 2015 were 3.46 million, 2.5% less than in 2014. There was less demand, particularly for heavy maintenance work.

Line Services

HAECO Xiamen provides line services in Xiamen, Beijing, Tianjin, Chongqing and Zhengzhou. It handled an average of 46 aircraft movements per day in 2015, 12.2% more than in 2014.

Private Jet Work

Revenue and profit from private jet work decreased significantly in 2015.

Parts Manufacturing and Technical Training

HAECO Xiamen manufactures parts and provides technical training in Xiamen. Parts manufacturing revenue increased by 12.8% in 2015. Revenue from technical training increased by 15.7% in 2015.

HAECO Xiamen employed 4,736 staff at the end of 2015, 3.4% fewer than at the end of 2014.

HAECO Xiamen expects to do less airframe services work in 2016 than in 2015.

New Airport in Xiamen

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

REVIEW OF OPERATIONS (cont'd)

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

TEXL has an engine overhaul facility in Xiamen. It has a service agreement with General Electric under which it provides MRO services for GE90-110B and GE90-115B engines. In 2015, TEXL completed 59 quick turn repairs on GE90 aircraft engines (56 of them being heavy or medium repairs) and 30 performance restorations on such engines, compared to 34 quick turn repairs and 37 performance restorations in 2014. TEXL also did high pressure compressor spool replacements, high pressure turbine shroud and vane replacements, low pressure turbine disc and blade replacements and turbine centre frame modifications. Extra work meant a higher profit before tax in 2015 than in 2014. TEXL's after tax profit fell as it no longer had tax losses to utilise.

The engine types overhauled by TEXL are getting older. They need more maintenance. Demand for TEXL's overhaul services is expected to remain firm in 2016.

HAESL (45% owned by HAECO)

HAESL repairs and overhauls Rolls-Royce engines and engine components at Tseung Kwan O in Hong Kong. The company recorded a 25.8% decrease in profit in 2015 compared to 2014. Fewer engines were overhauled. This reflected the retirement of aircraft operating Trent 500 engines and a reduction in the frequency of scheduled maintenance of Trent 700 engines. Engine output was 115 in 2015 compared with 147 in 2014.

HAESL is expected do less work per engine in 2016.

The Group's share of the after-tax profit of HAESL, including that derived from HAESL's interest in SAESL, decreased by 27.3% in 2015 to HK\$194 million.

In November 2015, conditional agreements were entered into for the restructuring of shareholdings in HAESL and SAESL. As part of the restructuring (and subject to satisfaction of the conditions to which the agreements are subject), HAESL will sell its 20% shareholding in SAESL. This sale is expected to result in a gain to HAESL. The amount of the gain will depend on (inter alia) when the agreements are completed. For illustrative purposes only, if (which is not certain) the agreements are completed by the end of April 2016, the gain to HAESL is expected to be approximately US\$229 million. 45% of the gain to HAESL (equivalent to approximately HK\$804 million if the agreements are completed by the end of April 2016) is expected to be reported as a profit by HAECO. As part of the restructuring, HAECO agreed to increase its shareholding in HAESL from 45% to 50%. On completion of the restructuring, HAESL will be owned as to 50% by HAECO and 50% by Rolls-Royce, and HAESL will no longer be interested in SAESL.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss

	2015 HK\$M	2014 HK\$M	Change HK\$M	Reference
Revenue				
- HAECO Hong Kong	3,628	3,178	450	
The increase reflects a 13.8% increase in airframe services manhours sold and more work being done per line services movement.				
-HAECO Americas	2,554	2,885	(331)	
The reduction reflects a decrease in airframe services manhours sold.				
-HAECO Xiamen	1,712	1,924	(212)	
The decrease reflects a significant reduction in private jet work.				
-TEXL	3,719	3,538	181	
The increase reflects more quick turn engine work, largely offset by less performance restoration work.				
-Others	482	402	80	
The increase reflects growth in business volume at HAECO ITM.				
-Total	12,095	11,927	168	Note 2
Staff remuneration and benefits	(4,813)	(4,573)	(240)	
The increase reflects higher staff costs at HAECO Hong Kong.				
Cost of direct material and job expenses	(5,460)	(5,322)	(138)	
The increase reflects more airframe services work at HAECO Hong Kong and engine repair work at TEXL.				
Depreciation, amortisation and impairment	(620)	(639)	19	
The reduction is principally due to an intangible asset of HAECO Americas being fully amortised at the end of 2014.				
Other operating expenses	(801)	(890)	89	
The decrease reflects a reversal of accrued rental expenses at HAECO Hong Kong.				
Other net gains	14	6	8	Note 3
The increase principally reflects a smaller loss on disposal of property, plant and equipment in 2015 than in 2014.				

FINANCIAL REVIEW (cont'd)

Consolidated Statement of Profit or Loss (continued)

	2015	2014	Change	Reference
	HK\$M	HK\$M	HK\$M	
Operating profit	415	509	(94)	
The reduction reflects higher losses at HAECO Americas and lower profits at HAECO Xiamen, partially offset by higher profits at HAECO Hong Kong, TEXTL and HAECO ITM.				
Net finance charges	(76)	(70)	(6)	Note 4
The increase principally reflects an increase in net borrowings.				
Share of after-tax results of joint venture companies	246	314	(68)	
The decrease reflects lower profits from HAESL and SAESL.				
Taxation	(33)	(94)	61	Note 5
The decrease principally reflects the deferred tax credit arising from higher losses at HAECO Americas, partially offset by the tax charge at TEXTL.				
Non-controlling interests	(88)	(86)	(2)	
A small increase as higher share of profit at TEXTL was largely offset by reduced profit at HAECO Xiamen.				
Profit attributable to the company's shareholders	464	573	(109)	

FINANCIAL REVIEW (cont'd)

Consolidated Statement of Financial Position

	2015	2014	Change	Reference
	HK\$M	HK\$M	HK\$M	
Property, plant and equipment	5,319	5,319	-	
The acquisition of rotatable spares at HAECO ITM and the construction of a plating shop at HAECO Landing Gear Services was offset by depreciation of assets at HAECO Hong Kong and HAECO Xiamen.				
Intangible assets	2,531	2,608	(77)	
The decrease was attributable to the amortisation of intangible assets at HAECO Americas.				
Joint venture companies	1,262	1,240	22	
The increase reflects HAECO's share of profits of HAESL and SAESL, partially offset by the dividends distributed by them.				
Trade and other receivables	1,902	1,767	135	Note 8
The increase reflects more receivables at HAECO Hong Kong and HAECO ITM.				
Trade and other payables (current portion)	2,377	2,044	333	Note 9
The increase reflects more payables at HAECO ITM and more deferred income at TEXL.				
Loans and finance lease obligations (current and non-current portion)	4,137	4,941	(804)	
The decrease principally reflects partial repayment of bank loans at TEXL and HAECO Xiamen and refinancing of bank loans by shareholders' loans at HAECO Americas, HAECO ITM and HAECO Landing Gear Services.				

FINANCIAL REVIEW (cont'd)

Consolidated Statement of Cash Flows

	2015 HK\$M	2014 HK\$M	Change HK\$M
Cash generated from operations	868	1,274	(406)
The decrease reflects higher losses at HAECO Americas in 2015 and the absence of non-recurring insurance compensation received by HAECO Landing Gear Services in 2014.			
Net interest paid	(58)	(47)	(11)
The increase reflects lower interest income, which in turn reflects lower bank balances.			
Dividend received from joint venture companies	185	251	(66)
The decrease reflects lower dividends from HAESL.			
Net cash outflow on purchase of shares in a subsidiary company	-	(2,942)	2,942
The net cash outflow in 2014 reflects the purchase of TIMCO Aviation Services, Inc.			
Purchase of property, plant and equipment	(702)	(664)	(38)
The increase reflects the construction of HAECO Landing Gear Services plating shop and the acquisition of a new property by HAECO Americas.			
Loans (repaid)/drawn (net of repayment)	(828)	2,360	(3,188)
Bank loans at TEXL and HAECO Xiamen were partly repaid and the financing of HAECO Americas, HAECO ITM and HAECO Landing Gear Services was restructured.			
Net cash inflow on disposal of shares in a subsidiary company	-	79	(79)
The net cash inflow in 2014 reflects the disposal of a 9.9% equity interest in TEXL.			

FINANCING

Sources of Financing

At 31st December 2015, net borrowings consisted of long-term loans of HK\$4,123 million and finance lease obligations of HK\$14 million, net of bank balances and short-term deposits of HK\$1,427 million. Committed facilities were HK\$5,951 million at 31st December 2015, of which HK\$1,766 million were undrawn. In addition, there were uncommitted facilities of HK\$1,930 million at the same date, of which all were undrawn.

	Available	Drawn	Undrawn expiring within one year	Undrawn expiring beyond one year
	HK\$M	HK\$M	HK\$M	HK\$M
Committed facilities				
- Loans and finance leases	5,951	4,185	-	1,766
Uncommitted facilities				
- Loans and overdraft	1,930	-	1,930	-
Total	7,881	4,185	1,930	1,766

Currency Hedging

HAECO Xiamen mitigates its exposure to changes in the exchange rate of the US dollar against the Renminbi by retaining surplus funds in Renminbi and by selling US dollars forward. At 31st December 2015, HAECO Xiamen had sold forward a total of US\$25.7 million to fund part of its Renminbi requirements for 2016 and 2017. The weighted average exchange rate applicable to these forward sales was RMB6.50 to US\$1. Because of the weakening of the Renminbi against the US dollar, losses of HK\$2 million were made on forward foreign exchange contracts in 2015.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year covered by the annual report with the following exceptions which it believes do not benefit shareholders:

- Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

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

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

Details of the Company’s corporate governance principles and processes will be available in the 2015 annual report.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31st December 2015

	Note	2015 HK\$M	2014 HK\$M
Revenue	2	12,095	11,927
Operating expenses:			
Staff remuneration and benefits		(4,813)	(4,573)
Cost of direct material and job expenses		(5,460)	(5,322)
Depreciation, amortisation and impairment		(620)	(639)
Insurance and utilities		(187)	(191)
Operating lease rentals - land and buildings		(214)	(275)
Repairs and maintenance		(163)	(188)
Other		(237)	(236)
		(11,694)	(11,424)
Other net gains	3	14	6
Operating profit		415	509
Finance income	4	20	30
Finance charges	4	(96)	(100)
Net operating profit		339	439
Share of after-tax results of joint venture companies		246	314
Profit before taxation		585	753
Taxation	5	(33)	(94)
Profit for the year		552	659
Profit attributable to:			
The Company's shareholders		464	573
Non-controlling interests		88	86
		552	659
Dividends			
First interim - paid		100	108
Second interim - declared/paid		183	241
	6	283	349
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	7	HK\$2.79	HK\$3.45

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31st December 2015

	<u>2015</u> HK\$M	<u>2014</u> HK\$M
Profit for the year	552	659
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Defined benefit retirement schemes		
- remeasurement losses recognised	(253)	(253)
- deferred tax	43	42
Share of other comprehensive income of joint venture companies	(19)	-
Items that can be reclassified subsequently to profit or loss		
Cash flow hedges		
- losses recognised	(8)	(18)
- transferred to revenue	10	8
- transferred to finance charges	4	2
- deferred tax	(2)	2
Share of other comprehensive income of joint venture companies	(2)	(27)
Net translation differences on foreign operations	(136)	(71)
Other comprehensive income for the year, net of tax	<u>(363)</u>	<u>(315)</u>
Total comprehensive income for the year	<u>189</u>	<u>344</u>
Total comprehensive income attributable to:		
The Company's shareholders	153	288
Non-controlling interests	36	56
	<u>189</u>	<u>344</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2015

	Note	2015 HK\$M	2014 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,319	5,319
Leasehold land and land use rights		337	360
Intangible assets		2,531	2,608
Joint venture companies		1,262	1,240
Deferred tax assets		182	96
Retirement benefit assets		36	53
Long-term prepayment		17	17
		9,684	9,693
Current assets			
Stocks		775	654
Work in progress		878	588
Trade and other receivables	8	1,902	1,767
Taxation recoverable		6	1
Derivative financial instruments		-	10
Cash and cash equivalents		1,413	2,310
Short-term deposits		14	21
		4,988	5,351
Current liabilities			
Trade and other payables	9	2,377	2,044
Taxation payable		42	38
Put option over a non-controlling interest in a subsidiary company		74	-
Derivative financial instruments		3	9
Short-term loans		-	453
Long-term loans due within one year		178	1,167
Finance lease obligations due within one year		3	3
		2,677	3,714
Net current assets		2,311	1,637
Total assets less current liabilities		11,995	11,330
Non-current liabilities			
Long-term loans		3,945	3,304
Finance lease obligations		11	14
Receipt in advance		16	27
Deferred income		20	23
Advance from a related party		295	218
Put option over a non-controlling interest in a subsidiary company		-	72
Deferred tax liabilities		239	273
Derivative financial instruments		-	2
Retirement benefit liabilities		275	-
Other payables		8	10
		4,809	3,943
NET ASSETS		7,186	7,387
EQUITY			
Share capital	10	185	185
Reserves	11	5,696	5,884
Equity attributable to the Company's shareholders		5,881	6,069
Non-controlling interests		1,305	1,318
TOTAL EQUITY		7,186	7,387

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December 2015

	<u>2015</u>	<u>2014</u>
	<u>HK\$M</u>	<u>HK\$M</u>
Operating activities		
Cash generated from operations	868	1,274
Interest paid	(81)	(81)
Interest received	23	34
Tax paid	(114)	(112)
Net cash generated from operating activities	<u>696</u>	<u>1,115</u>
Investing activities		
Purchase of property, plant and equipment	(702)	(664)
Purchase of intangible assets	(14)	(7)
Proceeds from disposals of property, plant and equipment	109	35
Dividends received from joint venture companies	185	251
Net cash outflow on purchase of shares in a subsidiary company	-	(2,942)
Decrease in deposits maturing after more than three months	7	1
Net cash used in investing activities	<u>(415)</u>	<u>(3,326)</u>
Net cash inflow/(outflow) before financing activities	<u>281</u>	<u>(2,211)</u>
Financing activities		
Proceeds from loans	1,430	5,738
Repayment of loans and finance leases	(2,258)	(3,378)
Net cash inflow on disposal of shares in a subsidiary company	-	79
Advance from a related party	77	128
Dividends paid to the Company's shareholders	(341)	(324)
Dividends paid to non-controlling interests	(49)	(38)
Net cash (used in)/generated from financing activities	<u>(1,141)</u>	<u>2,205</u>
Decrease in cash and cash equivalents	<u>(860)</u>	<u>(6)</u>
Cash and cash equivalents at 1st January	2,310	2,341
Currency adjustment	(37)	(25)
Cash and cash equivalents at 31st December	<u>1,413</u>	<u>2,310</u>

1. Basis of principal accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) and have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

- (a) The following amendments to standards were required to be adopted by the Group effective from 1st January 2015:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010-2012 Cycle Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions

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

- (b) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

- (c) The Group has not early adopted the following relevant new and revised standards that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012-2014 Cycle	1st January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKAS 1 (Amendment)	Disclosure Initiative	1st January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018

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

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

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

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

2. Revenue and segment information

Revenue represents the aggregate amounts invoiced to customers and changes in work in progress.

The Group is engaged in commercial aircraft overhaul, modification and maintenance mainly in Hong Kong, Mainland China and the United States. Management has determined the operating segments based on the reports used by the Executive Directors of the Board to assess performance and allocate resources. The Executive Directors of the Board consider the business primarily from an entity perspective.

2. Revenue and segment information (cont'd)

The segment information provided to the Executive Directors of the Board for the reportable segments is as follows:

Year ended 31st December 2015	HAECO Hong Kong HK\$M	HAECO Americas HK\$M	HAECO Xiamen HK\$M	TEXL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
						Adjustments to reflect the Group's equity share HK\$M			
External revenue	3,628	2,554	1,712	3,719	7,761	(7,761)	482	-	12,095
Inter-segment revenue	84	2	34	-	20	(20)	37	(157)	-
Total revenue	3,712	2,556	1,746	3,719	7,781	(7,781)	519	(157)	12,095
Operating profit/(loss)	216	(217)	144	254	391	(391)	18	-	415
Finance income	11	-	25	2	1	(1)	1	(19)	20
Finance charges	(25)	(47)	(4)	(12)	(9)	9	(25)	17	(96)
Share of after-tax results of joint venture companies	-	-	-	-	112	82	-	52	246
Profit/(loss) before taxation	202	(264)	165	244	495	(301)	(6)	50	585
Taxation (charge)/credit	(35)	106	(43)	(39)	(63)	63	(18)	(4)	(33)
Profit/(loss) for the year	167	(158)	122	205	432	(238)	(24)	46	552
Depreciation	167	62	139	38	88	(88)	92	-	498
Amortisation	1	57	14	30	5	(5)	1	-	103
Provision for impairment of stock and property, plant and equipment	28	15	8	3	-	-	19	-	73
Auditors' remuneration - statutory audit fees	3	2	1	-	-	-	1	-	7

Year ended 31st December 2014	HAECO Hong Kong HK\$M	HAECO Americas HK\$M	HAECO Xiamen HK\$M	TEXL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
						Adjustments to reflect the Group's equity share HK\$M			
External revenue	3,178	2,885	1,924	3,538	8,363	(8,363)	402	-	11,927
Inter-segment revenue	66	-	14	-	10	(10)	53	(133)	-
Total revenue	3,244	2,885	1,938	3,538	8,373	(8,373)	455	(133)	11,927
Operating profit/(loss)	135	(8)	215	217	525	(525)	(50)	-	509
Finance income	10	-	18	3	-	-	1	(2)	30
Finance charges	(26)	(38)	(5)	(15)	(8)	8	(18)	2	(100)
Share of after-tax results of joint venture companies	-	-	-	-	162	105	-	47	314
Profit/(loss) before taxation	119	(46)	228	205	679	(412)	(67)	47	753
Taxation (charge)/credit	(16)	1	(69)	4	(86)	86	(9)	(5)	(94)
Profit/(loss) for the year	103	(45)	159	209	593	(326)	(76)	42	659
Depreciation	163	72	150	37	99	(99)	81	-	503
Amortisation	1	69	12	30	4	(4)	-	-	112
Provision for impairment of stock and property, plant and equipment	9	11	9	-	-	-	24	-	53
Auditors' remuneration - statutory audit fees	2	2	1	-	-	-	1	-	6

2. Revenue and segment information (cont'd)

	HAECO Hong Kong HK\$M	HAECO Americas HK\$M	HAECO Xiamen HK\$M	TEXL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
						Adjustments to reflect the Group's equity share HK\$M			
At 31st December 2015									
Total segment assets	4,058	3,543	2,790	2,194	2,928	(2,928)	2,026	(1,201)	13,410
Total segment assets include:									
Additions to non-current assets (other than financial instruments, retirement benefit assets and deferred tax assets)	116	103	79	32	96	(96)	407	-	737
Total segment liabilities	2,315	2,889	415	1,118	1,198	(1,198)	1,941	(1,192)	7,486
	HAECO Hong Kong HK\$M	HAECO Americas HK\$M	HAECO Xiamen HK\$M	TEXL HK\$M	At 100% HK\$M	HAESL	Other segments - subsidiary companies HK\$M	Inter- segment elimination/ unallocated adjustments HK\$M	Total HK\$M
						Adjustments to reflect the Group's equity share HK\$M			
At 31st December 2014									
Total segment assets	4,050	3,357	3,147	2,135	2,377	(2,377)	1,821	(706)	13,804
Total segment assets include:									
Additions to non-current assets (other than financial instruments, retirement benefit assets, deferred tax assets and non- current assets acquired in business combination)	78	21	75	35	182	(182)	472	(3)	678
Total segment liabilities	1,597	3,065	691	1,262	652	(652)	1,747	(705)	7,657

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

	2015	2014
	HK\$M	HK\$M
Reportable segments' assets are reconciled to total assets as follows:		
Total segment assets	13,410	13,804
Unallocated: investment in joint venture companies	1,262	1,240
Total assets	14,672	15,044

The Group's principal joint venture companies, except for SAESL, are held by HAECO and HAECO Xiamen.

Reportable segments' liabilities are equal to total liabilities.

3. Other net gains

	2015 HK\$M	2014 HK\$M
Net foreign exchange gains/(losses)	6	(10)
Loss on disposal of property, plant and equipment	(18)	(26)
Receipt of government subsidies	20	41
Others	6	1
	<u>14</u>	<u>6</u>

4. Finance income and finance charges

	2015 HK\$M	2014 HK\$M
Finance income:		
Short-term deposits and bank balances	<u>20</u>	<u>30</u>
Finance charges:		
Bank loans	(88)	(96)
Advance from a related party	(4)	(1)
Finance lease obligations	(1)	(1)
Fair value losses on derivative instruments:		
Interest rate swaps: cash flow hedges, transferred from other comprehensive income	(4)	(2)
Fair value losses on put option over a non-controlling interest in a subsidiary company	(2)	-
Capitalised on property, plant and equipment	3	-
Total finance charges	<u>(96)</u>	<u>(100)</u>
Net finance charges	<u>(76)</u>	<u>(70)</u>

5. Taxation

	2015 HK\$M	2014 HK\$M
Current taxation:		
Hong Kong profits tax	40	13
Overseas taxation	80	97
(Over)/under-provisions in prior years	(6)	2
	<u>114</u>	<u>112</u>
Deferred taxation:		
Decrease/(increase) in deferred tax assets	7	(18)
Decrease in deferred tax liabilities	(88)	-
	<u>33</u>	<u>94</u>

5. Taxation (cont'd)

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of joint venture companies' tax charge of HK\$35 million (2014: HK\$47 million) is included in the share of after-tax results of joint venture companies shown in the consolidated statement of profit or loss.

6. Dividends

	Company	
	2015	2014
	HK\$M	HK\$M
First interim dividend paid on 22nd September 2015 of HK\$0.60 per share (2014: HK\$0.65 per share)	100	108
Second interim dividend declared on 8th March 2016 of HK\$1.10 per share (2014: HK\$1.45 per share)	183	241
	283	349

The Directors have declared a second interim dividend of HK\$1.10 per share for the year ended 31st December 2015. Together with the first interim dividend of HK\$0.60 per share paid on 22nd September 2015, this results in total dividends for the year of HK\$1.70 per share and represents a total distribution of HK\$283 million. The second interim dividend will be paid on 26th April 2016 to shareholders registered at the close of business on the record date, being Friday, 1st April 2016. Shares of the Company will be traded ex-dividend as from Wednesday, 30th March 2016.

The register of members will be closed on Friday, 1st April 2016 during which day no transfer of shares will be effected. In order to qualify for entitlement to the second interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 31st March 2016.

To facilitate the processing of proxy voting for the annual general meeting to be held on Friday, 6th May 2016, the register of members will be closed from Tuesday, 3rd May 2016 to Friday, 6th May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 29th April 2016.

The second interim dividend is not accounted for in 2015 because it had not been declared and approved at the year end date. The actual amount payable in respect of 2015 will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2016.

7. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders of HK\$464 million (2014: HK\$573 million) by the weighted average number of 166,324,850 ordinary shares in issue during the year (2014: 166,324,850).

8. Trade and other receivables

	2015 HK\$M	2014 HK\$M
Trade receivables - in HK dollars	27	21
in US dollars	959	957
in Renminbi	41	45
in other currencies	2	1
	<u>1,029</u>	<u>1,024</u>
Less: Provision for impairment of receivables	(91)	(89)
	<u>938</u>	<u>935</u>
Amounts due from joint venture companies	15	9
Amounts due from related parties	583	433
Other receivables and prepayments	366	390
	<u>1,902</u>	<u>1,767</u>

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

	2015 HK\$M	2014 HK\$M
Under three months	888	898
Between three and six months	44	27
Over six months	97	99
	<u>1,029</u>	<u>1,024</u>

At 31st December 2015, the Group had trade debtors of HK\$262 million (2014: HK\$428 million) which were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The period of time since the due date of these trade debtors is as follows:

	2015 HK\$M	2014 HK\$M
Under three months	240	383
Between three and six months	11	23
Over six months	11	22
	<u>262</u>	<u>428</u>

8. Trade and other receivables (cont'd)

At 31st December 2015, trade receivables of the Group of HK\$91 million (2014: HK\$89 million) were impaired and provided for. The impaired trade receivables relate to customers which are in unexpectedly difficult financial situations. The ageing of these receivables is as follows:

	2015 HK\$M	2014 HK\$M
Current	-	2
Up to three months overdue	3	16
Three to six months overdue	8	-
Over six months overdue	80	71
	91	89

9. Trade and other payables

	2015 HK\$M	2014 HK\$M
Trade payables	601	492
Amounts due to joint venture companies	10	1
Amounts due to related parties	30	38
Accrued capital expenditure	62	45
Accruals	1,088	985
Deferred income	404	244
Other payables	182	239
	2,377	2,044

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

	2015 HK\$M	2014 HK\$M
Under three months	586	485
Between three and six months	7	5
Over six months	8	2
	601	492

10. Share capital

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

The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3rd March 2014. On that date, the capital redemption reserve became part of share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not affect the number of shares in issue or the relative entitlements of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

11. Reserves

	Revenue reserve		Capital redemption reserve		Exchange translation reserve		Cash flow hedge reserve		Total	
	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M
At 1st January	5,725	5,703	-	19	167	210	(8)	(1)	5,884	5,931
Profit for the year	464	573	-	-	-	-	-	-	464	573
Other comprehensive income										
Defined benefit retirement schemes										
- remeasurement losses recognised	(253)	(253)	-	-	-	-	-	-	(253)	(253)
- deferred tax	43	42	-	-	-	-	-	-	43	42
Cash flow hedges										
- recognised during the year	-	-	-	-	-	-	(6)	(12)	(6)	(12)
- transferred to revenue	-	-	-	-	-	-	6	5	6	5
- transferred to finance charges	-	-	-	-	-	-	4	2	4	2
- deferred tax	-	-	-	-	-	-	(1)	1	(1)	1
Share of other comprehensive income of joint venture companies	(19)	(24)	-	-	-	-	(2)	(3)	(21)	(27)
Net translation differences on foreign operations	-	-	-	-	(83)	(43)	-	-	(83)	(43)
Total comprehensive income for the year	235	338	-	-	(83)	(43)	1	(7)	153	288
Previous year's second interim dividend paid	(241)	(216)	-	-	-	-	-	-	(241)	(216)
Current year's first interim dividend paid	(100)	(108)	-	-	-	-	-	-	(100)	(108)
Change in composition of the Group	-	8	-	-	-	-	-	-	-	8
Transition to no-par value regime on 3rd March 2014	-	-	-	(19)	-	-	-	-	-	(19)
At 31st December	5,619	5,725	-	-	84	167	(7)	(8)	5,696	5,884

12. Capital commitments

	2015 HK\$M	2014 HK\$M
Contracted but not provided for in the financial statements	657	166
Authorised by Directors but not contracted for	1,271	1,126
	<u>1,928</u>	<u>1,292</u>

Capital commitments mainly relate to the consideration in respect of the acquisition of 5% interest in HAESL, construction of new buildings and the acquisition of rotatable spares and other machinery and tools.

ANNUAL REPORT

The 2015 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company website www.haeco.com on or before 5th April 2016. Printed copies will be sent to shareholders who have elected to receive printed copies on 6th April 2016.

LIST OF DIRECTORS

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

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

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

Independent Non-Executive Directors: R.E. Adams, B.Y.C. Cha, D.C.L. Tong and P.P.W. Tse.

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